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

FORM 10-K

(Mark One)

[X] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 1996
[ ] 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 000-21615 .

BOSTON BIOMEDICA, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

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

375 WEST STREET, WEST BRIDGEWATER, MASSACHUSETTS	02379
(Address of Principal Executive Offices)	(zip code)

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

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OFTHE ACT:
None

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:
Common Stock, par value $.01 per share

Indicate by check whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

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

The aggregate market value of the voting stock held by non-affiliates of the Registrant at February 28, 1997 was $30,074,188. The aggregate market value was computed by reference to the closing price as of that date. (For purposes of calculating this amount only, all directors, executive officers and greater than 10% shareholders of the Registrant are treated as affiliates.)

The number of shares outstanding of the Registrant's only class of

common stock as of February 28, 1997 was 4,378,157.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive Proxy Statement for its 1997 annual meeting, are incorporated by reference into Part III of this Report, and portions of the Registrants Registration Statement on Form S-1 (Registration No. 333-10759) are incorporated by reference into Part IV of this Report.

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PART I

ITEM 1. BUSINESS

The Company is a worldwide provider of proprietary quality control products for use with in vitro diagnostic test kits ("test kits") for the detection, analysis and monitoring of infectious diseases, including AIDS, Hepatitis and Lyme Disease. These products are used to develop test kits, to permit the monitoring of laboratory equipment and personnel, and to help ensure the accuracy of test results. The Company's products are derived from human plasma and serum using proprietary manufacturing processes. The Company believes its Quality Control Panel products are viewed as the current industry standard for the independent assessment of the performance of HIV and Hepatitis test kits. The Company also manufactures diagnostic test kit components and provides specialty laboratory services, including clinical trials. The Company's customers include test kit manufacturers, regulatory agencies and end-users of test kits such as blood banks, hospital laboratories and clinical reference laboratories. Currently the Company's products are used in connection with the detection of more than 15 infectious diseases, and its specialty laboratory services are used in connection with the detection of over 100 such diseases.

The Company's strategy is to leverage its scientific capabilities in microbiology, immunology, virology, and molecular biology to (i) capitalize on the emerging end-user market, (ii) develop new products and services, (iii) enhance technical leadership, (iv) capitalize on complementary business operations, and (v) pursue strategic acquisitions and alliances.

INDUSTRY OVERVIEW

Infectious Disease Test Kits and Testing Methods. Test kits contain in one compact package all of the materials necessary to run a test for an infectious disease. These include the disposable diagnostic components, instructions, and reaction mixing vessels (generally 96-well plates or test tubes) which are coated with the relevant infectious disease antigens, antibodies or other materials. To perform the test, either a technician or a specially designed instrument typically mixes the solutions from the test kit with human blood specimens in a specific sequence according to the test kit instructions. The mixture must then "incubate" for up to 18 hours, during which time a series of biochemical reactions trigger signals (including color, light and radioactive count) which indicate the presence or absence and amount of specific markers of the particular disease in the specimen.

Test kits generally employ one of three methods for infectious disease testing: microbiology, immunology or molecular biology. Traditional microbiology tests use a growth medium that enables an organism, if present, to replicate and be detected visually. Immunology tests detect the antigen or antibody, which is an indicator (marker) of the pathogen (e.g., virus, bacterium, fungus or parasite). Molecular diagnostic methods, such as the polymerase chain reaction ("PCR"), test for the presence of nucleic acids (DNA or RNA) which are specific to a particular pathogen.

Most infectious disease tests currently use microbiological or immunological methods. However, molecular diagnostic methods are increasingly being used in research laboratories worldwide and the Company believes that soon they will be accepted for routine use in the clinical laboratory setting. The Company believes that the advent of molecular diagnostic methods will complement rather than diminish the need to test by microbiological and immunological procedures, because different test methods reveal different information about a disease state. The Company anticipates that as new test methods become more widespread, they will account for a larger portion of the Company's business.

Quality Control for In Vitro Diagnostic Test Kits. Customers employ quality control products in order to develop and use test kits (both infectious and non-infectious). Quality control products help ensure that test kits detect the correct analyte (specificity), detect it the same way every time

(reproducibility or precision), and detect it at the appropriate levels (sensitivity). The major element of this quality control process is the continuous evaluation of test kits by the testing of carefully characterized samples that resemble the donor or patient samples routinely used with the test. Quality control is used in both the infectious and non-infectious disease markets, although currently it is not as prevalent among end-users of infectious disease test kits.

The market for quality control products consists of three main customer segments: (i) manufacturers of test kits, (ii) regulatory agencies that oversee the manufacture and use of test kits and (iii) end-users of test kits, such as hospitals, clinical reference laboratories and blood banks.

COMPANY PRODUCTS AND SERVICES

OVERVIEW

The Company offers three product groups in infectious disease diagnostics: Quality Control Panels, Accurun(TM) Run Controls and Diagnostic Components. These products are used throughout the entire test kit life cycle, from initial research and development, through the regulatory approval process and test kit production, to training, troubleshooting and routine use by end-users. The Company's Quality Control Panels, which combine human blood specimens with comprehensive quantitative data useful for comparative analysis, help ensure that test kits detect the correct analyte (specificity), detect it the same way every time (reproducibility), and detect it at the appropriate levels (sensitivity). The Company's Accurun(TM) Run Controls enable end-users of test kits to confirm the validity of results by monitoring test performance, thereby minimizing false negative test results and improving error detection. In addition, the Company provides Diagnostic Components, which are custom processed human plasma and serum products, to test kit manufacturers.

The Company's specialty clinical laboratory services include both routine and sophisticated infectious disease testing in microbiology, immunology and molecular biology. The Company seeks to focus its specialty laboratory services in advanced areas of infectious disease testing, and provides contract research and clinical trials for domestic and foreign test kit manufacturers.

PRODUCTS

The Company manufactures its products from human plasma and serum which are obtained from nonprofit and commercial blood centers, primarily in the United States. The Company has acquired and developed an inventory of approximately 50,000 individual blood units and specimens (with volumes ranging from 1 ml to 800 ml) which provides most of the raw material for its products.

QUALITY CONTROL PANELS

Quality Control Panels consist of blood products characterized by the presence or absence of specific disease markers and a Data Sheet containing comprehensive quantitative data useful for comparative analysis. These Quality Control Products are designed for measuring overall test kit performance and laboratory proficiency, as well as for training laboratory professionals. The Company's Data Sheets, containing comprehensive quantitative data useful for comparative analysis, are an integral part of its Quality Control Products. These Data Sheets are created as the result of extensive testing of proposed panel components in both the Company's laboratories and at major testing laboratories on behalf of the Company in the United States and Europe, including national public health laboratories, research and clinical laboratories and regulatory agencies. These laboratories are selected based on their expertise in performing the appropriate tests on a large scale in an actual clinical setting; this testing process provides the Company's customers with the benefit that the Quality Control Panels they purchase from the Company have undergone rigorous testing in actual clinical settings. In addition, the Company provides information on its Data Sheets on the reactivity of panel components in all FDA licensed test

kits and all leading European test kits for the target pathogen, as well as for all other appropriate markers of this pathogen. For example, the Company's HIV panel Data Sheets include anti-HIV by IFA, ELISA and western blot; HIV antigen by ELISA; and HIV RNA by several molecular diagnostic procedures. The Company's Data Sheets require significant time and scientific expertise to prepare. The following table describes the types of Quality Control Panel products currently offered by the Company.

<TABLE>
<CAPTION>

QUALITY CONTROL PANEL PRODUCTS

PRODUCT LINE	DESCRIPTION	USE	CUSTOMERS
<S>	<C>	<C>	<C>
Seroconversion Panels	Plasma samples collected from a single individual overra specific time period showing conversion from negative to positive for markers of an infectious disease.-	Compare the clinical sensitivity of competing manufacturers' test kits, enabling the user to assess the sensitivity of a test in detecting a developing antigen/antibody.	Test kit manufacturers and regulators.
Performance Panels	A set of 10 to 50 serum and plasma samples collected from many different individuals and characterized for the presence or absence of a particular disease marker.	Determine test kit performance against all expected levels of reactivities in the evaluation of new, modified and improved test methods.	Test kit manufacturers and regulators.
Sensitivity Panels	Precise dilutions of human plasma or serum human plasma or serum	Evaluate the low-end analytical sensitivity of a test kit.	Test kit manufacturers

	containing a known amount of an infectious disease marker as calibrated against international standards.		
Qualification Panels	Dilutions of human plasma or serum manifesting a full range of reactivities in test kits for a specific marker.	Demonstrate the consistent lot-to-lot performance of test kits, troubleshoot problems, evaluate proficiency, and train laboratory technicians.	Clinical reference laboratories, blood banks, and hospital laboratories
OEM Panels	Custom-designed Qualification Panels for regulators and test kit manufacturers for distribution to customers or for internal use.	Train laboratory personnel on new test kits or equipment.	Custom designed with test kit manufacturers and regulators as an end-user product or for internal use.

</TABLE>

The Company first introduced Quality Control Panels in 1987. The Company currently offers a broad range of Quality Control Panels that address a variety of needs of manufacturers and regulators of test kits as well as blood banks, hospitals, clinical laboratories and other end-users. Prices for the Company's quality control seroconversion, performance and sensitivity panels range from $450 to $2,000 each, and its qualification and OEM panels range from $100 to $200 per panel.

Seroconversion and Performance Panels are comprised of unique and rare plasma specimens obtained from individuals during the short period of time when the markers for a particular disease are converting from negative to positive. As a result, the quantity of any such panel is limited, so that the Company must replace these panels as they sell out with another panel comprised of different specimens equally unique and rare. The Company believes that its inventory and relationships with blood centers affords it a competitive advantage in acquiring such plasma for replacement panels and developing new products to meet market demand. There can be no assurance that the Company will be able to continue to obtain such specimens.

Quality Control Panels currently span the immunologic markers for AIDS (i.e., HIV), Hepatitis B and C, Lyme Disease and ToRCH (Toxoplasma, rubella, cytomegalovirus and herpes simplex virus). New introductions this year include molecular Performance Panels for HBV and HCV, qualification panels for HIV, HBV and HCV, and additional Seroconversion Panels for HIV, HBV, and HCV.

ACCURUN(TM) RUN CONTROLS

End-users of test kits utilize Run Controls to confirm the validity of results by monitoring test performance, thereby minimizing false negative test results and improving error detection. Run controls consist of one or more specimens of known reactivity that are tested together with donor or patient samples in an assay to determine whether the assay is performing within the manufacturer's specifications. Clinical laboratories generally process their patient specimens in a batch processing mode, and typically include 25 to 100 specimens to be tested in each batch (a "run"). Large laboratories may perform several runs per day, while smaller laboratories may perform only a single run each day, or sometimes only several runs per week. A clinical laboratory using a Run Control will place the Run Control product in a testing well or test-tube, normally used for a specimen, and will test it in the same manner that it tests the donor or patient specimens. It will then compare the results generated to an acceptable range, determined by the user, to measure whether the other specimens are being accurately tested. The Run Control result must be within the

acceptable range to be considered valid. This is often tracked visually using a Levey-Jennings chart. Depending upon a particular laboratory's quality control practices, it may use several Run Controls on each run or it may simply use a Run Control in a single run at the beginning and end of the day.

The Company's Accurun(TM) family of products is targeted at the emerging market of end-users of infectious disease test kits. The Company believes that it offers the most comprehensive line of Run Controls in the industry, and that its Accurun(TM) products, in combination with its Quality Control Panel products, provide an extensive line of products for quality assurance in infectious disease testing. The Company intends to continue to expand its line of Accurun(TM) products, thereby providing its customers with the convenience and cost effectiveness of a single supplier for independent run controls.

The Company introduced its first four Accurun(TM) Run Control products in the fourth quarter of 1993 and has since developed and released for sale an additional 25 Accurun(TM) products. A limited number of these products are available for diagnostic purposes; the others currently are limited to research use. Current Accurun(TM) Run Control products range in price from $15 to $45 per milliliter and are described in the following table.

<TABLE>
<CAPTION>

ACCURUN(TM) RUN CONTROLS

PRODUCT LINE	DESCRIPTION	CURRENT NUMBER OF PRODUCTS	PRIMARY CUSTOMERS
<S>	<C>	<C>	<C>
Accurun(TM)1-99	Multi-marker Run Control for immunological tests	4	Blood Banks
Accurun(TM)100-199	Single-marker Run Control for immunological tests	18	Hospitals and clinical reference laboratories
Accurun(TM)200-299	Multi-marker Run Control for molecular tests	1	Research and specialty laboratories
Accurun(TM)300-399	Single-marker Run Control for immunological tests	3	Research and specialty laboratories
Accurun(TM)800-899	Negative Run Control for immunological and molecular tests	3	All laboratories

</TABLE>

The Company has received 510(k) clearance from the FDA to market its Accurun 1(R) line, for diagnostic purposes, and intends to apply for such clearance for the remainder of its Accurun(TM) products. All of the Company's Accurun Run Controls will require FDA premarket clearance or approval prior to being marketed for diagnostic use. An application for clearance for diagnostic use for one additional Accurun(TM) product has been submitted by the Company to

the FDA, and the Company anticipates that applications for approximately 16 additional Accurun(TM) products will be prepared and submitted to the FDA by the end of 1997. Failure to obtain, or delays in obtaining, such clearance or approval would adversely affect the Company's strategy of capitalizing on the end-user market.

DIAGNOSTIC COMPONENTS

Diagnostic Components are the individual materials supplied to infectious disease test kit manufacturers and combined (often after further processing by the manufacturer) with other materials to become the various fluid components of the manufacturer's test kit. The Company supplies Diagnostic Components in four product lines: Normal Human Plasma, Normal Human Serum, Basematrix, and Characterized Disease State Serum and Plasma. Normal Human Plasma and Serum are both the clear liquid portion of blood which contains proteins, antibodies, hormones and other substances, except that the Serum product has had the clotting factors removed. Basematrix, the Company's proprietary processed serum product that has been chemically converted from plasma, is designed to be a highly-stable, lower cost substitute for most Normal Human Serum and Plasma applications. Characterized Disease State Serum and Plasma are collected from specific blood donors pre-selected because of the presence or absence of a particular disease marker. The Company often customizes its Diagnostic Components by further processing the raw material to meet the specifications of the test kit manufacturer. The Company's Diagnostic Components range in price from $0.25 to $60 per milliliter, with the majority selling between $0.50 and $5 per milliliter.

SERVICES

The Company seeks to focus its specialty laboratory services in both the clinical reference laboratory testing and advanced research areas. The Company concentrates its services in those areas of infectious disease testing which are complementary to its quality control and diagnostic products businesses.

Specialty Clinical Laboratory Testing. The Company operates an independent specialty clinical laboratory which performs both routine and sophisticated infectious disease testing in microbiology, immunology and molecular biology, with special emphasis in AIDS, Viral Hepatitis and Lyme Disease. The Company's specialty clinical laboratory combines traditional microbiology, advanced immunology, and current molecular diagnostic techniques, such as PCR, to detect and identify microorganisms, their antigens and related antibodies, and their nucleic acids (i.e., DNA and RNA). Customers include physicians, clinics, hospitals and other clinical/research laboratories.

Contract Research. The Company offers a variety of contract research services in molecular biology, cell biology and immunology to governmental agencies, diagnostic test kit manufacturers and biomedical researchers. Molecular biology services include DNA sequencing, recombinant DNA support, probe labeling and custom PCR assays. Cell biology and immunology services include sterility testing, virus infectivity assays, cultivations of virus or bacteria from clinical specimens, preparation of viral or bacterial antigens or nucleic acids, and production of antibodies. The Company is currently providing research services for assessment of the efficiency of candidate HIV vaccines in a monkey model system under two separate contracts with the National Institute for Allergy and Infectious Disease ("NIAID"), a part of the National Institutes of Health ("NIH"). Each of these contracts has a two year term which expires in September 1997. In addition, since 1983, the Company, through its BTRL subsidiary, has provided blood processing and repository services for the National Cancer Institute ("NCI"), also a part of the NIH. The repository stores over 2,000,000 specimens and processes or ships up to several thousand specimens per week in support of various NIH cancer and virus research programs. A new one

year NCI repository contract was signed in February 1997 which includes four one year renewal options exercisable by NCI. The total value of the contract in the first year is $916,000, and including all options, is $4.8 million. There can be no assurance that any of these options will be exercised.

Clinical Trials. The Company conducts clinical trials for domestic and foreign test kit manufacturers. Test kit manufacturers must conduct such trials to collect data for submission to the United States FDA and other regulatory agencies. By providing this service, the Company is able to maintain close contact with test kit manufacturers and regulators, and is able to evaluate new technologies in various stages of development. The Company believes that the reputation of its laboratory and scientific staff, its large number of Quality Control Panels, and its inventory of characterized serum and plasma specimens assist the Company in marketing its clinical trial services to its customers. The Company has performed clinical trials for a number of United States and foreign test kit manufacturers seeking to obtain FDA approval for their infectious disease test kits.

Drug Screening Program. As a subcontractor for an NIH AIDS grant held by the University of North Carolina at Chapel Hill, the Company has established an anti-HIV drug screening program to test a large number of natural products (largely plant derivatives) to determine whether they inhibit HIV replication in an in vitro assay system. These in vitro assays are also offered as a service to researchers and pharmaceutical companies who wish to test various candidate anti-viral agents for anti-HIV activity.

RESEARCH AND DEVELOPMENT

The Company's research and development effort is focused on the development of (i) new and improved Quality Control Products for the emerging end-user market, (ii) new products for existing customers, (iii) Diagnostic Components for use with test kits for both new test methodologies and new diseases, and (iv) infectious disease testing services using PCR and other amplification assays for AIDS, Viral Hepatitis, Lyme Disease and Chlamydia, among others. The Company has approximately 20 full or part-time employees dedicated to its research and development effort. For 1996 the Company increased spending on research and development as a percentage of revenues compared to 1995 and expects to continue to increase such expenditures as a percentage of revenues for the next several years. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Results of Operations." The Company's research scientists work closely with sales, marketing and manufacturing personnel to identify and prioritize the development of new products and services.

The Company's product development activities center on the identification and characterization of materials for the manufacture of new Quality Control Products and the replacement of sold-out products. During 1996, the Company introduced 30 new Seroconversion, Performance and Sensitivity Panel products as well as 25 new Accurun(TM) Run Controls; in addition, during 1996, the Company released six Qualification Panel products. The Company is developing new Quality Control Products for use with molecular diagnostic tests for HIV, HCV and HBV. Recently the Company expanded its Quality Control Product line beyond the retrovirus and Viral Hepatitis diagnostics area to include sexually transmitted diseases (e.g., Syphilis), tick-borne diseases (e.g., Lyme Disease), and respiratory and other infections (e.g., Tuberculosis) and is continuing to develop new Quality Control Products for these and other diseases. The Company has increased the number of Quality Control Products it offers from approximately 20 in 1990 to approximately 191 products in 1996.

The Company is also developing new and improved infectious disease specialty tests for Lyme Disease and other tick-borne diseases for use in its specialty laboratory business. The Company is also pursuing new applications of

PCR technology to infectious disease diagnostics, such as amplification assays for the pathogens of AIDS, Viral Hepatitis, Lyme Disease and Chlamydia, and for the direct detection of other infectious agents in blood, tissues and other body fluids.

From time to time in the past, the Company has funded a portion of its research and development activities from grants provided by various agencies and departments of the U.S. government. See "-- Services."

STRATEGIC ALLIANCES

University of North Carolina at Chapel Hill. The Company is directly supporting a drug discovery program at UNC, in which a full-time research scientist is working to develop synthetic derivatives of anti-HIV compounds that have been discovered pursuant to the Company's joint collaboration with UNC. This research scientist is also working to introduce modifications to these derivatives that would make them more soluble, less toxic, or otherwise enhance their anti-viral properties. UNC has licensed to the Company exclusive worldwide rights to three series of patent applications filed by the Company and UNC with respect to three classes of anti-HIV compounds. Two such compounds have exhibited therapeutic indices in in vitro test model systems in excess of those recorded for AZT under comparable test conditions. The Company is expending approximately $100,000 per year for research and development relating to these compounds. In addition, under this license, the Company will also have the rights to any new anti-HIV compounds or derivatives developed in the course of this sponsored research, provided the Company obtains certain regulatory approvals from the FDA. See "-- Services."

Ajinomoto Co., Inc. The Company entered into an agreement with Ajinomoto Co., Inc. in October 1995 pursuant to which the Company is performing research regarding among other things, whether tests for certain amino acids in plasma can be used to determine a person's immune status, particularly in chronic fatigue syndrome. This project is funded by Ajinomoto and has a three year budget of approximately $1,000,000. Discoveries and inventions arising from the research will be owned by Ajinomoto, but the Company has the right of first refusal to obtain certain exclusive licenses from Ajinomoto of any patented technology arising from the research. The Company is entitled to certain royalties based upon a percentage of sales of products arising out of the research. This agreement expires in September 1998.

BioSeq, Inc. In October 1996, the Company entered into a strategic alliance with BioSeq, Inc. an early stage biotechnology company that is developing a technology that may, through the use of pressure, be able to more precisely control chemical reactions. The Company believes that this technology may be useful for sequencing, synthesizing and characterizing nucleic acids and proteins, which may then allow for the more precise identification of infectious disease agents. See also Note 4 to the Company's Notes to Consolidated Financial Statements in Item 8 hereunder regarding the Company's investment in BioSeq, Inc.

SALES AND MARKETING

The Company's sales and marketing efforts are directed by a Senior Vice President of Sales and Marketing who supervises 18 sales people and four other full-time sales and marketing employees.

The Company's marketing strategy is focused upon addressing the needs of its customers in the infectious disease testing market throughout the entire test kit life-cycle, from initial research and development, through the regulatory approval process and test kit production, to training,

troubleshooting and routine use by end-users such as clinical laboratories, hospitals and blood banks.

The Company recently has begun to focus its sales and marketing efforts on the emerging end-user market for quality control products for infectious disease test kits. To promote this objective, the Company has implemented a major marketing platform, known as "Total Quality System" ("TQS"). TQS is a package of Quality Control Products, including the Company's Accurun(TM) Run Controls, which is designed to provide test kit end-users with the products needed in an overall quality assurance program. These products enable laboratories to evaluate each of the key elements involved in the testing process: the test kit, laboratory equipment and laboratory personnel. The Company believes that TQS effectively addresses the need for end-users to ensure the accuracy of their test results. The Company intends to continue to expand its sales and marketing activities with respect to its Accurun(TM) line of Run Control products.

The Company's products are currently sold through a combination of telephone, mail, third party distributors and limited direct sales efforts. Domestically, products are sold through an in-house tele-sales group consisting of seven sales representatives, two sales managers and one customer service representative. Internationally, the Company distributes its products both directly and through 18 independent distributors located in Japan, Australia, South America, Southeast Asia, Israel and Europe. The Company's international sales manager oversees the Company's foreign distributors. Export sales, including sales to distributors, for the years ended December 31, 1994, 1995, and 1996 were $2.3 million, $3.1 million, and $3.9 million, respectively.

The Company's Specialty Clinical Laboratory Testing services are marketed primarily through a direct domestic sales force consisting of seven sales representatives managed by a sales director. The sales representatives are located throughout the eastern and mid-western United States. They are supported internally by a client services representative.

The Company emphasizes high quality products and services, technical knowledge, and responsiveness to customer needs in its marketing activities for both products and services. The Company educates its distributors, customers and prospective customers about its products through a series of detailed marketing brochures, technical bulletins and pamphlets, press releases and direct mail pieces. These materials are supplemented by advertising campaigns in major industry publications, technical presentations, and exhibitions at local, national and international trade shows and expositions.

CUSTOMERS

The Company's customers for Quality Control Products and Diagnostic Components comprise three major groups: (i) international diagnostics and pharmaceutical manufacturing companies, such as Abbott Diagnostics, Behring, Boehringer Mannheim, Chiron, Fujirebio, Hoffman LaRoche, Ortho Diagnostics (Johnson and Johnson), Sanofi Diagnostics and Sorin Biomedica; (ii) regulatory agencies such as the United States FDA, the British Public Health Laboratory Service, the French Institut National de la Transfusion Sanguine, and the German Paul Ehrlich Institute; and (iii) end-users of diagnostic test kits, such as hospital clinical laboratories, public health laboratories and blood banks, including the Swiss Red Cross, United Blood Services and Kaiser Permanente. The Company's Specialty Clinical Laboratory Testing services are sold to hospital and clinical laboratories, blood banks, researchers and other health care providers. The Company's Contract Research services are typically offered under contracts to governmental agencies, diagnostic test kit manufacturers and biomedical researchers.

The Company does not have long-term contracts with its customers for Quality Control Products and Diagnostic Components. The Company's products are sold to its customers pursuant to purchase orders for discrete purchases. Although the Company believes that its relationships with these customers are satisfactory, termination of the Company's relationship with any one of such customers could have a material adverse effect on the Company.

During the fiscal years 1994, 1995 and 1996, sales to the Company's three largest customers accounted for an aggregate of approximately 20% of the Company's net sales, although the customers were not identical in each period and no one customer accounted for more than 10% of net sales.

MANUFACTURING AND OPERATIONS

The Company manufactures and assembles substantially all of its products at its facility in West Bridgewater, Massachusetts. Raw materials are acquired from a variety of vendors and through a program of donor recruitment, donor screening, product collection, product characterization and donor management. All important materials have multiple sources of supply.

The Company also operates a specialty clinical laboratory in New Britain, Connecticut and a research and development laboratory in Rockville, Maryland. See "Item 2 -- PROPERTIES."

COMPETITION

The market for the Company's products and services is highly competitive. Many of the Company's competitors are larger than the Company and have greater financial, research, manufacturing, and marketing resources. Important competitive factors for the Company's products include product quality, price, ease of use, customer service and reputation. In a broader sense, industry competition is based upon scientific and technical capability, proprietary know-how, access to adequate capital, the ability to develop and market products and processes, the ability to attract and retain qualified personnel, and the availability of patent protection. To the extent that the Company's products and services do not reflect technological advances, the Company's ability to compete in those products and services could be adversely affected.

In the area of Quality Control Products, the Company competes in the United States primarily with NABI (formerly North American Biologicals, Inc.) in Run Controls and Quality Control Panel products, and Dade International and Blackhawk Biosystems Inc. in Run Controls. In Europe, the Netherlands Red Cross has recently begun offering several Run Control and panel products. The Company believes that all three of these competitors currently offer a more limited line of products than the Company, although there can be no assurance these companies will not expand their product lines.

In the Diagnostic Components area, the Company competes against integrated plasma collection and processing companies such as Serologicals, Inc. and NABI, as well as smaller, independent plasma collection centers and brokers of plasma products. In the Diagnostic Components area, the Company competes on the basis of quality, breadth of product line, technical expertise and reputation.

In the Specialty Clinical Laboratory Testing services portion of the

Company's business, it competes with large national reference laboratories, such as LabCorp of America, Corning Clinical Laboratories and SmithKline Beecham Clinical Laboratories, as well as several independent regional laboratories, hospital laboratories, government contract laboratories and large research institutions. The Company believes that by focusing on the specialty clinical laboratory market, it is able to offer its customers a higher value-added service on the more complex diagnostic tests than the larger national reference laboratories.

INTELLECTUAL PROPERTY

None of the Company's Quality Control Products or Diagnostic Components have been patented. The Company has decided to hold as trade secrets current technology used to prepare Basematrix and other blood-based products. The Company relies primarily on a combination of trade secrets and non-disclosure and confidentiality agreements, and in certain limited circumstances, patents, to establish and protect its proprietary rights in its technology and products. There can be no assurance that others will not independently develop or otherwise acquire the same, similar or more advanced trade secrets and know-how.

The Company has two United States patents and, jointly with UNC, has filed three series of United States and foreign patent applications relating to compounds, pharmaceutical compositions and therapeutic methods in connection with the Company's drug discovery program at UNC.

The Company has no reason to believe that its products and proprietary methods infringe the proprietary rights of any other party. There can be no assurance, however, that other parties will not assert infringement claims in the future.

GOVERNMENT REGULATION

The manufacture and distribution of medical devices, including products manufactured by the Company that are intended for in vitro diagnostic use, are subject to extensive government regulation in the United States and in other countries.

In the United States, the Food, Drug, and Cosmetic Act ("FDCA") prohibits the marketing of in vitro diagnostic products until they have been cleared or approved by the FDA, a process that is time-consuming, expensive, and uncertain. In vitro diagnostic products must be the subject of either a premarket notification clearance (a "510(k)") or an approved premarket approval application ("PMA"). With respect to devices reviewed through the 510(k) process, a Company may not market a device for diagnostic use until an order is issued by FDA finding the product to be substantially equivalent to a legally marketed device. A 510(k) submission may involve the presentation of a substantial volume of data, including clinical data, and may require a substantial period of review. With respect to devices reviewed through the PMA process, a Company may not market a device until FDA has approved a PMA application, which must be supported by extensive data, including preclinical and clinical trial data, literature, and manufacturing information to prove the safety and effectiveness of the device.

The Company's Accurun Run Controls, when marketed for diagnostic use, have been classified by the FDA as medical devices. The Accurun 1(R) Multi-Marker Run Control, which include eight analytes, has been cleared through the 510(k) process. The Company expects that, in the future, most of its products that need FDA premarket review also will be reviewed through the 510(k) process. The FDA could, however, require that some products be reviewed through the PMA process, which generally involves a longer review period and the submission of more information to FDA. There can be no assurance that the Company will obtain regulatory approvals on a timely basis, if at all. Failure to obtain regulatory approvals in a timely fashion or at all could have a material adverse effect on the Company.

All of the Company's Quality Control Products, with the exception of Accurun 1(R), are marketed "for research use only," which do not require FDA premarket clearance or approval, and not for diagnostic uses, which do require FDA premarket clearance or approval. The labeling of these products limits their use to research. It is possible, however, that some purchasers of these products may use them for diagnostic purposes despite the Company's intended use. In these circumstances, the FDA could allege that these products should have been cleared or approved by the FDA prior to marketing, and initiate enforcement action against the Company, which could have a material adverse effect on the Company.

Once cleared or approved, medical devices are subject to pervasive and continuing regulation by the FDA, including, but not limited to, good manufacturing practices ("GMP") regulations governing testing, control, and documentation; and reporting of adverse experiences with the use of the device. Ongoing compliance with GMP and other applicable regulatory requirements is monitored through periodic inspections. FDA regulations require agency clearance or approval for certain changes if they do or could affect the safety and effectiveness of the device, including, for example, new indications for use, labeling changes or changes in design or manufacturing methods. In addition, both before and after clearance or approval, medical devices are subject to certain export and import requirements under the FDCA. Product labeling and promotional activities are subject to scrutiny by the FDA and, in certain instances, by the Federal Trade Commission. Products may be promoted by the Company only for their approved use. Failure to comply with these and other regulatory requirements can result, among other consequences, in failure to obtain premarket approvals, withdrawal of approvals, total or partial suspension of product distribution, injunctions, civil penalties, recall or seizures of products and criminal prosecution.

The Company believes that its Quality Control Panels are not regulated by the FDA because they are not intended for diagnostic purposes. The Company believes that its Diagnostic Components, which are components of in vitro diagnostic products, may be subject to certain regulatory requirements under the FDCA and other laws administered by the FDA, but do not require that the Company obtain a premarket approval or clearance. There can be no assurance, however, that the FDA would agree or that the FDA will not adopt a different interpretation of the FDCA or other laws it administers, which could have a material adverse effect on the Company.

Laws and regulations affecting some of the Company's products are in effect in many of the countries in which the Company markets or intends to market its products. These requirements vary from country to country. Member states of the European Economic Area (which is composed of the European Union members and the European Free Trade Association members) are in the process of adopting various product and services "Directives" to address essential health, safety, and environmental requirements associated with the subject products and services. The "Directives" cover both quality system requirements (ISO Series 9000 Standards) and product and marketing related requirements. In addition, some jurisdictions have requirements related to marketing of the Company's products. There can be no assurance that the Company will be able to obtain any regulatory approvals required to market its products on a timely basis, or at all. Delays in receipt of, or failure to receive such approvals, or the failure to comply with regulatory requirements in these countries or states could lead to compliance

action, which could have a material adverse effect on the Company's business, financial condition, or results of operations.

The Company's service-related business (clinical trials, infectious

disease testing, and contract research) is subject to other national and local requirements. The Company's facilities are subject to review, inspection, licensure or accreditation by some states, national professional organizations (College of American Pathologists), and other national regulatory agencies (Health Care Financing Administration). Studies to evaluate the safety or effectiveness of FDA regulated products (primarily human and animal drugs or biologics) must also be conducted in conformance with relevant FDA requirements, including Good Laboratory Practice ("GLP") regulations, investigational new drug or device regulations, Institutional Review Board ("IRB") regulations and informed consent regulations.

The Clinical Laboratory Improvement Amendments of 1988 ("CLIA") prohibits laboratories from performing in vitro tests for the purpose of providing information for the diagnosis, prevention or treatment of any disease or impairment of, or the assessment of, the health of human beings unless there is in effect for such laboratories a certificate issued by the U.S. Department of Health and Human Services ("HHS") applicable to the category of examination or procedure performed.

The Company currently holds permits issued by HHS (CLIA license), Centers for Disease Control and Prevention (Importation of Etiological Agents or Vectors of Human Diseases), the U.S. Department of Agriculture (Importation and Transportation of Controlled Materials and Organisms and Vectors) and the U.S. Nuclear Regulatory Commission (in vitro testing with byproduct material under general license, covering the use of certain radioimmunoassay test methods).

The Company is also subject to government regulation under the Clean Water Act, the Toxic Substances Control Act, the Resource Conservation and Recovery Act, the Atomic Energy Act, and other national, state and local restrictions relating to the use and disposal of biohazardous, radioactive and other hazardous substances and wastes. The Company is an exempt small quantity generator of hazardous waste and has a U.S. Environmental Protection Agency identification number. The Company is also registered with the U.S. Nuclear Regulatory Commission for use of certain radioactive materials. The Company is also subject to various state regulatory requirements governing the handling of and disposal of biohazardous, radioactive and hazardous wastes. The Company has never been a party to any environmental proceeding.

Internationally, some of the Company's products are subject to additional regulatory requirements, which vary significantly from country to country. Each country in which the Company's products and services are offered must be evaluated independently to determine the country's particular requirements. In foreign countries, the Company's distributors are generally responsible for obtaining any required government consents.

EMPLOYEES

As of December 31, 1996 the Company employed 191 persons, all of whom were located in the United States. Eighty of these persons were employed in West Bridgewater, Massachusetts, 62 in New Britain, Connecticut, and 49 at the Rockville, Maryland site. None of the Company's employees is covered by a collective bargaining agreement. The Company believes that it has a satisfactory relationship with its employees.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth the names, ages and positions of the

current executive officers of the Registrant as of December 31, 1996:

<TABLE>
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NAME	AGE	POSITION
<S>	<C>	<C>
Richard T. Schumacher	46	President; Chief Executive Officer and Chairman of the Board
Kevin W. Quinlan	46	Senior Vice President, Finance; Chief Financial Officer; Treasurer and Director
Patricia E. Garrett, Ph.D.	53	Senior Vice President, Regulatory Affairs & Strategic Programs
Mark M. Manak, Ph.D.	45	Senior Vice President, Research and Development
Richard C. Tilton, Ph.D.	60	Senior Vice President, Specialty Laboratory Services
Barry M. Warren	49	Senior Vice President, Sales & Marketing
Ronald V. DiPaolo, Ph.D.	52	Vice President of Operations

</TABLE>

Mr. Schumacher, the founder of the Company, has been the President since 1986, and Chief Executive Officer and Chairman since 1992. Mr. Schumacher served as the Director of Infectious Disease Services for Clinical Science Laboratory, a New England-based medical reference laboratory, from 1986 to 1988. From 1972 to 1985, Mr. Schumacher was employed by the Center for Blood Research, a nonprofit medical research institute associated with Harvard Medical School. Mr. Schumacher received a B.S. in zoology from the University of New Hampshire.

Mr. Quinlan, a Director of the Company since 1986, has been Senior Vice President, Finance, Treasurer, and Chief Financial Officer since January 1993. From 1990 to December 1992, he was the Chief Financial Officer of ParcTec, Inc. a New York-based leasing company. Mr. Quinlan served as Vice President and Assistant Treasurer of American Finance Group, Inc. from 1981 to 1989 and was employed by Coopers & Lybrand from 1975 to 1980. Mr. Quinlan is a certified public accountant and received a M.S. in accounting from Northeastern University and a B.S. in economics from the University of New Hampshire.

Dr. Garrett has been Senior Vice President, Regulatory Affairs & Strategic Programs since 1988. From 1980 to 1987, Dr. Garrett served as the Technical Director of the Chemistry Laboratory, Department of Laboratory Medicine at the Lahey Clinic Medical Center. Dr. Garrett earned her Ph.D. from the University of Colorado and was a postdoctoral research associate at Harvard University, Oregon State University, Massachusetts Institute of Technology and the University of British Columbia.

Dr. Manak has served as Senior Vice President, Research and Development since 1992. From 1980 to 1992, he served as Senior Research Scientist, Molecular Biology, of Biotech Research Laboratories. Dr. Manak received his Ph.D. in biochemistry from the University of Connecticut and completed postdoctoral research work in biochemistry/virology at Johns Hopkins University.

Dr. Tilton has served as Senior Vice President, Specialty Laboratory Services since the Company's acquisition of BBI Clinical Laboratories, Inc. ("BBICL") in 1993 and was one of the founders of BBICL, where he served as President from 1989 to 1993. Dr. Tilton has 25 years of experience in university hospital clinical microbiology laboratories and is board certified in medical and public health microbiology. Dr. Tilton received his Ph.D. in microbiology

from the University of Massachusetts.

Mr. Warren has served as Senior Vice President, Sales & Marketing since 1993. From 1985 to 1993, Mr. Warren served as Group Director of Marketing of Organon Teknika, a manufacturer of

infectious disease reagents. Mr. Warren received an M.A. in political science from Loyola University of Chicago and a B.A. from Loyola University.

Dr. DiPaolo has been Vice President of Operations since 1993. Prior to joining the Company, Dr. DiPaolo served as Vice President and General Manager of the Biomedical Products Division of Collaborative Research, a medical research products company from 1986 to 1989. From 1975 to 1986 he was employed by DuPont New England Nuclear, an in vitro test kit manufacturer. Dr. DiPaolo received his Ph.D. in biochemistry from Massachusetts Institute of Technology and later completed postdoctoral research at the Eunice Shriver Center in Waltham, Massachusetts.

Officers are elected by, and serve at the pleasure of, the Board of Directors.

ITEM 2. PROPERTIES.

The Company's corporate offices and manufacturing facilities are located in a two story, 22,500 square foot building in West Bridgewater, Massachusetts. The Company owns and operates this building. The Company is currently expanding the manufacturing capacity by approximately 7,500 square feet, and believes that following these renovations, its facility in West Bridgewater will be sufficient to meet its foreseeable needs.

The Company leases its laboratory facilities in Rockville, Maryland and New Britain, Connecticut. The Rockville facility contains 21,000 square feet and is occupied under a five-year lease that is due to expire on June 30, 1997. The Company is currently considering extending the lease for an additional period, as well as relocating its laboratory. The New Britain facility has 15,000 square feet, most of which is dedicated to laboratory space. The lease is for five years and is due to expire on July 30, 2000; the Company has an option to renew for an additional five years.

ITEM 3. LEGAL PROCEEDINGS.

There are no material legal proceedings pending against the Company or its subsidiaries.

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

No matter was submitted during the fourth quarter of fiscal 1996 to a vote of security holders of the Company.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS.

The Company completed an initial public offering of its Common Stock, $.01 par value, (the "Common Stock") on October 31, 1996. The Common Stock is listed on the NASDAQ National Market under the symbol "BBII". For the period from October 31, 1996 through December 31, 1996, the high and low closing prices of the Company's Common Stock on NASDAQ were 8 1/2 and 6 3/4, respectively.

As of December 31, 1996, there were 20,000,000 shares of Common Stock authorized of which 4,378,157 shares of Common Stock were outstanding, held of record by approximately 166 stockholders.

The Company has not declared or paid any dividends on its Common Stock. Payment of dividends on Common Stock is restricted under the Company's loan agreement with its bank.

ITEM 6. SELECTED FINANCIAL DATA

The statement of income data for each of the fiscal years in the four year period ended December 31, 1996, and the balance sheet data as of December 31, 1993, 1994, 1995 and 1996, have been derived from the consolidated financial statements of the Company which have been audited by Coopers & Lybrand L.L.P., independent accountants. The statement of income data of the Company for the fiscal year ended December 31, 1992 and the balance sheet data as of December 31, 1992 have been derived from consolidated financial statements of the Company which have been audited by other independent public accountants. This data should be read in conjunction with "Item 8"--"Consolidated Financial Statements and Supplementary Data", and "Item 7"--"Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere herein.

<TABLE>
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	YEAR ENDED DECEMBER 31,				
	1996	1995	1994 (2)(3)	1993 (1)	1992
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
CONSOLIDATED STATEMENT OF INCOME DATA:					
<S>	<C>	<C>	<C>	<C>	<C>
REVENUE:					
Product sales	$ 8,470	$6,622	$5,982	$3,942	$2,955
Services	7,039	5,649	4,741	5,215	1,680
Total revenue	15,509	12,271	10,723	9,157	4,635
COSTS AND EXPENSES:					
Cost of product sales	4,252	3,564	3,194	2,088	1,638
Cost of services	4,856	4,168	3,416	3,965	1,443
Research and development	797	375	469	279	222
Selling and marketing	2,188	1,340	1,192	894	353
General and administrative	2,401	2,316	2,047	1,619	745
Total operating costs and expenses	14,494	11,763	10,318	8,845	4,401
Income from operations	1,015	508	405	312	234

Interest expense, net	213	336	244	179	113
Income before income taxes and extraordinary item	802	172	161	133	121
Provision for income taxes	(321)	(69)	(64)	(41)	(45)
Income before extraordinary item	481	103	97	92	76
Extraordinary item-gain on elimination of debt, net of income taxes	--	--	--	50	--
Net income	$ 481	$ 103	$ 97	$ 142	$ 76
Net income per share(4)	$ 0.14	$ 0.04	$ 0.04	$ 0.06	$ 0.04
Weighted average common and common equivalent shares outstanding(4)	3,340	3,151	2,587	2,438	2,160

</TABLE>

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	DECEMBER 31,				
	1996	1995	1994	1993	1992
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
CONSOLIDATED BALANCE SHEET DATA:					
<S>	<C>	<C>	<C>	<C>	<C>
Working capital(5)	$12,836	$4,829	$4,686	$ 3,612	$2,457
Total assets	19,798	9,928	8,076	6,870	4,828
Long term debt, less current maturities(5)	41	4,216	3,180	2,381	1,760
Total stockholders' equity	16,290	3,187	3,041	2,762	1,837
Dividends	--	--	--	--	--

</TABLE>

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(1) Effective July 1, 1992, the Company acquired through its BTRL subsidiary the net assets of a division of Cambridge Biotech Corporation for $762,000 which increased 1992 revenues by $1,450,000.

(2) On June 30, 1993, the Company exercised its option to pre-pay the acquisition note in connection with the 1992 purchase of BTRL at a substantial discount from the balance due, resulting in an extraordinary gain of $50,000 net taxes of $33,000. The 1993 net income per share before such extraordinary gain was $0.04.

(3) Effective January 1, 1993, the Company acquired the net assets of North American Laboratory Group Ltd., Inc. for $425,000, which increased 1993 revenues by $2,019,000.

(4) The effect of the common stock equivalents on net income per share has been excluded from the calculation for years ended December 31, 1992 through 1994 as its inclusion was antidilutive.

(5) The Company's demand line of credit with outstanding amounts of $1,091,000 and $1,895,000 as of December 31, 1992 and 1993, respectively, has been presented as part of long-term debt (and excluded from current liabilities in calculating working capital) for 1992 and 1993 to be consistent with its reclassification to long-term debt in 1994, 1995 and 1996 due to a modification of its maturity date.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

OVERVIEW

The Company generates revenue from products and services provided to

the in vitro diagnostic infectious disease industry. Products consist of three groups: Quality Control Panels, Accurun(TM) Run Controls and Diagnostic Components. Services consist of Specialty Clinical Laboratory Testing, Contract Research, Clinical Trials and Drug Screening. In the three full years since the Company's acquisition of Biotech Research Laboratories ("BTRL") and BBI Clinical Laboratories, Inc. ("BBICL"), the Company has experienced a shift in revenue mix towards increased product sales, as product revenue as a percentage of total revenue increased from 43.1% in 1993 to 54.6% in 1996, with a corresponding decrease in the percentage of total revenue provided by services.

The Company's gross profit margin increased from 33.9% in 1993 to 41.3% in 1996 principally as a result of the increased percentage of higher margin product revenues. Within products, the Company's Quality Control Products (Accurun(TM) Run Controls and Quality Control Panels) have higher margins than the Company's Diagnostic Components. Within services, Contract Research gross margins are lower than other services. However, such contracts enable the Company to maintain certain scientific staff and capability that it might otherwise not be able to afford. The Company intends to continue to concentrate on the growth in sales of its Quality Control Products.

Historically, the Company's results of operations have been subject to quarterly fluctuations due to a variety of factors, including customer purchasing patterns, primarily driven by end-of-year expenditures, and seasonal demand during the summer months for certain laboratory testing services. In particular, the Company's sales of its Quality Control Products and Diagnostic Components typically have been highest in the fourth quarter and lowest in the first quarter of each fiscal year, whereas Specialty Clinical Laboratory Testing has generally reached a seasonal peak during the third quarter, coinciding with the peak incidence of Lyme Disease. Research Contracts are generally for large dollar amounts spread over a one or two year period, and upon completion, frequently do not have renewal phases. As a result they can cause large fluctuations in revenue and net income. In addition to staff dedicated to internal research and development, certain of the Company's technical staff work on both Contract Research for customers and Company sponsored research and development. The allocation of certain technical staff to such projects depends on the volume of Contract Research. As a result, research and development expenditures fluctuate due to increases or decreases in Contract Research.

To develop new Quality Control Products and support increased sales, the Company hired additional research and development staff in the second half of 1995 and sales and marketing staff in 1996. The Company intends to continue to add staff to these departments. This should cause both research and development and selling and marketing expenses to increase as a percentage of revenue in 1997, compared to 1996. General and administrative expenses are not expected to increase at the same rate, as the Company has already incurred significant infrastructure expenses.

The Company does not have any foreign operations. However, the Company does have significant export sales to agents under distribution agreements, as well as directly to test kit manufacturers. All sales are denominated in U.S. dollars. Export sales for the years ended December 31, 1994, 1995, and 1996 were $2.3 million, $3.1 million, and $3.9 million, respectively. The Company expects that export sales will continue to be a significant source of revenue and operating income.

RESULTS OF OPERATIONS

The following table sets forth for the periods indicated the percentage of total revenue represented by certain items reflected in the Company's consolidated statements of operations:

	YEAR ENDED DECEMBER 31		
	1996	1995	1994
Revenue:			
Products	54.6%	54.0%	55.8%
Services	45.4	46.0	44.2

Total revenue	100.0	100.0	100.0
Gross profit	41.3	37.0	38.4
Operating expenses:			
Research and development	5.1	3.1	4.4
Selling and marketing	14.1	10.9	11.1
General and administrative	15.5	18.9	19.1
Total operating expenses	34.7	32.9	34.6
Income from operations	6.5	4.1	3.8
Interest expense	1.4	2.7	2.3
Income before income taxes	5.1	1.4	1.5
Net income	3.1	0.8	0.9
Product gross profit	49.8%	46.2%	46.6%
Services gross profit	31.0%	26.2%	28.0%

YEARS ENDED DECEMBER 31, 1996 AND 1995

Total revenue increased 26.4%, or $3,239,000, to $15,509,000 in 1996 from $12,271,000 in 1995. The increase in revenues was the result of a 27.9% increase in product revenues of $1,848,000 to $8,470,000 from $6,622,000, and a 24.6% increase in service revenues of $1,390,000 to $7,039,000 from $5,649,000 in 1995. The increase in product revenue was attributable to an increase in the volume of sales of Quality Control Products, particularly Accurun. The increase in service revenue was primarily the result of increased volume of specialty clinical laboratory testing and a favorable mix shift towards higher priced molecular testing, and the impact of two new research contracts. This was partially offset by lower volume of clinical trial services.

Gross profit increased 41.0%, or $1,862,000, to $6,400,599 for 1996 from $4,539,000 in 1995. Products gross profit increased 38.0%, or $1,160,000, to $4,217,000 in 1996 from $3,057,000 in 1995 as the products sales increase was positively impacted by an increase in products gross profit margin (to 49.8% in 1996 from 46.2%). The products gross margin increase was a result of a favorable mix shift towards Accurun sales. Services gross profit increased 47.3%, or $701,000, to $2,183,000 in 1996 from $1,481,000 in 1995 as the testing volume increased at a faster rate than laboratory headcount increased, and thereby caused the services gross profit margin to increase to 31.0% in 1996 from 26.2% in 1995.

Research and development expenditures increased 112.1%, or $421,000, to $797,000 in 1996 from $376,000 in 1995. The increase resulted from increased costs of personnel hired in the second half of 1995 to step-up the rate of new product introductions, and increased research project expenditures. Development projects included Accurun(TM), molecular and immunological Run Controls, specialized molecular assays, and expenditures related to the Company's drug discovery program.

Selling and marketing expenses increased 63.3%, or $848,000, to $2,188,000 in 1996 from $1,340,000 in 1995. The increase was attributable primarily to additional sales and marketing staff and overhead; increased advertising, promotion, trade show and travel expenses due to the commencement of the Company's "Total Quality System" (TQS) marketing campaign; and costs associated with participation by the Company's Specialty Clinical Laboratory in the Roche Diagnostics' Amplicor(Access program in connection with Roche's launch of their new FDA approved HIV PCR test kit. The

Amplicor(kit is primarily used to monitor the HIV viral load (level) in patients prior to and during drug therapy.

General and administrative costs increased 3.7%, or $85,000, to $2,401,000 in 1996 from $2,316,000 in 1995. This increase was attributable primarily to additional staffing in support of revenue growth and higher reserve provisions for doubtful accounts associated with the increased volume of revenue related to testing in situations in which payment to the Company depends on collecting from the patient rather than a healthcare institution.

Net interest expense decreased 36.6%, or $123,000, to $213,000 in 1996 from $336,000 in 1995, as the proceeds from the Company's initial public offering were used to pay down almost all debt in early November, and the remaining amount invested in short term, investment grade securities.

YEARS ENDED DECEMBER 31, 1995 AND 1994

Total revenue increased 14.4%, or $1,548,000, to $12,271,000 in 1995 from $10,723,000 in 1994. The increase in revenues was the result of a 10.7% increase in product revenues of $640,000 to $6,622,000 from $5,981,000, and a 19.1% increase in service revenues of $908,000 to $5,649,000 from $4,741,000 in 1995 compared to 1994. The increase in product revenue was attributable to an increase in prices at the beginning of 1995 and an increase in the volume of sales of Quality Control Products and Basematrix (part of the Diagnostic Components group), which increase was partially offset by the absence of revenues in 1995 from two OEM Quality Control Panel contracts which were completed in 1994. The Company also reduced emphasis on certain lower margin Diagnostic Components as it focused more effort on sales of its proprietary Basematrix product, which carries a higher margin. During 1995, the Company reorganized its sales and marketing department and believes that this had an adverse effect on sales growth for the period. The increase in service revenue was primarily the result of increased specialty clinical laboratory testing, two new research contracts and increased clinical trial services, particularly in the area of HIV.

Gross profit increased 10.4%, or $426,000, to $4,539,000 for 1995 from $4,113,000 in 1994. Products gross profit increased 9.7%, or $270,000, to $3,057,000 in 1995 from $2,787,000 in 1994 as the products sales increase was offset by a small decrease in products gross profit margin (to 46.2% in 1995 from 46.6%). The products gross margin decrease was a result of a small increase in material handling personnel costs. Services gross profit increased 11.8%, or $156,000, to $1,481,000 in 1995 from $1,326,000 in 1994 as the sales increase was offset by a decrease in services gross profit margin to 26.2% in 1995 from 28.0% in 1994. Services gross margin declined primarily as a result of increased personnel costs in the specialty clinical laboratory and an increase in contract research activities, which carry a lower margin.

Research and development expenditures decreased 20.0%, or $94,000, to $376,000 in 1995 from $469,000 in 1994. The decrease resulted from certain technical staff being utilized for Company sponsored research and development in 1994 and Contract Research in 1995. Development projects included Accurun(TM), molecular and immunological Run Controls, specialized molecular assays, and the development of a second generation Lyme Disease western blot test kit for internal use by the Company's specialty testing laboratory.

Selling and marketing expenses increased 12.4%, or $148,000, to $1,340,000 in 1995 from $1,192,000 in 1994. The increase was primarily attributable to additional sales and marketing staff and overhead, partially offset by lower trade show and travel expenses as the Company realized greater benefits from its distributor network.

General and administrative costs increased 13.1%, or $269,000, to $2,316,000 in 1995 from $2,047,000 in 1994. This increase was primarily attributable to additional staffing in support of revenue growth and higher reserve provisions for doubtful accounts associated with the increased volume of revenue related to testing in situations where payment to the Company depends on collecting from the patient rather than a healthcare institution. These increases were partially offset by lower professional

fees. Also included in general and administrative expense was approximately $60,000 of nonrecurring costs associated with the move of the specialty testing laboratory into a larger, custom-designed facility.

Interest expense increased 37.8%, or $92,000, to $336,000 in 1995 from $244,000 in 1994, as the Company funded its working capital needs primarily through increased borrowings.

LIQUIDITY AND CAPITAL RESOURCES

On October 31, 1996 the Company's Common Stock commenced trading on the NASDAQ as a result of its initial public offering of its common stock ("IPO"), selling 1,600,000 shares at $8.50 per share. Net proceeds received after underwriting discounts, commissions and offering costs was approximately $11,633,000. On November 5, 1996, the Company repaid substantially all of its outstanding bank debt which totaled approximately $3.9 million.

The Company has financed its operations to date through cash flow from operations, borrowings from banks and sales of equity. With the repayment of debt from the IPO proceeds, the Company expects its cash flow and cash position to meet existing operational needs, although amounts repaid on its Revolving Line of Credit Agreement (the "Revolver") will be available for reborrowing as needed.

Net cash provided by operations for 1996 was $1,460,000 as compared to cash used in operations of $29,000 in 1995. This increase in cash flow was primarily attributable to an increase in net income, improved working capital position, and an increase in deferred revenue from a payment of $306,000 under a research contract for future clinical trial services. Cash flow used in operations in 1994 was $554,000 as working capital needs due to sales growth exceeded cash generated from net income adjusted by non cash expenses.

Cash used in investing activities for 1996, 1995 and 1994 amounted to $1,412,000, $1,320,000, and $405,000, respectively. In addition to equipment purchases in 1996, the Company purchased common stock in BioSeq, Inc. for $732,500 which represents an ownership position of approximately 14% in BioSeq, Inc. The increased use of cash in 1995 compared to 1994 was the result of the purchase of the Company's West Bridgewater facility.

During 1996, net cash generated from common stock issued, including the IPO, approximated $12,600,000. This was used to pay down net debt of $4,577,000. Net cash provided by borrowings for 1995 and 1994 amounted to $1,240,000 and $846,000, and net proceeds from the sale of Common Stock for the same periods amounted to $176,000 and $170,000, respectively. The proceeds of such debt were used for working capital, to acquire the West Bridgewater property and to purchase capital equipment.

In 1996, 1995 and 1994 capital expenditures amounted to $669,000, $1,316,000, and $405,000, respectively. In 1995, $806,000 of the Company's capital expenditures related to the purchase of the West Bridgewater facility.

On April 26, 1996 the Company entered into a new five year distribution agreement with Kyowa Medex, Co., Ltd., a foreign distributor, extending a six year old relationship. Simultaneously, Kyowa Medex, Co., Ltd. purchased 117,647 shares of the Company's Common Stock at a price of $8.50 per share.

The Company anticipates capital expenditures to increase over the near term as it expects to use approximately $1.0 million from the IPO proceeds to expand its manufacturing capacity in West Bridgewater during 1997, of which approximately $500,000 will be spent on building expansion and approximately $500,000 will be spent on equipment. The Company expects to make a final investment in BioSeq in 1997 of $750,000 which will increase its ownership position to 19.9%. This final payment is mandated if BioSeq attains certain technical milestones by July 31, 1997, and at the Company's option by December 31, 1997 if such milestones are not achieved. The Company believes that existing cash balances, the borrowing capacity available under the Revolver, and cash generated from operations are sufficient to fund operations and anticipated capital expenditures for the foreseeable future. Except for purchase orders in connection with the manufacturing expansion, and the BioSeq investment described above, there were no material financial commitments for capital expenditures as of December 31, 1996.

In March 1997, the Company entered into an Asset Purchase Agreement with Source Scientific, Inc. to acquire substantially all of their assets. Also in March, the Company entered into a new line of credit agreement with its bank replacing the Revolver. See Note 12 to the Company's Notes to Consolidated Financial Statements in Item 8 hereunder.

RECENT ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board issued Statement No. 128 ("SFAS 128"), "Earnings per Share", which requires the presentation of basic and diluted earning per share (EPS). Basic EPS excludes dilution and is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. Basic EPS replaces primary EPS. Diluted EPS is computed similarly to fully diluted EPS under the existing rules. The Company will adopt SFAS 128 as of December 15, 1997 and upon adoption, will restate all prior period EPS data presented. The Company has not yet quantified what the impact of SFAS 128 will be on EPS.

FORWARD - LOOKING INFORMATION

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

Factors which might cause actual results to differ materially from those projected in the forward-looking statements contained herein include the following: inability of the Company to develop the end user market for quality control products; inability of the Company to integrate the business of Source Scientific, Inc. into the Company's business; inability of the Company to grow the sales of Source Scientific, Inc. to the extent anticipated; inability of Source Scientific, Inc. to repay the $650,000 loan made by the Company; a material adverse change in the business, financial condition or prospects of BioSeq, Inc., an early stage biotechnology company in which the Company has made a significant investment; inability of the Company to obtain an adequate supply of the unique and rare specimens of plasma and serum necessary for certain of its products; significant reductions in purchases by any of the Company's major customers; and the potential insufficiency of Company resources, including human resources, plant and equipment and management systems, to accommodate any future growth. Certain of these and other factors which might cause actual results to differ materially from those projected are more fully set forth under the caption "Risk Factors" in the Company's Registration Statement on Form S-1 (SEC File No. 333-10759).

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

BOSTON BIOMEDICA, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

	December 31, 1996	December 31, 1995
ASSETS		
<S>	<C>	<C>
CURRENT ASSETS:		
Cash and cash equivalents	$ 8,082,642	$ 11,463
Accounts receivable, less allowances of $352,058 in 1996 and $142,372 in 1995	3,415,994	3,075,870
Inventories (Note 2)	4,180,334	3,676,851
Prepaid expense and other	239,950	254,199
Deferred income taxes (Note 7)	283,200	110,766
Total current assets	16,202,120	7,129,149
Property and equipment, net (Note 3)	2,699,158	2,614,982
OTHER ASSETS:		
Long term investment (Note 4)	732,500	-
Goodwill and other intangibles, net (Note 1)	95,302	100,820
Notes receivable and other	69,234	83,422
	897,036	184,242
TOTAL ASSETS	$ 19,798,314	$ 9,928,373
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long term debt (Note 6)	$ 12,820	$ 436,509
Accounts payable	991,839	745,216
Accrued compensation	840,666	395,755
Accrued income taxes	427,140	36,582
Other accrued expenses	264,262	303,820
Deferred revenue	829,477	523,401
Total current liabilities	3,366,204	2,441,283
LONG-TERM LIABILITIES:		
Long-term debt, less current maturities (Note 6)	40,948	4,215,501
Deferred income taxes (Note 7)	101,580	84,641
COMMITMENTS AND CONTINGENCIES (Note 8)		
STOCKHOLDERS' EQUITY (Note 10):		
Common stock, $.01 par value; authorized 20,000,000 shares in 1996 and 1995; issued and outstanding 4,378,157 in 1996 and issued 2,640,417 in 1995	43,782	26,404
Additional paid-in capital	15,258,656	2,798,620
Retained earnings	987,144	505,924
	16,289,582	3,330,948
Less treasury stock, at cost-80,000 shares in 1995 and none in 1996	-	(144,000)
Total stockholders' equity	16,289,582	3,186,948
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	$ 19,798,314	$ 9,928,373

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

</TABLE>

BOSTON BIOMEDICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

<TABLE>
<CAPTION>

	Years Ended December 31,		
	1996	1995	1994
<S>	<C>	<C>	<C>
REVENUE:			
Product sales	$ 8,469,890	$ 6,621,631	$ 5,981,378
Services	7,039,406	5,649,099	4,741,376
Total revenue	15,509,296	12,270,730	10,722,754
COSTS AND EXPENSES:			
Cost of product sales	4,252,068	3,564,241	3,194,217
Cost of services	4,856,630	4,167,625	3,415,777
Research and development	796,805	375,712	469,358
Selling and marketing	2,188,152	1,339,792	1,191,573
General and administrative	2,400,681	2,315,814	2,047,256
Total operating costs and expenses	14,494,336	11,763,184	10,318,181
Income from operations	1,014,960	507,546	404,573
Interest expense, net	212,969	335,899	243,694
Income before income taxes	801,991	171,647	160,879
Provision for income taxes (Note 7)	(320,771)	(68,657)	(64,351)
Net income	$ 481,220	$ 102,990	$ 96,528
Net income per share	$ 0.14	$ 0.04	$ 0.04
Weighted average common and common equivalent shares outstanding	3,340,236	3,151,477	2,587,137

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

</TABLE>

BOSTON BIOMEDICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

<TABLE>
<CAPTION>

	Common Stock					
	Shares	$.01 Par Value	Additional Paid-In Capital	Retained Earnings	Total Treasury Stock	Stockholders' Equity
<S>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE, December 31, 1993	2,525,028	$ 25,250	$ 2,430,100	$ 306,406	-	$ 2,761,756
Issuance of common stock	29,862	299	139,403			139,702
Stock options and warrants exercised	23,975	240	30,197			30,437
Tax benefit of stock options exercised			12,800			12,800
Net income				96,528		96,528
BALANCE, December 31, 1994	2,578,865	25,789	2,612,500	402,934	-	3,041,223
Issuance of common stock	8,535	85	58,160			58,245
Stock options and warrants exercised	47,200	472	117,068			117,540
Conversion of note payable	5,817	58	9,542			9,600
Treasury stock purchased - 80,000 shares					(144,000)	(144,000)
Tax benefit of stock options exercised			1,350			1,350
Net income				102,990		102,990
BALANCE, December 31, 1995	2,640,417	26,404	2,798,620	505,924	(144,000)	3,186,948
Issuance of common stock, net of issuance costs	1,637,647	16,377	12,371,469		144,000	12,531,846
Stock options and warrants exercised	85,760	858	67,210			68,068
Conversion of note payable	14,333	143	21,357			21,500
Net income				481,220		481,220
BALANCE, December 31, 1996	4,378,157	$ 43,782	$ 15,258,656	$ 987,144	-	$ 16,289,582

The accompanying notes are an integral part of these consolidated financial statements
</TABLE>

BOSTON BIOMEDICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	Years Ended December 31,		
	1996	1995	1994
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 481,220	$ 102,990	$ 96,528
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	600,495	441,356	360,512
Provision for doubtful accounts	247,080	181,084	102,099

Deferred rent	(87,152)	(45,792)	5,908
Deferred income taxes	(155,495)	(61,765)	(42,798)
Tax benefit of stock options exercised	-	1,350	12,800
Changes in operating assets and liabilities:			
Accounts receivable	(587,204)	(997,112)	(529,157)
Note receivable and other assets	14,188	(61,343)	(3,720)
Inventories	(503,483)	(67,335)	(567,420)
Prepaid expenses	14,249	(98,082)	(3,500)
Accounts payable	246,623	(42,190)	(86,130)
Accrued compensation and other expenses	883,063	94,126	100,767
Deferred revenue	306,076	523,401	-
Net cash provided by (used in) operating activities	1,459,660	(29,312)	(554,111)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for additions to property and equipment	(669,154)	(1,316,217)	(404,639)
Purchase of intangible assets	(9,999)	(4,000)	-
Purchase of long term investment	(732,500)	-	-
Net cash used in investing activities	(1,411,653)	(1,320,217)	(404,639)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from long term debt	226,300	1,517,867	1,734,425
Repayments of long-term debt	(4,803,042)	(277,789)	(887,989)
Proceeds of common stock issued	13,581,315	175,785	170,139
Offering costs associated with common stock issued	(981,401)	-	-
Purchase of treasury stock	-	(144,000)	-
Net cash provided by financing activities	8,023,172	1,271,863	1,016,575
INCREASE (DECREASE) IN CASH:	8,071,179	(77,666)	57,825
Cash, beginning of year	11,463	89,129	31,304
Cash, end of year	$ 8,082,642	$ 11,463	$ 89,129
SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES:			
Conversion of note payable to common stock	$ 21,500	$ 9,600	-
Noncash exercise of warrants to stockholder	$ 180,650	-	-
SUPPLEMENTAL INFORMATION:			
Income taxes paid	$ 85,460	$ 168,994	$ 33,718
Interest paid	$ 300,587	$ 331,495	$ 254,133

The accompanying notes are an integral part of these consolidated financial statements
</TABLE>

BOSTON BIOMEDICA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Boston Biomedica, Inc. ("BBI") and Subsidiaries (together, the "Company") provide infectious disease diagnostic products, contract research and specialty infectious disease testing services to the in-vitro diagnostic industry, government agencies, blood banks, hospitals and other health care providers worldwide. The Company is subject to risks common to companies in the Biotechnology industry, including but not limited to, development by the Company or its competitors of new technological innovations, dependence on key

personnel, protection of proprietary technology, and compliance with FDA government regulations.

Significant accounting policies followed in the preparation of these consolidated financial statements are as follows:

(I) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of BBI and its wholly-owned subsidiaries, Biotech Research Laboratories, Inc. ("BTRL") and BBI Clinical Laboratories, Inc. ("BBICL"). All significant intercompany accounts and transactions have been eliminated in the consolidation. Certain amounts included in the prior year's financial statements may have been reclassified to conform to the current presentation.

(II) USE OF ESTIMATES

To prepare the financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. In particular, the Company records reserves for estimates regarding the collectability of accounts receivable as well as the net realizable value of its inventory. Actual results could differ from the estimates and assumptions used by management.

(III) REVENUE RECOGNITION

Product revenues are recognized as sales upon shipment of the products or, for specific orders at the request of the customer, on a bill and hold basis after completion of manufacture. All bill and hold transactions meet specified revenue recognition criteria which include normal billing, credit and payment terms, and transfer to the customers of all risks and rewards of ownership. Accounts receivable as of December 31, 1996 and 1995 include bill and hold receivables of $23,000 and $179,000, respectively.

The Company periodically enters into barter transactions whereby the Company exchanges inventory for testing services. Revenue on these transactions are recognized when both the products have been shipped and the testing services have been completed and are recorded at the estimated fair market value of the inventory based upon standard Company prices. The revenue recognized on these transactions for the years ended December 31, 1996, 1995 and 1994 was $244,000, $213,000, and $192,000, respectively.

Services are recognized as revenue upon completion of tests for specialty laboratory services.

Revenue under long-term contracts, including funded research and development contracts, is recorded under the percentage of completion method, wherein costs plus profit is recorded as service revenue and billed monthly as the work is performed. Certain customers make advance payments that are deferred until revenue recognition is appropriate. Unbilled amounts for fee retainage are included in accounts receivable at December 31, 1996 and 1995, and are immaterial. When the current contract estimates indicate a loss, provision is made for the total anticipated loss. The Company does not believe there are any material collectability issues associated with these receivables.

Total revenue related to funded research and development contracts was approximately $1,126,000, $728,000, and $660,000 for the years ended December 31, 1996, 1995 and 1994, respectively. Total contract costs associated with these agreements were approximately $975,000, $575,000 and $511,000 for the years ended December 1996, 1995 and 1994, respectively.

(1) BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES -- (CONTINUED)

(IV) CASH AND CASH EQUIVALENTS

The Company's policy is to invest available cash in short-term, investment grade, interest bearing obligations, including money market funds, municipal notes, and bank and corporate debt instruments. Securities purchased with initial maturities of three months or less, are valued at cost plus accrued interest, which approximates market, and classified as cash equivalents. At December 31, 1996 the Company's cash equivalents consisted of $6,091,120 invested in a money market fund and a banker's acceptance of $1,991,522.

(V) RESEARCH AND DEVELOPMENT COSTS

Research and development costs are expensed as incurred.

(VI) INVENTORIES

Inventories are stated at the lower of average cost or net realizable value and include material, labor and manufacturing overhead.

(VII) PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. For financial reporting purposes, depreciation is recognized using accelerated and straight-line methods, allocating the cost of the assets over their estimated useful lives ranging from five years to ten years for certain manufacturing and laboratory equipment, five years for office equipment and management information systems, three years for automobiles and fifteen years for the building. Upon retirement or sale, the cost and related accumulated depreciation of the asset are removed from the books. Any resulting gain or loss is credited or charged to income.

(VIII) GOODWILL AND INTANGIBLES

Goodwill results from excess of the purchase prices over the acquired net assets of BTRL and BBICL and is amortized on a straight line basis over ten years. Other intangibles primarily consist of patents, licenses, and intellectual property rights and are amortized over four to ten years.

In March 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("SFAS 121"). SFAS 121 requires that an impairment loss be recognized for long-lived assets and certain identified intangibles when the carrying amount of these assets may not be recoverable. The Company has adopted SFAS 121 effective in 1996 and the adoption did not have a material impact on the financial statements.

(IX) INCOME TAXES

The Company utilizes the liability method of accounting for income taxes. Under the liability method, deferred taxes arise from temporary differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. A valuation allowance is provided for net deferred tax assets if, based on the weighted available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. Tax credits are recognized when realized using the flow through method of accounting.

(X) CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the Company to concentrations of credit risk are principally cash and cash equivalents, and accounts receivable. The Company places its cash in federally chartered banks, each of which is insured up to $100,000 by the Federal Deposit Insurance Corporation. The Company limits credit risk in cash equivalents by investing only in short term, investment grade securities including money market funds restricted to such securities. Concentration of credit risk with respect to accounts receivable is limited to certain customers to whom the Company makes substantial sales (see also Note 5). The Company does not require collateral from its customers. To reduce risk, the Company routinely assesses the financial strength of its customers and, as a consequence, believes that its trade accounts receivable credit risk exposure is limited.

BOSTON BIOMEDICA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES -- (CONTINUED)

(XI) DEFERRED REVENUE

Deferred revenue consists of payments received from customers in advance of services performed.

(XII) COMPUTATION OF NET INCOME PER SHARE

Net income per common share is computed based upon the weighted average number of common shares and common equivalent shares (using the treasury stock method) outstanding after certain adjustments described below. Common equivalent shares consist of common stock options and warrants outstanding. In accordance with Securities and Exchange Commission Staff Accounting Bulletin No. 83, all common and common equivalent shares issued during the twelve month period prior to the initial filing of the Company's S-1 Registration Statement (August 23, 1996) have been included in the calculation as if they were outstanding for all periods using the treasury stock method and an initial public offering price of $8.50 per share. Fully diluted net income per common share is not presented as it does not differ from primary earnings per share.

RECENT ACCOUNTING STANDARDS

The Financial Accounting Standards Board issued Statement No. 128 ("SFAS 128"), "Earnings per Share", which requires the presentation of basic and diluted earning per share (EPS). Basic EPS excludes dilution and is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. Basic EPS replaces primary EPS. Diluted EPS is computed similarly to fully diluted EPS under the existing rules. The Company will adopt SFAS 128 as of December 15, 1997 and upon adoption, will restate all prior period EPS data presented. The Company has not yet quantified what the impact of SFAS 128 will be on EPS.

(2) INVENTORIES

The Company purchases human plasma and serum from various private and commercial blood banks. Upon receipt, such purchases generally undergo comprehensive testing, and associated costs are included in the value of raw materials. Most plasma is manufactured into Basematrix and other diagnostic components to customer specifications. Plasma and serum with the desired antibodies or antigens are sold or manufactured into Quality Control Panels, Accurun(TM) run controls, and reagents ("Finished Goods"). Panels and reagents are unique to specific donors and/or collection periods, and require substantial time to characterize and manufacture due to stringent technical specifications. Panels play an important role in diagnostic test kit development, licensure and quality control. Panels are manufactured in quantities sufficient to meet expected user demand which may exceed one year. Inventory balances at December 31, 1996 and 1995 consist of the following:

	1996	1995
Raw materials	$ 1,359,569	$ 1,298,131
Work-in-process	697,749	565,667
Finished goods	2,123,016	1,813,053
	$ 4,180,334	$ 3,676,851

BOSTON BIOMEDICA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(3) PROPERTY AND EQUIPMENT

Property and equipment at December 31, 1996 and 1995 consist of the following:

	1996	1995
Laboratory equipment	$ 1,751,737	$ 1,630,872
Management information systems	1,247,190	834,768
Office equipment	394,957	332,496
Automobiles	196,663	178,465
Leasehold improvements	122,419	108,892
Land, building and improvements	956,386	941,175
	4,669,352	4,026,668
Less accumulated depreciation	1,970,194	1,411,686
Net book value	$ 2,699,158	$ 2,614,982

Depreciation expense for the years ended December 31, 1996 and 1995 was approximately $585,500, and $425,700, respectively.

(4) LONG TERM INVESTMENT

In October 1996, the Company entered into a License Agreement, Purchase Agreement, Stockholders' Agreement and Warrant Agreement with BioSeq, Inc. ("BioSeq") a privately held, technology based development stage company.

The Company has agreed to purchase convertible preferred stock equivalent to approximately 19% of the capital stock of BioSeq for an aggregate of $1,482,500 in three installments. Of the $1,482,500, $210,000 was invested at the date of the agreements and $522,500 was invested in November 1996. The Company must make the remaining $750,000 installment if BioSeq attains certain technical milestones by July 31, 1997. If such milestones are not attained by BioSeq by July 31, 1997, the Company will still have the option to make the remaining $750,000 investment until December 31, 1997. Under the operative documents, the Company has price anti-dilution protection, pre-emptive rights and the right to board representation. In addition, the Company was granted warrants to acquire additional shares of common stock of BioSeq for additional consideration under certain conditions, provided that this right is not exercisable to the extent it would cause the Company's ownership to equal or exceed 20%. The Company is accounting for its investment in BioSeq on the cost basis in accordance with the provisions of APB 18 since its cumulative investment is and must remain less that 20% of the equity of BioSeq and the Company does not exert significant influence or control. Due to the uncertainty of technology based development stage enterprises and in accordance with the provisions of SFAS 121, the Company will perform a periodic analysis of the investment to determine whether the carrying value of its investment in BioSeq has been impaired. If so determined, the Company would adjust the carrying value of its investment by taking a charge to earnings.

Upon the earlier of payment of the final installment of the Company's aggregate $1,482,500 investment and December 31, 1997, the Company will be granted a worldwide right to use the BioSeq technology relating to sequencing and analysis services. The License will be exclusive until BioSeq commences selling on a commercial basis the equipment used in the DNA sequencing and analysis process, at which time the License will become non-exclusive. The License provides that the Company will pay BioSeq royalties ranging from five percent to ten percent of net revenues arising out of the services performed by the Company with the licensed technology. The Company will account for the royalty as a cost of revenue as the revenues are earned.

BOSTON BIOMEDICA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(5) REVENUE FROM SIGNIFICANT CUSTOMERS AND EXPORT SALES

The Company performs contract research and certain other services under contracts, subcontracts and grants from United States Government Agencies, primarily the National Institutes of Health ("NIH"). Revenue from such contracts, subcontracts and grants was approximately $1,920,000 in 1996, $1,628,000 in 1995 and $1,677,000 in 1994.

Export sales accounted for approximately $3,914,000, or 25% of consolidated revenue in 1996; $3,104,000, or 25% in 1995; and $2,279,000, or 21% in 1994.

(6) LONG TERM DEBT

The Company's revolving line of credit ("Revolver") has a due date of June 30, 1998 and bears interest at prime plus 1/2%. Borrowings under the Revolver are limited to 80% of eligible accounts receivable plus the lesser of 40% of inventory or $1,500,000. The Company had $3,500,000 available under it's Revolver as of December 31, 1996. Amounts outstanding under the Revolver, if any, are collateralized by all of the Company's assets and a $2 million life insurance policy of an officer/stockholder. The Revolver contains covenants regarding the Company's debt-to-equity ratio and certain minimum debt service coverage ratios. The Revolver further provides for restrictions on the payment of dividends, limitations on the acquisition of property and equipment, limitations on additional borrowings, and certain minimum stock ownership levels by the officer/stockholder referred to above.

In December 1995, the Company purchased its corporate headquarters and manufacturing facility in West Bridgewater, MA from its former landlord at a price of $806,800 including closing costs, and borrowed $750,000 from its bank to finance the purchase. This mortgage on this property was repaid in December 1996 from proceeds of the Company's initial public offering of common stock. See also Note 3.

During 1996, convertible debt in the amount of $21,500 was converted into 14,333 shares of common stock at a price of $1.50 per share. During 1995, convertible debt in the amount of $9,600 was converted into 5,817 shares of common stock at a price of $1.65 per share.

The Company prepaid substantially all debt out of the proceeds of its initial public offering. At December 31, 1996 and 1995, the Company had the following debt outstanding:

<TABLE>
<CAPTION>

	1996	1995

<S>	<C>	<C>
Revolving line of credit agreement due June 30, 1998.	$ -	$ 2,784,307
Four notes payable to one bank which had interest rates from 8.22% to 9.25%, and due dates from October 1998 through December 2000. Collateralized by all the assets of the Company.	-	995,445
Note payable to a bank, due in 84 fixed payments of principal and interest of $11,729, bearing interest fixed at 8.30% for the first five years, and floating at prime plus 1.0% for the remaining term. Collateralized by a mortgage and all of the assets of the Company.	-	750,000
Subordinated convertible note payable, which was converted by the holder into common stock at $1.50 per share.	-	21,500
Other installment note payable with an interest rate of 9.75% and due August 2001. Collateralized by office and laboratory equipment and furniture.	53,768	100,758
Total long term debt	53,768	4,652,010
Less: current maturities	(12,820)	(436,509)
	$ 40,948	$ 4,215,501

</TABLE>

Debt maturities beyond current are $14,128 in 1998, $15,569 in 1999, and $11,251 in 2000.

(7) INCOME TAXES

The Company's effective tax rate does not significantly differ from the federal and state income tax statutory rates. The components of the provision for income taxes are as follows:

<TABLE>
<CAPTION>

	1996	1995	1994
<S>	<C>	<C>	<C>
Current expense: federal and state	$ 476,206	$ 130,422	$ 91,242
Deferred (benefit) expense: federal and state	(155,495)	(61,765)	(26,891)
Total	$ 320,711	$ 68,657	$ 64,351

</TABLE>

Significant items making up deferred tax liabilities and deferred tax assets are as follows:

<TABLE>
<CAPTION>

	1996	1995
<S>	<C>	<C>
Current deferred taxes:		
Inventory	$ 87,158	-
Accounts receivable allowance	115,548	$ 56,863
Other accruals	80,494	53,903
Total deferred tax assets	283,200	110,766
Long term deferred taxes:		
Accelerated tax depreciation	(176,015)	(207,361)
Goodwill	13,551	(22,795)
Tax credits	-	106,710
State net operating loss carryforwards	60,884	38,805
Total deferred tax liabilities	(101,580)	(84,641)
Total net deferred tax (liabilities) assets	$ 181,620	$ 26,125

</TABLE>

As of December 31, 1996, the state net operating loss carryforwards expire at various dates beginning in 1999 through 2007.

(8) COMMITMENTS AND CONTINGENCIES

The Company leases certain office space, laboratory, and research facilities under operating leases with various terms through July 2000. All the real estate leases include renewal options at increasing levels of rent.

One of the facility leases includes scheduled base rent increases over the term of the lease. The amount of base rent payments is being charged to expense on the straight-line method over the term of the lease. As of December 31, 1996 and 1995, the Company has recorded a liability of $53,900 and $141,100, respectively, included in accrued expenses to reflect the excess of rent expense over cash payments since inception of the lease. In addition to base rent, the Company pays a monthly allocation of the operating expenses and real estate taxes for the above facilities.

Rent expense for the years ended December 31, 1996, 1995 and 1994 was $365,700, $477,600, and $549,700, respectively. At December 31, 1996, the remaining fixed lease commitment was as follows:

Year Ended	Amount
1997	254,600
1998	117,300
1999	124,800
2000	79,700
	$576,400

Commencing in February 1995, the Company committed under a sponsored research agreement with a university to fund a research scientist at a cost of $13,125 per quarter for three years which costs are charged to research and development expense. In return, the Company has exclusive rights to any anti-HIV compounds or derivatives developed in the course of this research, provided the Company obtains certain regulatory approvals from the FDA.

(9) RETIREMENT PLAN

In January 1993, the Company adopted a retirement savings plan for its employees, which has been qualified under Section 401(k) of the Code. Eligible employees are permitted to contribute to the plan through payroll deductions within statutory limitations and subject to any limitations included in the plan. To date, the Company has made no contributions to the plan.

(10) STOCKHOLDERS' EQUITY

COMMON STOCK

On October 31, 1996, the Company commenced trading on the Nasdaq National Market as a result of the initial public offering of its common stock ("IPO"), raising net proceeds of $11,633,000 from the sale of 1,600,000 shares at $8.50 per share.

On April 26, 1996, the Company entered into a Stock Purchase Agreement and Exclusive Distributor Agreement for five years with a foreign distributor. Pursuant to the Stock Purchase Agreement, the Company issued 117,647 shares of redeemable common stock at a price per share of $8.50, for which it received net proceeds of $898,503. Issuance costs were $101,497. Completion of the IPO terminated the redemption feature. The distributor is restricted from selling these securities for a one-year period after completion of the IPO. The Company issued the 80,000 shares of Treasury Stock in connection with this transaction.

On August 8, 1996 the Board of Directors approved a 1-for-2 reverse stock split and an increase in authorized common shares to 20,000,000, and authorized 1,000,000 shares of preferred stock (par value $.01), which were approved by the stockholders on September 10, 1996. The stock split has been retroactively reflected in the accompanying financial statements and notes for all periods presented.

OPTIONS AND WARRANTS

The Company has two stock option plans which are administered by a committee of the Board of Directors who determines the employees and affiliated persons to receive options and the number and option price of shares covered by each such option. Options granted under both plans may be either incentive stock options or non-qualified stock options. In general, for incentive stock options, the option price shall not be less than the fair market value at the time the option is granted. Generally, options become exercisable at the rate of 25% at the end of each of the four years following the anniversary of the grant. Options issued expire ten years from the date of grant, or 30 days from the date of termination or affiliation.

At December 31, 1996, 897,600 shares have been reserved for non-qualified stock options, of which 98,875 are available for future grants. At December 31, 1996, 750,000 shares have been reserved for incentive stock options, of which 574,462 are available for future grants.

The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and related Interpretations in accounting for the plans. Accordingly, no compensation cost has been recognized for the plans. Had compensation cost for the plans been determined on the fair value at the grant dates for awards under the plans in 1996 and 1995 using the minimum value method consistent with SFAS No. 123 for grants prior to the IPO, the Company's net income would have been reduced by $77,500 or $0.02 per share in 1996, and by $23,300 or $0.01 per share in 1995. In computing these pro forma amounts the Company has assumed a risk-free interest rate equal to approximately 6.18%, no dividends, and expected average option life of approximately five years. There were no options granted subsequent to the IPO. SFAS 123 does not apply to awards prior to 1995, and additional awards in future years are anticipated. The average fair value of options granted during 1996 and 1995 is estimated as $1.93 and $1.59, respectively, on the date of the grant.

The Company has issued warrants in connection with certain debt financings. As of December 31, 1996, 120,000 shares of Common Stock have been reserved for issuance pursuant to the exercise of such warrants at a weighted

average exercise price of $2.50 per share.

BOSTON BIOMEDICA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(10) STOCKHOLDERS' EQUITY - (CONTINUED)

The Company has reserved shares of its authorized but unissued common stock for the following:

<TABLE>
<CAPTION>

	Stock Options		Warrants			
	Shares	Weighted Average price per share	Shares	Weighted Average price per share	Total Shares	Exercisable
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance outstanding, December 31, 1993	881,850	2.14	306,138	2.66	1,187,988	712,163
Granted	-	-	-	-		
Exercised	(19,375)	0.68	(4,600)	3.75	(23,975)	
Expired	(81,525)	2.69	-	-	(81,525)	
Balance outstanding, December 31, 1994	780,950	2.12	301,538	2.73	1,082,488	827,576
Granted	73,187	6.00	-	-	73,187	
Exercised	(6,000)	1.88	(41,200)	2.58	(47,200)	
Expired	(47,850)	2.64	-	-	(47,850)	
Balance outstanding, December 31, 1995	800,287	2.45	260,338	2.85	1,060,625	879,038
Granted	140,600	7.27	-	-	140,600	
Exercised	(1,500)	4.50	(84,260)	2.88	(85,760)	
Expired	(21,500)	6.05	(56,078)	3.54	(77,578)	
Balance outstanding, December 31, 1996	917,887	3.10	120,000	2.50	1,037,887	839,272

The following table summarizes information concerning options outstanding and exercisable as of December 31, 1996:
</TABLE>

<TABLE>
<CAPTION>

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Weighted Average Remaining Life	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>
$0.25 - $1.65	3.49	359,500	1.21	359,500	1.21
$2.50 - $4.50	5.59	359,600	2.98	328,538	2.89
$6.00 - $8.50	9.40	198,787	6.86	31,234	6.00
		917,887		719,272	

</TABLE>

(11) SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

Unaudited (Amounts in thousands, except for per share data)

<TABLE>
<CAPTION>

<S>	<C>	<C>	<C>	<C>
1996	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
Total revenue	$ 3,084	$ 3,844	$ 4,015	$ 4,566
Gross profit	1,051	1,621	1,752	1,976
Net income (loss)	(97)	179	163	236

Income (loss) per share	(0.04)	0.06	0.05	0.06

1995	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
Total revenue	$ 2,728	$ 2,837	$ 2,896	$ 3,810
Gross profit	853	1,105	1,107	1,474
Net income (loss)	(39)	3	(19)	159
Income (loss) per share	(0.01)	0.00	(0.01)	0.05

</TABLE>

BOSTON BIOMEDICA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(12) SUBSEQUENT EVENTS

SOURCE SCIENTIFIC ACQUISITION

On March 26, 1997 the Company entered into an Asset Purchase Agreement to acquire substantially all of the assets and business and assume selected liabilities of Source Scientific, Inc. ("Source") for $2.1 million in cash. A substantial majority of this purchase price will be allocated to goodwill and other intangibles Goodwill is expected to be amortized over 10 years. Source is a developer and manufacturer of a broad line of clinical instrumentation and biomedical devices for the worldwide in vitro diagnostic industry. The Company has advanced Source $650,000 in the form of senior secured demand notes to fund working capital, product development and other operational needs. The notes bear interest of 15%. The Company expects to make additional advances prior to closing. The proposed acquisition is subject to standard conditions, including Source shareholder approval and will be recorded in accordance with purchase accounting.

NEW LOAN AGREEMENT

Effective March 28, 1997, the Company terminated its Revolver and entered into a $7.5 million uncollateralized revolving line of credit ("New Line") with its bank. The New Line matures on June 30, 1999; bears interest at the Company's option based on either base rate, LIBOR plus 1.75%, or overnight money market rate plus 1.75%; and carries a facility fee of .25% per annum, payable quarterly. The New Line contains covenants regarding the Company's ratio of total liabilities-to-equity, minimum tangible net worth, and minimum debt service coverage ratio. The New Line further provides for restrictions on the payment of dividends, and limitations on additional borrowings.

(13) SUPPLEMENTARY PRO FORMA EARNINGS PER SHARE - (UNAUDITED)

If the Offering had been completed on January 1, 1995, a portion of the proceeds would have been used to retire all debt outstanding at that time, and all debt incurred in 1995 and 1996 would not have been needed. Based on the foregoing, supplemental pro forma net earnings per share of common stock would have been $.19 and $.09 for the years ended December 31, 1996 and 1995, respectively. Such net earnings per share of common stock are based on 3,544,183 and 3,626,391 shares of common stock respectively, consisting of 3,069,269 and 3,151,477 shares of common stock and common stock equivalents plus 474,914 shares assumed to be issued at $8.50 per share as if the Offering had occurred on January 1, 1995 to retire indebtedness outstanding during 1995.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of
BOSTON BIOMEDICA, INC.:

We have audited the accompanying consolidated balance sheets of Boston Biomedica, Inc. and Subsidiaries as of December 31, 1996 and 1995 and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1996. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Boston Biomedica, Inc. and Subsidiaries as of December 31, 1996 and 1995 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1996 in conformity with generally accepted accounting principles.

COOPERS & LYBRAND L.L.P.

Boston, Massachusetts
March 4, 1997, except as to
Note 12, for which the date is
March 28, 1997

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information called for by Item 10 is incorporated by reference to the information under Part I, Item 1 - Business under the caption "Executive Officers of the Registrant" at page 14 of this Report, and to the information in the Registrant's definitive Proxy Statement which is expected to be filed by the Registrant within 120 days after the close of its fiscal year.

ITEM 11. EXECUTIVE COMPENSATION

The information called for by Item 11 is incorporated by reference to the information in the Registrant's definitive Proxy Statement which is expected to be filed by the Registrant within 120 days after the close of its fiscal year.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information called for by Item 12 is incorporated by reference to the information in the Registrant's definitive Proxy Statement which is expected to be filed by the Registrant within 120 days after the close of its fiscal year.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information called for by Item 13 is incorporated by reference to the information in the Registrant's definitive Proxy Statement which is expected to be filed by the Registrant within 120 days after the close of its fiscal year.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

<TABLE>
<CAPTION>

(A) 1. INDEX TO FINANCIAL STATEMENTS:

<S> <C>

(A) 2. FINANCIAL STATEMENT SCHEDULES:

</TABLE>

All supplemental schedules other than as set forth above are omitted as inapplicable or because the required information is included in the Consolidated Financial Statements or the Notes to Consolidated Financial Statements.

(A) 3. EXHIBITS:

<TABLE>
<CAPTION>

Exhibit No.	
3.1	Amended and Restated Articles of Organization of the Company**
3.2	Amended and Restated Bylaws of the Company**
4.1	Specimen Certificate for Shares of the Company's Common Stock**
4.2	Description of Capital Stock (contained in the Restated Articles of Organization of the Company filed as Exhibit 3.1) **
10.1	Agreement, dated January 17, 1994, between Roche Molecular Systems, Inc. and the Company**
10.2	Exclusive License Agreement, dated December 6, 1994, between the University of North Carolina at

Chapel Hill and the Company**

10.3 Contract, dated September 30, 1995, between the National Institutes of Health and the Company (No. 1-AI55273) **

10.4 Contract, dated September 30, 1995, between the National Institutes of Health and the Company (No. 1-AI-55277) **

10.5 Contract, dated March 1, 1993, between National Cancer Institute and the Company **

10.6 Agreement, dated October 1, 1995, between Ajinomoto Co., Inc. and the Company**

10.7 Lease Agreement, dated June 30, 1992, for Rockville, Maryland Facility between Cambridge Biotech Corporation and the Company**

10.8 Lease Agreement, dated July 28, 1995, for New Britain, Connecticut Facility between MB Associates and the Company**

10.9 Worcester County Institution for Savings Warrant dated December 1, 1995 (No. 1) **

10.10 Worcester County Institution for Savings Warrant dated July 26, 1993 (No. 2) **

10.11 Stock Purchase Agreement, dated June 5, 1990, between G&G Diagnostics Limited Partnership I and the Company, as amended**

10.12 Purchase and Sale Agreement, dated December 11, 1995, for 375 West Street Property between James Leonard, Trustee, C.W.B. Trust and the Company**

10.13 Purchase and Sale Agreement, dated December 20, 1995, for 80 Manley Street Property between the Company and Donald M. Leonard, Trustee, Live Oak Realty Trust**

10.14 Stock Purchase Agreement, dated April 26, 1996, between Kyowa Medex Co., Ltd. and the Company**

10.15 1987 Non-Qualified Stock Option Plan**++

10.16 Employee Stock Option Plan**++

10.17 Underwriters Warrants, each dated November 4, 1996, between the Company and each of Oscar Grus & Son Incorporated and Kaufman Bros., L.P. **

10.20 Purchase Agreement, dated October 7, 1996, between BioSeq, Inc. and the Company**

10.21 Warrant Agreement, dated October 7, 1996, between BioSeq, Inc. and the Company**

10.22 Stockholders' Agreement, dated October 7, 1996, between BioSeq, Inc. and the Company**

10.23 License Agreement, dated October 7, 1996, between BioSeq, Inc. and the Company**

10.24.1 Commercial Loan Agreement, dated as of March 28, 1997, between The First National Bank of Boston and the Company

10.25 Asset Purchase Agreement, dated March 26, 1997 between Source Scientific, Inc. and the Company

11.1 Statement re: Computation of Per Share Earnings

21.1 Subsidiaries of the Company

27 Financial Data Schedule

</TABLE>

- ----------

++ 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 Registrant did not file any Current Reports on Form 8-K during the quarter ended December 31, 1996.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 28, 1997 Boston Biomedica, Inc.

By: /s/ Richard T. Schumacher

Richard T. Schumacher
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<TABLE>
<CAPTION>

SIGNATURES	TITLES	DATE
<S>	<C>	<C>
/s/ Richard T. Schumacher Richard T. Schumacher	President, Chief Executive Officer, and Chairman of the Board (Principal Executive Officer)	March 28, 1997
/s/ Kevin W. Quinlan Kevin W. Quinlan	Senior Vice President, Finance; Chief Financial Officer; Treasurer and Director (Principal Accounting Officer)	March 28, 1997
/s/ Calvin A. Saravis Calvin A. Saravis	Director	March 28, 1997
/s/ Henry A. Malkasian Sr. Henry A. Malkasian Sr.	Director	March 28, 1997
/s/ Francis E. Capitanio Francis E. Capitanio	Director	March 28, 1997

</TABLE>

EXHIBIT INDEX

<TABLE>
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Exhibit No.		Reference
<S>	<C>	<C>
3.1	Amended and Restated Articles of Organization of the Company	A**
3.2	Amended and Restated Bylaws of the Company	A**
4.1	Specimen Certificate for Shares of the Company's Common Stock	A**
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10.1	Agreement, dated January 17, 1994, between Roche Molecular Systems, Inc. and the Company	A**
10.2	Exclusive License Agreement, dated December 6, 1994, between the University of North Carolina at Chapel Hill and the Company	A**
10.3	Contract, dated September 30, 1995, between the National Institutes of Health and the Company (No. 1-AI55273)	A**
10.4	Contract, dated September 30, 1995, between the National Institutes of Health and the Company (No. 1-AI-55277)	A**
10.5	Contract, dated March 1, 1993, between National Cancer Institute and the Company	A**
10.6	Agreement, dated October 1, 1995, between Ajinomoto Co., Inc. and the Company	A**
10.7	Lease Agreement, dated June 30, 1992, for Rockville, Maryland Facility between Cambridge Biotech Corporation and the Company	A**
10.8	Lease Agreement, dated July 28, 1995, for New Britain, Connecticut Facility between MB Associates and the Company	A**
10.9	Worcester County Institution for Savings Warrant dated December 1, 1995 (No. 1)	A**
10.10	Worcester County Institution for Savings Warrant dated July 26, 1993 (No. 2)	A**
10.11	Stock Purchase Agreement, dated June 5, 1990, between G&G Diagnostics Limited Partnership I and the Company, as amended	A**
10.12	Purchase and Sale Agreement, dated December 11, 1995, for 375 West Street Property between James Leonard, Trustee, C.W.B. Trust and the Company	A**
10.13	Purchase and Sale Agreement, dated December 20, 1995, for 80 Manley Street Property between the Company and Donald M. Leonard, Trustee, Live Oak Realty Trust	A**
10.14	Stock Purchase Agreement, dated April 26, 1996, between Kyowa Medex Co., Ltd. and the Company	A**
10.15	1987 Non-Qualified Stock Option Plan*	A**
10.16	Employee Stock Option Plan*	A**
10.17	Underwriters Warrants, each dated November 4, 1996, between the Company and B** each of Oscar Grus & Son Incorporated and Kaufman Bros., L.P.	

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10.21	Warrant Agreement, dated October 7, 1996, between BioSeq, Inc. and the Company	A**
10.22	Stockholders' Agreement, dated October 7, 1996, between BioSeq, Inc. and the Company	A**
10.23	License Agreement, dated October 7, 1996, between BioSeq, Inc. and the Company	A**
10.24.1	Commercial Loan Agreement, as of dated March 28, 1997, between The First Filed herewith National Bank of Boston and the Company	
10.25	Asset Purchase Agreement, dated March 26, 1997 between Source Scientific, Inc. and the Company	Filed herewith
11.1	Statement re: Computation of Per Share Earnings	Filed herewith
21.1	Subsidiaries of the Company	Filed herewith
27	Financial Data Schedule	Filed herewith

</TABLE>

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A Incorporated by reference to the Company's Registration Statement on Form S-1 (Registration No. 333-10759)(the "Registration Statement"). The number set forth herein is the number of the Exhibit in said registration statement.

B Incorporated by reference to the Registration Statement, where the Exhibit was filed as Exhibit No. 10.17 and contained in Exhibit 1.1.

* 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.

SCHEDULE II

BOSTON BIOMEDICA, INC. AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS

<TABLE>
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Allowance for Doubtful Accounts	Balance at Beginning of Period	Additions to Allowance	Recoveries for Accounts Previously Written Off	Uncollectible Accounts Written Off	Balace at End of PPeriod
<C>	<C>	<C>	<C>	<C>	<C>
1996	$ 142,372	$ 429,677	$ 62,753	$(282,744)	$ 352,058
1995	94,723	181,084	-	(133,435)	142,372
1994	43,956	102,099	-	(51,332)	94,723

</TABLE>

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of
BOSTON BIOMEDICA, INC.:

In connection with our audits of the consolidated financial statements of Boston Biomedica, Inc. and Subsidiaries, as of December 31, 1995 and 1996, and for each of the three years in the period ended December 31, 1996, which financial statements are included in this Annual Report on Form 10-K, we have also audited the consolidated financial statement schedule listed in Item 14 herein.

In our opinion, this consolidated financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information required to be included therein.

COOPERS & LYBRAND L.L.P.

Boston, Massachusetts
March 4, 1997

EXECUTION

COMMERCIAL LOAN AGREEMENT

By and Among

BOSTON BIOMEDICA, INC., BTRL CONTRACTS AND SERVICES, INC., BBI CLINICAL LABORATORIES, INC. and BBI-SOURCE SCIENTIFIC, INC.

as the Borrower

and

THE FIRST NATIONAL BANK OF BOSTON

as the Lender

Dated: As of March 28, 1997

COMMERCIAL LOAN AND SECURITY AGREEMENT

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<TABLE>
<CAPTION>

</TABLE>

COMMERCIAL LOAN AGREEMENT

This Commercial Loan Agreement (this "Agreement") is dated as of March 28, 1997, and is by and among BOSTON BIOMEDICA, INC. ("BBI"), BTRL CONTRACTS AND SERVICES, INC. ("BTRL"), BBI CLINICAL LABORATORIES, INC. ("BBICL"), formerly known as BBI-NORTH AMERICAN CLINICAL LABORATORIES, INC. and BBI-SOURCE SCIENTIFIC, INC. ("BSS"), each of which is a Massachusetts corporation validly created, legally existing and in good standing under the laws of the Commonwealth of Massachusetts and each of which has its "Notice Address" at 375

West Street, West Bridgewater, Massachusetts 02379 (BBI, BTRL, BBICL and BSS, together with their respective successors and assigns, are collectively referred to herein as the "Borrower") and THE FIRST NATIONAL BANK OF BOSTON, a national banking association having an office and "Notice Address" at Bank of Boston-Worcester Tower, P.O. Box 15073, 100 Front Street, Worcester, Massachusetts 01608-1438 (together with its successors and assigns, the "Lender").

WHEREAS, BTRL, BBICL and BSS are each wholly-owned subsidiaries of BBI, formed to acquire certain assets determined to be useful and necessary to the business conducted by BBI; and

WHEREAS, the Borrower desires to induce the Lender to lend certain sums and otherwise to extend credit or grant financial accommodations, all to or for the benefit of the Borrower pursuant to and in accordance with the terms of this Agreement; and

WHEREAS, the Lender is willing to enter into this Agreement and grant such financial accommodations to or for the benefit of the Borrower in accordance with the terms of this Agreement only if the Borrower shall make and enter into certain agreements, covenants, representations and warranties as set forth herein and as further set forth and contained in the Financing Instruments (as hereinafter defined), all of the terms and conditions of which Financing Instruments are hereby incorporated herein by reference;

NOW THEREFORE, in order to induce the Lender to lend certain sums, to extend credit and to grant financial accommodations, all to or for the benefit of the Borrower, and in consideration thereof and in consideration of the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrower hereby represents and warrants to the Lender, and hereby covenants and agrees with the Lender, all as follows:

SECTION 1

DEFINITIONS; USE OF TERMS; INCORPORATION BY REFERENCE

In this Agreement:

1.1 "ACCOUNTS" shall mean and refer to any and all of the Borrower's rights to payment for goods sold or leased or for services rendered, which are not evidenced by an Instrument or Chattel Paper, whether or not such rights have been earned by performance, and shall include all receivables, notes, drafts, acceptances, other forms of obligations and "accounts" as defined in the UCC, all in whatever form and however arising or created;

1.2 "BALANCE SHEET NET WORTH" shall have the meaning given to that term in Section 4.2(b) below;

1.3 "BANKRUPTCY CODE" shall have the meaning given to that term in subsection 6.7.1 below;

1.4 "BORROWER" shall have the meaning given to that term in the first paragraph on the first page of this Agreement;

1.5 "CEO" shall have the meaning given to that term in subsection 3.1.18 below;

1.6 "CLOSING DATE" shall have the meaning given to that term in Section 5.1 below;

1.7 "COMMITMENT EXPIRATION DATE" shall mean the earlier to occur of: (a) the Maturity Date; (b) the occurrence of an Event of Default hereunder; or (c) upon termination as provided in Section 9.3 below;

1.8 "CONNECTICUT OFFICE" shall mean 75 North Mountain Road, New Britain, Connecticut 06053

1.9 "DEBT SERVICE RATIO" shall have the meaning given to that term in Section 4.2.5(c) below;

1.10 "DEFAULT" shall mean an Event of Default or event or condition that, but for the requirement that time elapse or notice be given, or both, would constitute an Event of Default;

1.11 "EQUIPMENT" shall mean all motor vehicles (whether or not subject to motor vehicle registration), rolling stock, machinery, furniture, office equipment, plant equipment, fixtures, tools, spare parts, accessories, dies, molds and all other like goods, property and assets owned now or hereafter by the Borrower and used in the operation or furtherance of the Borrower's business; and "equipment" as defined in the UCC;

1.12 "EVENT OF DEFAULT" shall have the meaning given to that term in Section 6 below;

1.13 "FACILITY FEE" shall have the meaning given to that term in subsection 2.4 below;

1.14 "FINANCING INSTRUMENTS" shall mean and refer to any and all agreements (including this Agreement), Instruments, Documents, and other writings including without limitation, security agreements, loan agreements, notes, guarantees, mortgages, deeds of trust, collateral assignments, subordination agreements, contracts, notices, leases, financing statements and all other written matter, whether heretofore, now, or hereafter executed by or on behalf of the Borrower and delivered to the Lender in connection with the transactions described in this Agreement or contemplated hereby, together with all agreements and documents referred to therein or contemplated thereby;

1.15 "GAAP" shall mean and refer to generally accepted accounting principles as adopted in the United States;

1.16 "INDEMNIFIED PARTY" shall have the meaning given to that term in subsection 9.6 below;

1.17 "INTEREST RATE PROTECTION CONTRACTS" shall mean interest rate swap agreements, interest rate collar agreements, options on any of the foregoing and any other agreements or arrangements designed to provide protection against fluctuations in interest rates, in each case purchased by the Borrower from a lender with respect to Loans and approved by the Lender;

1.18 "INVESTMENT" shall mean the purchase or acquisition of any share of capital stock, partnership interest, evidence of indebtedness or other equity security of any other Person (including any subsidiary), any loan, advance or extension of credit (excluding Accounts and costs and estimated earnings in excess of billings arising in the ordinary course of business) to, or contribution to the capital of, any other Person (including any subsidiary), any real estate held for sale or investment, any securities or commodities futures contracts held, any other investment in any other Person (including any other Borrower or any subsidiary), and the making of any commitment or acquisition of any option to make an Investment;

1.19 "INVENTORY" shall mean and refer to any and all of the following owned by the Borrower: goods, wares, merchandise, raw materials, supplies, components, work in process, finished goods and all packaging, advertising, shipping material, labels and other devices, names, or marks affixed thereto for purpose of selling the same; tangible personal property held by the Borrower for processing, sale, license, or lease, or furnished or to be furnished by the Borrower under contracts of sale or service or to be used or consumed in the Borrower's business; items referred to above which are in transit, returned, rejected, repossessed or detained; and "inventory" as defined in the UCC;

1.20 "IRC" shall mean and refer to the Internal Revenue Code of 1986, as amended, and regulations as promulgated and in effect, from time to time, thereunder;

1.21 "LENDER" shall have the meaning given to that term in the first paragraph on the first page of this Agreement;

1.22 "LIENS" shall mean and refer to any and all: mortgages, pledges, security interests, encumbrances, liens, or charges of any kind including, but not limited to, agreements to give any of the foregoing; conditional sales or other title retention agreements or devices, or any leases in the nature thereof; and the filing of, or agreement to give, any financing statement under the Uniform Commercial Code of any jurisdiction;

1.23 "LINE OF CREDIT MAXIMUM AMOUNT" shall mean and refer to the amount of Seven Million Five Hundred Thousand and 00/100 Dollars ($7,500,000.00);

1.24 "LOANS" shall have the meaning given to that term in Section 2.1 below;

1.25 "MARGIN STOCK" shall have the meaning given to that term in subsection 3.1.12 below;

1.26 "MARYLAND OFFICE" shall mean 3 Taft Court, Rockville, Maryland 20850;

1.27 "MATURITY DATE" shall mean June 30, 1999;

1.28 "NOTE" shall mean that certain Commercial Term Revolving Promissory Note, dated of even date herewith, from the Borrower, made payable to the order of the Lender, in the face amount of the Line of Credit Maximum Amount, as the same may be hereafter amended, modified, substituted, extended or restated, from time to time;

1.29 "NOTICE ADDRESS" shall have the meaning given to that term in the first paragraph on the first page of this Agreement;

1.30 "OBLIGATIONS" shall mean and refer to any and all indebtedness, liabilities, duties, undertakings, covenants and agreements (including those of payment or of performance) of the Borrower to the Lender or any affiliate of the Lender, all of every kind, nature and description, and arising pursuant to the terms of the Financing Instruments or otherwise, including, without limitation:

1.30.1 the Borrower's liability to repay the Loans, together with the payment of all interest and other monies due pursuant to the terms of the Note, and any and all substitutions, renewals, extensions, amendments and rewritings of the Loans or the Note and all present and future advances made thereunder and including all Interest Rate Protection Contracts;

1.30.2 the faithful performance and observance by the Borrower of all agreements, covenants and conditions contained in this Agreement and in each of the other Financing Instruments; and

1.30.3 any and all such indebtedness, liabilities, duties, undertakings, covenants and agreements whether or not the same are: now existing or hereafter arising; imposed by agreement or by operation of law; due or not due, absolute or contingent, liquidated or unliquidated, voluntary or involuntary; evidenced by a writing; presently contemplated by the parties; the joint or the several liabilities of the Borrower; direct or indirect; related or unrelated to the transactions described in or contemplated by the Financing Instruments; liabilities or undertakings of the Borrower as surety, guarantor or endorser with respect to obligations of one or more other parties; specifically described as secured or unsecured; hereafter acquired by the Lender by assignment, other transfer or operation of law; the result of any transaction whatsoever between the Borrower and the Lender; or by reason of any cause of action which the Lender may have against the Borrower;

1.31 "PERMITTED ACQUISITION" shall mean any domestic corporation,

partnership, limited liability company, joint venture or other form of domestic entity that is engaged in the business of the Borrower or any business reasonably related or complimentary thereto.

1.32 "PERMITTED ACQUISITION VENTURE" shall mean any Investment in a Permitted Acquisition for which (a) the Borrower has provided the Lender, in advance of such Acquisition, with all of the material information, reports, financial statements and any other material used by the Borrower to determine the suitability and prudence of such Investment; and (b) the Borrower has satisfied the Lender that such Investment will not result in the Borrower failing to meet any of the Financial Standards contained in subsections 4.2.1, 4.2.2 and 4.2.4 hereof;

1.33 "PERMITTED ENCUMBRANCES" shall have the meaning given to that term in Section 3.3.8 below;

1.34 "PERSONS" shall mean and refer to any and all individuals, corporations, partnerships, joint stock associations, business or other trusts, governments or any agencies or subdivisions thereof, joint ventures, limited liability companies or partnerships, or other entities or associations whatsoever;

1.35 "REPORTING REQUIREMENTS" shall have the meaning given to that term in Section 4.1 below;

1.36 "REVOLVING LINE OF CREDIT" shall have the meaning given to that term in Section 2.1 below;

1.37 "TANGIBLE NET WORTH" shall have the meaning given to that term in Section 4.2.5(b) below;

1.38 "TOTAL DEBT" shall have the meaning given to that term in Section 4.2.5(a) below;

1.39 "UCC" shall mean the Uniform Commercial Code as in effect from time to time in The Commonwealth of Massachusetts;

1.40 The following terms shall have the respective meanings ascribed to them in the UCC: "ACCOUNT DEBTOR", "CHATTEL PAPER", "DEPOSIT ACCOUNT", "DOCUMENT", "FARM PRODUCTS", "GENERAL INTANGIBLES", and "INSTRUMENT";

1.41 Terms defined elsewhere in this Agreement shall have the respective meanings ascribed to them where so defined;

1.42 All exhibits to this Agreement are hereby incorporated herein by reference;

1.43 The use of the singular of terms which are defined in the plural shall mean and refer to any one of the matters or items included in such definition; and

1.44 Use of the connective "or" is not intended to be exclusive; the term "may not" is intended to be prohibitive and not permissive; use of "includes" and "including" is intended to be interpreted as expansive and amplifying and not as limiting in any way; and pronouns used herein shall be deemed to include the singular and the plural and all genders.

SECTION 2

ESTABLISHMENT OF REVOLVING LINE OF CREDIT

2.1 Revolving Line of Credit. Subject to all of the terms and conditions contained in this Agreement and the other Financing Instruments, the Lender hereby agrees to establish for the benefit of the Borrower a certain revolving line of credit (the "REVOLVING LINE OF CREDIT"), in the maximum principal amount of up to the Line of Credit Maximum Amount, as evidenced by and payable as provided in the Note. All advances of principal under the Revolving Line of

Credit (each such advance is hereinafter referred to as a "LOAN" and collectively as the "Loans") shall be made in accordance with the provisions of this Agreement and the Note. The Lender has opened or hereby opens, for and in the name of the Borrower, loan accounts for the purposes of administering the Loans.

2.2 Interest Rate on Loans. The principal amount outstanding, from time to time, of each of the Loans shall bear interest in accordance with the provisions of the Note.

2.3 Repayment of Loans. Principal and interest under the Loans shall be paid to the Lender in accordance with the provisions of the Note.

2.4 Facility Fee. The Borrower agrees to pay to the Lender a Facility Fee (the "FACILITY FEE") of one-quarter of one percent (.25%) per annum of the amount which equals the average unused portion of the Line of Credit Maximum Amount during each calendar quarter, or part thereof, that any Loan remains outstanding. The Facility Fee shall be paid by the Borrower to the Lender on a calendar quarterly basis, in arrears. The Facility Fee shall be earned when paid, non-refundable and in addition to all interest and all other amounts due and payable with respect to the Loans or otherwise pursuant to the Financing Instruments.

2.5 Use of Proceeds. All of the proceeds of the Loans shall be used to finance Investments in Permitted Acquisition Ventures and for general corporate purposes, including, but not limited to, working capital, capital expenditures and equipment leasing.

2.6 Loan Advances. After the date hereof, Loans shall be made by advances by the Lender to one or more of the accounts maintained by the Borrower pursuant to Section 3.2.6 hereof (hereafter, the "Main Operating Account"). Subject to the terms and conditions hereof, the Lender may make Loans to the Borrower (i) to cover checks drawn by Borrower on the Main Operating Account and (ii) to cover other authorized charges whether given

to the Lender orally, telephonically or in writing and (iii) to cover other charges due and payable hereunder. As an accommodation to the Borrower, and to avoid the necessity that the Lender communicate with the Borrower each time checks are presented for payment against the Main Operating Account, the Borrower requests the Bank to make a Loan charged to the Loan Account sufficient to cover checks and other authorized charges on each occasion that the same are presented. All actions of the Lender in connection with the ordinary administration of the foregoing are hereby ratified and confirmed and shall be conclusive and binding upon the Borrower. Each request by the Borrower to Lender for an advance under the Revolving Line of Credit shall constitute a representation by the Borrower that as of the date of such request (a) each of the representations and warranties set forth herein are true, (b) the Borrower is in compliance with all of the covenants, terms and conditions hereof, and (c) no event or circumstances exist which constitute or with the lapse of time or notice, or both, would constitute or result in the occurrence of an Event of Default (as hereinafter defined).

2.7 Other Advances and Payments. Whether or not the entire amount available under the Revolving Line of Credit shall have been advanced to or for the benefit of the Borrower, and whether or not the Loans shall be payable (by maturity or by acceleration) or an Event of Default shall have occurred under this Agreement, the Lender shall be entitled (but shall not be obligated and may not be required) to make, at its sole discretion, additional advances from time to time:

2.7.1 in payment or reimbursement, as the case may be, of any and all payments made or amounts owing pursuant to applicable provisions of the Financing Documents;

2.7.2 to pay the Lender's usual and customary charges for (a) services rendered by it to the Borrower at the Borrower's request which charges relate to the Obligations; and (b) charges otherwise required

to be paid by the Borrower pursuant to this Agreement; and

2.7.3 otherwise to or for the benefit of the Borrower, as requested or consented to by the Borrower, as the Lender may in its discretion deem proper or expedient;

and each such additional advance shall be a part of the Obligations and shall at all times be subject to the terms and conditions of this Agreement and secured as provided in the Financing Instruments.

2.8 Loan Statements. All advances to or for the benefit of the Borrower pursuant to this Agreement shall be charged to the loan account or accounts opened in the Borrower's name on the Lender's books. The Lender periodically shall render to the Borrower statements of such loan account or accounts, setting forth the daily loan balance and total accrued interest during the subject period, which, when so rendered, shall be considered prima facie evidence of the correctness thereof except to the extent that the Lender receives written notice of any exceptions proposed by the Borrower within a reasonable time, but in no event later than one hundred twenty (120) days from the date of such statement. If for any reason the Borrower has not paid interest charges and/or any fees for services, expenses incurred or other charges owed to the Lender by the Borrower, the Lender, at its option and discretion, may at any time or times debit such charges, expenses, and fees to the Borrower's loan account and such amounts shall be added to the principal amount thereof, or the Lender may debit such interest, charges and fees, and any other unpaid Obligations then due, to any deposit or other account of the Borrower at the Lender. Such debits shall not constitute a waiver of any Event of Default. Any item received in payment towards the Borrower's outstanding indebtedness which requires clearance or payment shall not be considered to have been credited until final clearance and final payment.

2.9 Review of Line of Credit. The Lender agrees (a) to review the Revolving Line of Credit annually on or before June 30 of each year commencing in 1998, to determine whether the Maturity Date will be extended for an additional twelve-month period beyond the Maturity Date then in effect; and (b) to notify the Borrower of such determination in accordance with the notice provisions of the Agreement. Notwithstanding the foregoing, any

determination by the Lender to extend the Maturity Date shall not be binding and enforceable against the Lender until the execution of an Extension Agreement or other appropriate documentation, executed by the parties hereto.

SECTION 3

REPRESENTATIONS, COVENANTS AND WARRANTIES

In addition to such other representations, covenants and warranties as are contained herein, or elsewhere in the Financing Instruments or as have otherwise been made to the Lender, the Borrower hereby represents, covenants and warrants that:

3.1 General Representations, Covenants and Warranties.

3.1.1 Business; Supplemental Information Regarding the Borrower. BBI is engaged in the business of assaying, processing, manufacturing, selling, and distributing human blood-based products; BTRL is engaged in the business of biomedical and biotechnical contract research and services; BBICL is engaged in the business of providing clinical reference laboratory services; BSS is, or will be, primarily engaged in the business of developing clinical instrumentation and biomedical devices for the in vitro diagnostic industry; each of BBI's and BSS's principal place of business and chief executive office and mailing address is located at the Notice Address set forth at the beginning of this Agreement; BTRL's principal place of business and mailing address is the address of the Maryland Office and BBICL's principal place of business and mailing address is the address of the

Connecticut Office. The Borrower does not and will not conduct any business under any trade name or trade style other than the legal names of BBI, BTRL, BBICL and BSS or as set forth in the Master Exhibit. Set forth in the Master Exhibit attached hereto are the names and addresses of the respective officers and members of the Board of Directors of each Borrower, the name and title of each officer authorized to execute the Financial Instruments and thereafter deal with the Lender on behalf of the Borrower, and locations of all the Borrower's other places of business or at which the Borrower's properties may be kept or located, which information is true, accurate and complete; the Borrower agrees to furnish the Lender with written notice within ten (10) days of any changes in such information, or any additional information necessary to insure that said Master Exhibit remains true, accurate and complete. Nothing in this subsection 3.1.1 shall be construed to permit any action which is otherwise restricted or prohibited pursuant to the terms of this Agreement.

3.1.2 Due Organization and Existence; Authorization. Each of BBI, BTRL, BBICL and BSS (a) is duly organized, validly existing and in good standing under the laws of the Commonwealth of Massachusetts, (b) has adequate corporate power and authority to own its properties and assets and to carry on its business activities as and where now conducted, (c) is qualified to do business as a foreign corporation and is in good standing in each jurisdiction wherein such qualification is necessary, and where the failure to so qualify would have a material adverse effect on the business or property of the Borrower, and (d) has the corporate power and authority to execute and deliver such of the Financing Instruments as have been executed by it, and to perform the Financing Instruments in accordance with the terms thereof.

3.1.3 Articles of Organization; Stock; Accurate Records. The Articles of Organization and all amendments thereto of each of BBI, BTRL, BBICL and BSS have been duly filed and are in proper order. All capital stock issued by BBI, BTRL, BBICL and BSS and currently outstanding is properly issued, and all books and records of BBI, BTRL, BBICL and BSS, including but not limited to, the minute book, by-laws and books of account of each of BBI, BTRL, BBICL and BSS, are accurate and up-to-date and will be so maintained.

3.1.4 Binding Documents; Violation of Other Agreements. Each of BBI, BTRL, BBICL and BSS has taken all steps required by applicable law to make this Agreement, and each of such Financing Instruments, its legal, valid and binding obligation enforceable, jointly and severally, in accordance with its terms, and neither the execution, delivery nor performance of this Agreement or any of the Financing Instruments is in violation of any law, the Articles of Organization, Bylaws or other organizational documents of it, or of any other agreement or instrument to which it is a party or by which it or any of its assets is or may be bound, and does not constitute a default under any of the foregoing, or result in the creation or imposition of a Lien upon any of its properties or assets other than that in favor of the Lender.

3.1.5 Title To Assets; Security Interests and Mortgages; Leases; Royalties; etc. The Borrower has title (and good, clear, record and marketable title in the case of real property) to all assets reflected in the financial statements hereinafter referred to and delivered to the Lender, and to all assets acquired since the date of said financial statements (other than those assets subsequently disposed of in the ordinary course of business), free of any Lien except in favor of the Lender and except for the Permitted Encumbrances.

3.1.6 Investments. The Borrower has no Investment, in equity or debt, other than short-term, investment grade securities, including money market funds, except as disclosed in the Master Exhibit.

3.1.7 Litigation; Outstanding Orders. Except as disclosed on

the Master Exhibit attached hereto, there are no actions, suits, proceedings or investigations pending or, to the knowledge of the Borrower, any of its agents, servants or employees, threatened against the Borrower or any of its properties in any court, before any other tribunal or any federal, state, municipal or other governmental authority. The Borrower is not in default with respect to any order of any court, or other tribunal or governmental authority. The execution, delivery and performance of this Agreement and each of the Financing Instruments by the Borrower will not constitute a default of any order of any court, or any other tribunal or governmental authority.

3.1.8 Financial Statements Delivered. The Borrower has furnished to the Lender its financial statements, including consolidated balance sheet and statement of profit and loss as at and for the fiscal year ended December, 1995, as audited by Coopers & Lybrand, LLP. Said financial statements fairly present the financial position of the Borrower as at the dates thereof and said statement of profit and loss fairly presents the results of the operations of the Borrower for the fiscal years indicated, all in conformity with GAAP consistently applied.

3.1.9 Other Liabilities; Tax Returns; No Adverse Changes. Except as may be set forth in the Master Exhibit annexed hereto, (a) the Borrower has no knowledge of any contingent obligations or liabilities of the Borrower for taxes or long-term commitments which are not shown in the balance sheets included in said statements or noted therein; (b) the Borrower has filed all required tax returns or extensions therefor and has paid all applicable federal, state and local taxes shown to be due (other than taxes which may hereafter be paid without penalty) and the Borrower has no knowledge of any deficiency or additional assessment in connection therewith for which no provision has been made on its books; (c) there has been no material adverse change in the business, properties or condition (financial or otherwise) of the Borrower since the date of the most recent financial statement referred to above and (d) the Borrower's Taxpayer Identification Numbers are 04-2652826 (BBI), 04-3152484 (BTRL), 04-3196246 (BBICL) and BSS has applied for a Taxpayer Identification Number, which it will promptly supply to the Lender when available . The Borrower's federal income tax returns have been prepared and filed for its fiscal year(s) stated in the Master Exhibit.

3.1.10 No Agency Between the Borrower and the Lender. Nothing herein contained shall be construed to constitute the Borrower as the Lender's agent for any purpose whatsoever.

3.1.11 Regulation U. The Borrower does not own, nor has any present intention of acquiring, any "margin security" as defined in Regulation U (12 C.F.R. Part 221) of the Board of Governors of the Federal Reserve System (herein called a "margin security"). None of the proceeds of the Loans will be used, directly or indirectly, for the purpose of purchasing or carrying any margin security or for the purpose of reducing or retiring any indebtedness which was originally incurred to purchase or carry a margin security or for any other purpose which might constitute this transaction a "purpose credit" within the meaning of said Regulation U.

3.1.12 ERISA. The Borrower has not incurred any material accumulated funding deficiency within the meaning of the Employee Retirement Income Security Act of 1974, as amended, or incurred any material liability to the Pension Benefit Guaranty Corporation established under such Act (or any successor thereto under such Act), nor does the Borrower foresee that it will incur any such material accumulated funding deficiency or material liability in the future, in connection with any employee benefit plan established or maintained by the Borrower. The making of the Loans will not involve any prohibited transaction within the meaning of the Employee Retirement Income

Security Act of 1974 or Section 4975 of the Internal Revenue Code, as amended. There are no facts known to the Borrower which create, or in the future may (so far as the Borrower can now foresee) create, any withdrawal or other liability of the Borrower under the Multi-employer Pension Plan Amendment Act of 1980.

3.1.13 Necessary Permits and Licenses. The Borrower possesses all franchises, rights, certificates, variances, licenses, permits and other authorizations, consents and approvals from all administrative, regulatory or governmental bodies and all patents, trademarks, service marks, trade names, copyrights, licenses and other rights, in each case, free from burdensome restrictions, that are necessary in any material respect for the ownership, maintenance and operation of its business, properties and assets, and the Borrower is not in violation of any thereof in any material respect.

3.1.14 Governmental Approvals Not Required. Neither the nature of the Borrower nor its business or property, nor any relationship between or among the Borrower and any other Person is such as to require any consent, authorization, waiver, approval or other action by or any notice to or filing with any court or administrative, regulatory or governmental body, including, without limitation, government agencies, offices and instrumentalities with which the Borrower has contracts, in connection with the execution and delivery by the Borrower of this Agreement or the other Financing Instruments or the fulfillment of or compliance by the Borrower with, or the enforcement by the Lender of, the terms and provisions hereof or thereof.

3.1.15 Adequate Financing. The Borrower has no reason to believe that the proceeds of the Loans, together with such other sources of funds as are now directly and immediately available to the Borrower, will not be adequate to finance its business operations for the term of the Loans.

3.1.16 No Event of Default. As of the date hereof, there does not exist any Event of Default or any event which, but for the giving of notice or the lapse of time or both, would constitute an Event of Default under this Agreement, any of the Financing Instruments or under the provisions of any instrument evidencing any indebtedness of the Borrower to any other Person.

3.1.17 Compliance with Leases. The Borrower enjoys peaceful and undisturbed possession as lessee under all leases necessary in any material respect for the operation of its business or of its properties and assets, none of which contains any provisions which might materially affect or impair the operation of its business or such properties and assets. All such leases are valid and subsisting and are in full force and effect.

3.1.18 President and Chief Executive Officer. Richard T. Schumacher shall continue to perform the traditional functions of President and chief executive officer of the Borrower and shall continue to exercise the traditional authority of such officer. In addition, while any Obligations remain outstanding, BBI shall continue to own one hundred percent (100%) of the issued and outstanding capital stock of BTRL, BBICL and BSS.

3.1.19 Compliance with Certain Environmental Laws. Neither the Borrower, nor any Person for whose conduct the Borrower is responsible, owns, occupies or operates, or has ever owned, occupied or operated a site or vessel on which has been stored any hazardous material or oil, without compliance with all statutes, regulations, ordinances, directives, and orders of every federal, state, municipal and other governmental authority which has or claims jurisdiction relative thereto (the terms "site", "vessel", and "hazardous material", respectively, as used herein include the definitions of those terms in Massachusetts General Laws, Ch. 2lE); neither the Borrower, nor any Person for whose conduct the Borrower is responsible, has ever disposed

of, transported, or arranged for the transport of any hazardous material or oil without compliance with all such statutes, regulations, ordinances, directives, and orders; and neither the Borrower, nor any Person for whose conduct the Borrower is responsible, has ever been legally responsible for any release or threat of release of any hazardous material or oil; received notification of any potential or known release or threat of release of any hazardous material or oil from any site or vessel owned, occupied or operated by the Borrower, or any Person for whose conduct the Borrower is responsible, or of the incurrence of any expense or loss in connection with the assessment, containment, or removal of any release or threat of release of any hazardous material or oil from any such site or vessel.

3.1.20 Recent Changes of Name or Structure. Except for BBICL, the Borrower has not within the preceding four (4) months changed its name, identity or corporate structure.

3.1.21 Payment of Wages. The Borrower represents and warrants that all currently owed wages to employees have been paid, and agrees and covenants that all wages to employees will be paid as and when due.

3.2 Certain Affirmative Covenants.

3.2.1 Payment of Obligations. The Borrower will duly and punctually pay or cause to be paid, and perform or observe, or cause to be performed or observed, as the case may be, all of the Obligations and will pay and perform or observe, or cause to be paid, performed or observed all other duties or liabilities of any kind of the Borrower to the Lender, under or as provided in the Financing Instruments, or otherwise by agreement or applicable law.

3.2.2 Books and Records. The Borrower will maintain its financial books and records in an accurate, up-to-date, complete and standardized fashion in accordance with GAAP consistently applied, and in accordance with any state or federal regulatory requirements applicable to the Borrower's business or activities.

3.2.3 Inspection. The Borrower will, at all reasonable times during regular business hours, and upon reasonable advance notice, make available in its offices, and shall allow the Lender, at the Lender's expense (unless a Default shall have occurred, in which event such activities shall be at the Borrower's expense), access to, all of the Borrower's books and records for inspection, audit, examination and copying by the Lender and the Lender's representatives, and the Borrower will, at all reasonable times, permit entry by the Lender upon the Borrower's premises, including the Maryland Office and the Connecticut Office, for purposes of inspection of the properties and assets of the Borrower by the Lender and the Lender's representatives and agents.

3.2.4 Commercial Purposes. All advances under the Loans shall be used exclusively for the Borrower's business purposes and operations and shall not in any respect be used for personal, family or household purposes.

3.2.5 Notice of Adverse Matters. The Borrower will, immediately upon learning thereof, report to the Lender all matters materially adversely affecting the Borrower's business or financial condition or assets or property, including, without limitation, any damage or destruction of any material amount of the Borrower's assets by fire or other casualty, whether or not insured against.

3.2.6 Principal Lending Business. The Borrower will use the Lender as its sole lender of account and depository for its main operating accounts (except for investment accounts); provided however that BTRL, BBICL and BSS may maintain checking accounts at banks other than the Lender for purposes of handling their accounts payable and payroll.

3.2.7 Maintenance of Corporate Existence; Compliance with Laws. The Borrower will maintain and keep in full force its corporate existence and good standing and comply with all laws, regulations and orders of the United States and of any state or states, and other political subdivision thereof, and of any other governmental authority which may have jurisdiction over the Borrower or its properties or businesses.

3.2.8 Payment of Taxes and Filing of Returns. The Borrower will pay when due all taxes, including without limitation all real and personal property taxes, assessments and charges and all franchise, income, unemployment, old age benefit, withholding, sales and other taxes assessed against it or any of its properties, and otherwise payable by it, at such times and in such manner as is necessary to prevent any penalty from accruing or any Lien or charge from attaching to its properties. The Borrower shall prepare and file when due all federal, state and local tax, informational and other governmental returns, reports, extensions, and filings, as may be applicable to the Borrower. The provisions of this subsection, however, shall not preclude the Borrower from contesting in good faith and by expeditious process any such tax, and the Borrower shall not be in default under this subsection by reason of the existence of a Lien for taxes not then due, all provided that: (a) an adequate reserve therefor is maintained on the books of the Borrower; (b) the Lender has been notified in writing by the Borrower of such contest; (c) the enforcement of any and all Liens for non-payment of such taxes is effectively stayed; (d) the Lender is reasonably satisfied that the Borrower has reasonable basis for such contest or dispute; and (e) the Borrower shall immediately pay the full amount of such charges and claims in the event the Borrower's contest or dispute is unsuccessful.

3.2.9 Maintenance of Property and Assets. The Borrower will safeguard, protect and preserve its property and assets for the benefit of the Lender, will keep its property and assets free from any adverse lien, security interest or encumbrance, will keep all tangible property in good working order and repair, will preserve all beneficial contract rights, will take commercially reasonable steps to collect all of its Accounts, and will not waste or destroy any of its property or assets or any part thereof; and the Borrower will otherwise preserve, maintain and protect its rights and keep its property and assets in good repair, working order and condition, and capable of identification, and make (or cause to be made) all needful and proper repairs or renewals, replacements, additions and improvements thereto, and shall use its assets only in the ordinary course of business.

3.2.10 Collection Costs; Legal Fees; etc. The Borrower agrees to pay, and to reimburse the Lender, on demand, for all fees, costs and expenses (including, without limitation, attorneys' reasonable fees and expenses) incurred or paid by the Lender in connection with the preparation, negotiation, interpretation or amendment of this Agreement, and of any or all of the Financing Instruments, and of any other instrument, agreement or document executed and delivered pursuant thereto or in connection therewith, and for any and all such fees, costs and expenses incurred in connection with collection of the Obligations or the

enforcement of the Lender's rights and remedies under this Agreement or any of the Financing Instruments or otherwise against the Borrower, or in the defense of any action against the Lender with respect to the Lender's rights or remedies in respect of any Obligation; and all of the foregoing fees, costs, and expenses shall be part of the Obligations secured by this Agreement, and the other Financing Instruments.

3.2.11 Insurance. The Borrower will maintain insurance at all

times with financially sound and reputable companies as are reasonably satisfactory to the Lender, in such amounts and against such risks as are customarily insured against by businesses operating in a similar line of business in a similar area, and consistent with sound business practice, in no event less than the greater of (a) the amount required to avoid coinsurance or (b) the total aggregate outstanding principal indebtedness owing by the Borrower to the Lender, including without limitation casualty insurance covering the Borrower's property and assets against the hazards of fire, flood, sprinkler leakage, burglary, theft, pilferage, loss in transit, those hazards covered by extended coverage, and such other hazards as the Lender may require, all such insurance to be in such form, for such periods and with such companies as shall be reasonably acceptable to the Lender. All premiums thereon shall be paid by the Borrower and if the Borrower fails to do so, the Lender may at its option (but without obligation) procure such insurance and charge the cost to the Borrower's Main Operating Account; provided, however, that any such payment by the Lender shall not constitute satisfaction of the Borrower's obligations with respect to payment hereunder, or a waiver by the Lender of any Event of Default with respect to such non-payment. In order to evidence compliance with the insurance coverages required under this Section 3.2.11, the Borrower shall deliver to the Lender one or more certificates of insurance for all such casualty insurance policies and endorsements thereto. Annually thereafter, the Borrower shall deliver certificates of such insurance coverages to the Lender, along with satisfactory evidence of general liability, products liability, workmens compensation and other insurance coverage, in form and substance satisfactory to the Lender.

3.2.12 Further Agreements; Compliance With Other Agreements; Payment of Other Obligations; Tax Returns; Notice of Litigation and of Events of Default.

The Borrower will:

3.2.12.1 from time to time execute and deliver or cause to be executed and delivered, and furnish to the Lender such other agreements, documents, instruments or statements, and do or cause to be done such other acts as the Lender may reasonably request, to effect, confirm and secure to the Lender all rights and advantages intended by this Agreement and the Financing Instruments;

3.2.12.2 comply with all leases, and with all other agreements to which the Borrower is a party if a default under any such agreement could materially adversely affect any of the Borrower's property and assets;

3.2.12.3 generally pay all other debts and liabilities as they become due (except for liabilities, other than the Obligations, being contested in good faith for which adequate provision has been made on the books of the Borrower, provided that all enforcement proceedings are effectively stayed pending such contest) and not permit the acceleration of any indebtedness owed by the Borrower to any Person; and

3.2.12.4 give written notice to the Lender within ten (10) days of the occurrence thereof of any litigation filed by or against the Borrower which claims in connection therewith exceed, either individually or when aggregated with other existing litigation filed by or against the Borrower, the sum of Twenty-Five Thousand Dollars ($25,000), and the occurrence or existence of any Event of Default hereunder, or the existence of any situation or state of facts which, either with notice or

lapse of time, or both would constitute an Event of Default

hereunder, and the action the Borrower has taken or proposes to take with respect thereto, all provided that the receipt of such notice shall not limit or impair, in any way the Lender's rights hereunder.

3.2.13 Certain Environmental Matters. The Borrower shall:

3.2.13.1 not store (except in compliance with all laws, ordinances, and regulations pertaining thereto), or dispose of any hazardous material or oil on any site or vessel owned, occupied, or operated by the Borrower or by any Person for whose conduct the Borrower is responsible;

3.2.13.2 neither directly nor indirectly transport or arrange for the transport of any hazardous material or oil except in compliance with all laws, ordinances and regulations pertaining thereto;

3.2.13.3 provide the Lender with written notice: (a) upon the Borrower's obtaining knowledge of any potential or known release, or threat of release, in violation of any federal, state or local law, ordinance or regulation pertaining thereto, of any hazardous material or oil at or from any site or vessel owned, occupied or operated by the Borrower, or by any Person for whose conduct the Borrower is responsible or whose liability may result in any lien on any Collateral; (b) upon the Borrower's receipt of any notice to such effect from any federal, state or other governmental authority; or (c) upon the Borrower's obtaining knowledge of any incurrence of any expense or loss by such governmental authority in connection with the assessment, containment or removal of any hazardous material or oil for which expense or loss the Borrower may be liable or for which expense a Lien may be imposed on any Collateral.

3.2.14 Changes in Master Exhibit. The Borrower shall promptly notify the Lender in writing of any changes in or additions to the information set forth in the Master Exhibit.

3.2.15 Key Man Life Insurance. So long as any of the Obligations remain outstanding, the Borrower agrees to maintain life insurance on the life of Richard T. Schumacher providing for a net payment in cash upon the death of said Richard T. Schumacher in an amount of not less than One Million Dollars ($1,000,000), and the Borrower shall pledge or collaterally assign such policy or policies to the Lender and, at all times, maintain such pledge or collateral assignment. Such insurance coverage shall include a disability rider in the full amount of such coverage. The Lender hereby agrees to review on an annual basis such obligation to provide such life insurance to determine whether to waive the same, which determination shall be made in the Lender's sole discretion, and shall include consideration of the financial performance of the Borrower.

3.3 General Negative Covenants.

3.3.1 Other Debt. The Borrower will not issue any evidence of indebtedness or create, or incur, assume, guarantee, become contingently liable for or suffer to exist, any indebtedness in excess of an aggregate of Five Hundred Thousand Dollars ($500,000) (other than indebtedness to the Lender) outstanding at any one time, without the prior written consent of the Lender which consent will not be unreasonably withheld or delayed; provided, however, that the Borrower may incur liabilities which are incurred or arise in the ordinary course of the Borrower's business, including purchase commitments for materials and supplies, without the prior written consent of the Lender but shall seek consent of the Lender, which consent shall not be unreasonably withheld or delayed, for liabilities incurred or arising with respect to money borrowed or for the purchase or lease of fixed assets. The Borrower shall not enter into or participate in any agreement, arrangement or transaction with any Person without the prior written consent of the Lender, if the effect of such agreement, arrangement or transaction has, or could reasonably be expected in the future to have, the effect of (i) rendering the Borrower either

primarily or contingently liable for any indebtedness

or other obligation of any Person (ii) transferring any asset of the Borrower to or for the benefit of any Person (except as may be otherwise expressly permitted by this Agreement); or (iii) subjecting any of the Borrower's property or assets to any lien in favor of any third party (other than Permitted Encumbrances), including but not limited to any creditor or obligee of any Person.

3.3.2 Payment of Dividends. The Borrower will not pay any dividends either in cash or kind on any class of its stock nor make any distribution on account of their stock, nor redeem, purchase or otherwise acquire directly or indirectly any of their stock, without prior written notice to and written consent of the Lender except in compliance with this subparagraph 3.3.2.

3.3.3 Loans By the Borrower. Other than as disclosed on the Master Exhibit, the Borrower will not make any loan or advances to any Person, including, without limitation, its officers and employees.

3.3.4 Investments. Without the prior written consent of the Lender, the Borrower will not make any Investments other than short term, investment grade securities, including money market funds, and other than Permitted Acquisition Ventures.

3.3.5 Mergers, etc. The Borrower will not merge or consolidate or be merged or consolidated with or into any other Person, or be a party to any reorganization, change in legal structure or any sale, lease, transfer or other disposition of all or substantially all of its assets.

3.3.6 Sales of Assets. The Borrower will not sell, lease, or dispose of any of its property or assets except for sales of Inventory in the ordinary and usual course of its business, and for Equipment no longer needed in the operation of its business, so long as the Borrower receives therefor a sum substantially equal to such Equipment's fair value.

3.3.7 Negative Pledge. Without the prior written consent of the Lender, the Borrower will not:

3.3.7.1 grant, create, incur, assume or suffer to exist, or permit any Person, whether by means of a power of attorney or otherwise, to grant, create, incur, assume or suffer to exist, any Lien, upon or with respect to, any of the Borrower's property or assets except for Permitted Encumbrances; or

3.3.7.2 sign or file, or permit any Person, whether by means of a power of attorney or otherwise, to sign or file, under the Uniform Commercial Code of any jurisdiction, any financing statement which names the Borrower as a debtor, or sign, or permit any Person, whether by means of a power of attorney or otherwise, to sign any security agreement authorizing any secured party thereunder to file such financing statement, except in connection with Permitted Encumbrances; or

3.3.7.3 agree with any other Person that the Borrower will not undertake activities prohibited pursuant to sub-subsections 3.3.7.1 and 3.3.7.2 hereof.

To the extent that the Borrower violates the provisions of this subsection 3.3.7 by granting or assigning in favor of any Person, a Lien, upon or with respect to, any of the Borrower's property or assets, such Lien is hereby deemed to be a Lien in favor of, and for the sole benefit of, the Lender, until all of the Obligations have been

paid in full, and in the event that any Person receives any sums from, or as a result of, the sale, liquidation or distribution of all or any portion of the Borrower's property or assets on account of such Lien, such sums are hereby deemed to be held in trust by such Person for the sole benefit of the Lender, and shall be promptly delivered to the Lender upon receipt, and shall not be commingled with any other funds of such Person.

3.3.8 No Liens; Permitted Encumbrances. The Borrower will not grant or assume or suffer to exist any Lien with respect to any of its assets or property, tangible or intangible, whether now owned or hereafter acquired, except for Liens granted to the Lender pursuant to this Agreement, and except for the following (collectively, the "Permitted Encumbrances"): (a) liens in respect of taxes, fees, assessments and other governmental charges not yet due and payable, or with respect to which the validity thereof is currently being contested in good faith by appropriate proceedings in accordance with the provisions of this Agreement; (b) landlord's liens in respect of rent not in default or Liens in respect of pledges or deposits under worker's compensation, unemployment insurance, social security laws or similar legislation or in connection with appeal and similar bonds incidental to litigation, mechanics', laborers', and materialmen's and similar liens, if the obligations secured by such liens are not then delinquent, and liens securing statutory obligations incidental to the conduct of the business of the Borrower which do not in the aggregate materially detract from the value of the property of the Borrower or materially impair the use thereof in the operation of their respective businesses; (c) judgment liens which shall not have been in existence for a period longer than thirty (30) days after the creation thereof (provided no foreclosure or execution action shall have been commenced) or if a stay of execution shall have been obtained for a period longer than thirty days after the expiration of such stay (provided no foreclosure or execution action shall have yet been commenced) or judgment liens for which the Borrower has obtained a bond in favor of the judgment holder in the full amount of the lien and which bond is otherwise satisfactory to Lender; (d) the security interests, mortgages or Liens, if any, described in the Master Exhibit annexed hereto; and (e) Liens otherwise permitted pursuant to Section 3.3.1 hereof.

3.3.9 Continuance of Business. The Borrower will not engage in any business other than the businesses in which it is currently engaged or a business reasonably allied thereto, and the Borrower will continue to conduct and operate its business actively and in good faith.

SECTION 4

FINANCIAL AND REPORTING COVENANTS

4.1 Reporting Covenants. The Borrower agrees to provide the Lender with the reports, statements, certificates and information set forth in this Section 4, all of which are referred to as the "Reporting Requirements".

4.1.1 Quarterly Financial Statements. The Borrower will furnish to the Lender, within forty-five (45) days after the close of each calendar quarter of its fiscal year, consolidated and consolidating (except the last in each fiscal year) financial statements, including balance sheets, and statements of profit and loss and statements of cash flows reflecting the financial condition of the Borrower at the end of such period and the results of its operations for such period and for the period from the beginning of the current fiscal year to the end of such period, in comparative form with figures for the corresponding periods of the previous fiscal year, accompanied by a certificate by the Borrower's chief financial officer or President to the effect that such financial statements fairly present such financial condition and results of operations as of the end of and during such period, in accordance with GAAP consistently applied,

subject only to year-end adjustments and audit. Such quarterly statements may be furnished to the Lender in the form of the Borrower's quarterly filings with the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934, as amended (the "'34 Act"), on Form 10-Q.

4.1.2 Annual Financial Statements. The Borrower will furnish the Lender, within ninety (90) days after the close of each fiscal year, consolidated and consolidating financial statements, including balance sheets, statements of profit and loss, statements of cash flows, and statements of changes in shareholders' equity, reflecting the financial condition of the Borrower at the end of such fiscal year and the results of its

operations during such fiscal year (in each case setting forth in comparative form the corresponding figures for the preceding year) and, in the case of the consolidated financial statements, audited and reported upon (in form generally recognized as "unqualified") by Coopers & Lybrand, LLP, or such other independent certified public accountant of nationally recognized standing, prepared in accordance with GAAP, applied consistently in the preparation thereof and with prior periods, and accompanied by a certificate by the Borrower's chief financial officer or president that such financial statements fairly present such financial condition and results of operations as of the end of and during such period; together with, upon request of the Lender, an opinion of such certified public accountant that to its knowledge there has occurred no event which constitutes, or which with the lapse of time or giving of notice or both would constitute an Event of Default hereunder, or, if the contrary appears to be true, a statement of such Event of Default and the nature thereof. Such annual statements may be furnished to the Lender in the form of the Borrower's annual filings with the SEC under the '34 Act on Form 10-K.

4.1.3 Officer's Certificates. The Borrower will, upon request of the Lender but in any event within forty-five (45) days of the end of each calendar quarter, deliver to the Lender an officer's certificate signed by its President or chief financial officer certifying that: (a) the signer has reviewed the relevant terms of the Financing Instruments and is familiar with the operations and financial condition of the Borrower; and (b) there is in existence no Event of Default described in any of the Financing Instruments and no event which, with the giving of notice or lapse of time, or both, would result in the occurrence of an Event of Default and the Borrower is in complete compliance as of the date of such certificate with the Financial Standards, as demonstrated in such certificate. In the event of a continuing Event of Default or a continuing condition which, with the giving of notice or lapse of time, or both, would result in the occurrence of an Event of Default, the Borrower shall note in such certificate the nature and period thereof and the action which has been taken, is being taken or is proposed to be taken with respect thereto, provided that no such notice, action or proposed action shall affect Lender's rights hereunder with respect to any Default or Event of Default. The form of officer's certificate required by this subsection is attached to this Agreement as Exhibit 4.1.3.

4.1.4 Other Information. In addition to the foregoing, the Borrower will furnish the Lender from time to time with such financial information and statements as the Lender may reasonably request, and, upon request of the Lender, with copies of all financial statements and financial reports that the Borrower sends or makes available to its members of its Board of Directors or to any governmental authority, together with copies of all management letters of substance and other reports of substance submitted to the Borrower by its independent accountants in connection with any annual or interim audit; and, upon request of the Lender, the Borrower will authorize and direct all accountants and auditors to exhibit and deliver copies of any financial

statements, trial balances or other accounting records of any sort, and to disclose to the Lender any information they may have concerning the Borrower's financial or business condition. In addition, the Borrower will furnish to the Lender, promptly after the same are delivered to its stockholders or the SEC, copies of all proxy statements, financial statements and reports as the Borrower shall send to its stockholders or as the Borrower may file with the SEC or any governmental authority at any time having jurisdiction over the Borrower or any of them.

4.2 Financial Standards.

The Borrower shall maintain and observe all of the following financial standards, in each case determined and classified in accordance with GAAP applied on a consistent basis at the applicable dates or during the applicable time periods indicated in the following table (the "Financial Standards"):

<TABLE>
<CAPTION>

FINANCIAL STANDARDS	APPLICABLE DATE OR TIME PERIOD	APPLICABLE RATIOS OR MONETARY REQUIREMENTS
<S>	<C>	<C>
4.2.1: Consolidated Debt Service Ratio	Quarterly, at the end of each quarter	At least 1.75:1 (rounded to nearest hundredth), tested on a rolling four-quarter basis
4.2.2: Consolidated Total Liabilities: Tangible Net Worth Ratio	Quarterly	Not to exceed 2.0:1 (in each case rounded to the nearest hundredth)
4.2.3: Tangible Net Worth	Annually	At least $15,000,000 plus 50% of net profits for the fiscal year ended 12/31/96 and thereafter for each immediately preceding fiscal year for which the measurement is being taken; provided however that in the event of a Permitted Acquisition Venture, such requirement shall be reduced by the amount of goodwill associated with such Permitted Acquisition Venture.
4.2.4: Profitability	Quarterly	There can be no more than two consecutive fiscal quarters with Consolidated Net Income of less than zero

</TABLE>

4.2.5 As used in this Agreement:

(a) "Consolidated Total Liabilities" means the aggregate of all liabilities of the Borrower for money borrowed, incurred from any source and in any manner whatsoever, all in accordance with GAAP, including all subordinated debt, plus the capitalization of all obligations on leases of real and personal property;

(b) "Tangible Net Worth" means the aggregate tangible assets of the Borrower after excluding the book value of all Intangible Assets, minus the amount of aggregate liabilities, including all deferred income taxes, and "Intangible Assets" shall include all goodwill, organizational expense, licenses, patents, trademarks, tradenames, copyrights, capitalized research and development expenses, deferred charges, and all other intangible assets as determined in accordance with GAAP consistently applied;

(c) "Consolidated Debt Service Ratio" means Adjusted Operating Cash Flow (as described on Exhibit 4.2.1 attached hereto) divided by Total Debt Service (as described on Exhibit 4.2.1 attached hereto).

(d) "Consolidated Net Income" means for any fiscal period, the consolidated gross revenues of the Borrower for such period, less all expenses and other proper charges (including taxes on income), all determined in accordance with GAAP.

4.2.6 Computation According to GAAP. All of the terms used in the foregoing financial covenants, except to the extent otherwise specifically defined herein, and all computations made under the foregoing covenants, shall in all respects be governed by and performed in accordance with GAAP consistently applied.

SECTION 5

CONDITIONS OF CLOSING

5.1 Conditions of Closing. This Agreement and all of the other Financing Documents shall become effective and be dated as of the date on which the Lender has received all of the following items, each of which must be completed, in both form and substance, acceptable to the Lender in its sole but reasonable discretion (said date is hereinafter referred to as the "CLOSING DATE"):

(a) This Agreement (together with all of the Exhibits referred herein attached hereto) and the Note, each as executed by a duly authorized officer of the Borrower and attested by the Clerk of the Borrower.

(b) Assignments of the Key Person Life Insurance Policy referred to in subsection 3.2.15 above, each as executed by a duly authorized officer of the Borrower, in favor of the Lender, together with the original of such Policy;

(c) A Certificate of Clerk of the Borrower, certifying: (i) the adoption by the Board of Directors of the Borrower of resolutions authorizing and approving the transactions contemplated by this Agreement and all of the other Financing Instruments; (ii) the Articles of Organization of each Borrower, along with any and all amendments thereto, all as certified by the Massachusetts Secretary of State; and (iii) the By-Laws of each Borrower, along with any and all amendments thereto; and (iv) if not supplied on the Master Exhibit, the name and signatures of the officers of the Borrower authorized to sign, for and on behalf of the Borrower, this Agreement and all of the other Financing Instruments.

(d) A Certificate of Corporate Legal Existence and Good Standing for each Borrower, as issued by the Massachusetts Secretary of State.

(e) An opinion from Counsel for the Borrower in form and substance satisfactory to the Lender.

(f) Any and all other documents and information which the Lender may reasonably requested in connection with the transactions contemplated by this Agreement and all of the other Financing Documents.

5.2 Date References. The parties hereto acknowledge and agree that all references contained in the Note and all of the other Financing Instruments executed in connection with the transactions contemplated herein to the words "dated of even date herewith" shall mean and refer to the Closing Date.

SECTION 6

EVENTS OF DEFAULT

Notwithstanding any provision to the contrary in any instrument evidencing

any Obligation, the occurrence of any one or more of the following shall constitute and mean an "Event of Default" under this Agreement:

6.1 Any statement, report, certificate, representation or warranty, made or furnished by the Borrower in, or in connection with the execution and delivery of this Agreement or any of the Financing Instruments, or in compliance with the provisions of this Agreement or any of the Financing Instruments, or otherwise furnished to the Lender at any time, shall prove to have been false or erroneous when made in any material respect, or omits or fails to state a material fact necessary in order to make the statements contained therein or herein not misleading;

6.2 The Borrower shall fail to make payment of the principal or interest on the Loans when and as due;

6.3 The Borrower shall fail to make payment of any other Obligation within fifteen (15) days of the date when and as due;

6.4 The Borrower shall fail to perform, observe, comply with or satisfy any covenant, agreement or condition contained in this Agreement (other than payment of any Obligation) not cured within thirty (30) days of the earlier of (i) notice by the Lender to the Borrower or (ii) actual knowledge by the Borrower of the occurrence thereof, plus such additional time as may be required to cure such default because of delays beyond the Borrower's control, if such default is susceptible of being cured and if the Borrower is acting in good faith and is making diligent efforts to cure such default; provided, however, that such cure period shall not exceed the aggregate of ninety (90) days and shall not apply to: (a) any transfer or voluntary encumbrance of assets; (b) any failure with respect to any requirement of the Borrower to give notice to the Lender as provided herein; (c) the Reporting Requirements or the Financial Standards; or (d) any event which is otherwise an Event of Default pursuant to any other subsections of this Section 6; and such cure period shall run concurrently with, and not in addition to, any and all applicable grace or cure periods contained in any of the other Financing Instruments;

6.5 The Borrower shall default in payment of (a) any obligation under any lease which default could materially adversely affect the business operations of the Borrower; or (b) any obligation or indebtedness to any other Person at any time outstanding, continued for a period sufficient to cause the acceleration of the maturity of such obligation or indebtedness (whether or not such obligation or indebtedness is actually accelerated) and such acceleration could materially adversely affect the business operations of the Borrower;

6.6 Failure, generally, of the Borrower to pay its debts when due and such failure could materially adversely affect the business operations of the Borrower; or the taking of possession, custody or control of, or the attachment by judicial process of, or issuance of an injunction against, or creation of any other Lien (other than in favor of the Lender) upon, any part of the Borrower's property or assets by any Person, which action is not dissolved within thirty (30) days;

6.7 The Borrower:

6.7.1 files a voluntary petition in bankruptcy (which term includes any action under Title 11 of the United States Code entitled "Bankruptcy" and commonly referred to as the "Bankruptcy Code"); or

6.7.2 is adjudicated a bankrupt or insolvent; or

6.7.3 files any petition or answers seeking or acquiescing in any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief for itself under any law relating to bankruptcy, insolvency or other relief for debtors; or

6.7.4 seeks or consents to or acquiesces in the appointment of

any trustee, receiver, master or liquidator (or other similar official) of itself or of all or any substantial part of its property; or

6.7.5 makes any general assignment for the benefit of creditors; or

6.7.6 admits in writing to its general inability to pay its debts as they become due;

6.8 Commencement of any bankruptcy, insolvency, or other creditor's relief proceedings against, or entry by a court of competent jurisdiction of any order, judgment or decree approving a petition filed against the Borrower, seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future federal or state law or regulation relating to bankruptcy, insolvency, or other relief for debtors, which proceeding, order, judgment or decree remains unvacated or unstated for an aggregate of thirty (30) days, whether or not consecutive, from the date of entry thereof;

6.9 A material portion of the Borrower's assets shall be damaged by fire or other casualty, the restoration or replacement cost of which damage exceeds, in the aggregate, the amount of insurance proceeds readily available (less applicable deductibles and plus capital in an amount which, in Lender's sole discretion (a) is available for such purposes and (b) expenditure of such capital for such purposes is appropriate under the circumstances) for such restoration or replacement;

6.10 The issuance or existence of any judgment or judgments against the Borrower by any court of competent jurisdiction, or other governmental authority of competent jurisdiction, aggregating in excess of One Hundred Thousand Dollars ($100,000) in any fiscal year, and not covered by insurance, not paid within thirty (30) days of the date thereof;

6.11 The loss, suspension or revocation of any governmental license required or necessary in connection with the operation of the Borrower's business;

6.12 Service of any process upon the Lender seeking to attach by means of trustee process any funds of the Borrower or of any Affiliate on deposit with Lender, which attachment or process is not dissolved within thirty (30) days; or

6.13 The occurrence of any change in the Borrower's condition or affairs (financial or otherwise) that, in the Lender's reasonable opinion, impairs the Lender's security or materially increases the Lender's risk under this Agreement or the Financing Instruments, or the occurrence of any event or circumstance with respect to the Borrower such that the Lender reasonably deems itself insecure.

SECTION 7

REMEDIES

7.1 General Remedies. In addition to and without in any way limiting any other rights and remedies available to the Lender under this Agreement prior to an Event of Default, or any other rights and remedies available to the Lender (whether prior to or after an Event of Default) under any of the Financing Instruments or under applicable law or in equity, upon and at any time or times after the occurrence of any Event of Default hereunder:

7.1.1 the Lender may declare and cause all or any portion of the Obligations to be immediately due and payable;

7.1.2 the Lender may decline to honor the credit of the Borrower or may refuse to make further advances to the Borrower;

7.1.3 the Lender shall have the right to apply to the Obligations any deposits or other sums at any time credited by or due from the Lender to the Borrower; and

7.1.4 the Lender may treat any or all of the Financing Instruments as being in default and may exercise any rights and remedies thereunder as it shall deem appropriate.

7.2 Cumulative Remedies. The enumeration of rights and remedies herein, and in each of the Financing Instruments, shall be cumulative and not exclusive, and shall be in addition to, and shall not exclusive of, any other rights or remedies the Lender may have, whether under the UCC or other applicable law, or in equity, or otherwise. The Lender shall, in its discretion, determine its choice of rights and remedies and the order in which they shall be exercised, and whether or not, and which, Collateral is to be proceeded against, and in which order. The exercise of any right or remedy shall not preclude the exercise of others.

SECTION 8

WAIVER

8.1 Waiver By the Borrower. The Borrower hereby waives demand, presentment, protest and notice thereof with respect to any and all instruments, notice of acceptance hereof, notice of Loan or advances made, credit extended, or any other action taking in reliance herein, and all other notices and demands of any kind except as expressly set forth herein.

8.2 Lender's Option To Waive. The Lender may at its sole discretion, at any time and from time to time, waive any of the requirements or provisions hereof, or contained within any of the Financing Instruments, or any default hereunder or under any of the Financing Instruments, but only by an express written waiver signed by an authorized officer of the Lender; no act other than an express written waiver, nor any failure to act or delay by the Lender shall constitute a waiver of any requirement or provision of, or any default under, or any of the Lender's rights or remedies under, this Agreement or any of the Financing Instruments. No single or partial waiver by the Lender of any provision of this Agreement or any of the Financing Instruments, or any breach or default thereunder, or of any right or remedy which the Lender may have, shall operate as a waiver of any other provision, breach, default, right or remedy, nor of the same one on any future occasion.

SECTION 9

MISCELLANEOUS

9.1 Deposits As Collateral; Set-Off. Any and all deposits, Deposit Accounts, and other sums at any time credited by or due to the Borrower from the Lender or any of its banking or lending affiliates or any lender acting as a participant under any loan arrangement between the Lender and the Borrower, and any cash, certificates of deposit, securities, instruments, documents, policies and certificates of insurance, goods, Accounts, choses in action, Chattel Paper, and other property of the Borrower in the possession or control of, or in transit to or from, the Lender, or any of its banking or lending affiliates, or any lender acting as a participant under any loan arrangement between the Lender and the Borrower, or any third party acting on the Lender's behalf, regardless of the reason the Lender, or such other party, receives or is to receive the same (whether in pledge, or for safekeeping, or as agent for collection or transmission or otherwise) and regardless of whether the Lender has conditionally released the same, shall at all times constitute security for any and all Obligations, and may be applied or set off against such Obligations at any time, whether or not other collateral is available to the Lender.

9.2 Survival of Covenants; Binding Effect. All agreements, representations, covenants and warranties made by the Borrower in this Agreement, the Financing Instruments, or in any certificate or other document delivered to the Lender in connection herewith shall survive the termination of this Agreement and survive the execution and delivery of this Agreement, and shall remain in full force and effect until all Obligations to the Lender have been paid in full and satisfied, and the security interests and rights granted to the Lender in any collateral and its rights and remedies hereunder and under the Financing Instruments shall continue in full force and effect notwithstanding the fact that the Borrower's Loan account may from time to time be in a zero or credit position, until all Obligations have been satisfied. All the terms and provisions of this Agreement and the Financing Instruments shall be binding upon and inure to and be enforceable by and against the parties hereto and their respective successors and assigns.

9.3 Termination of Agreement.

9.3.1 This Agreement shall terminate upon the final and irrevocable payment in full by the Borrower of the Obligations, or upon acceleration of the Obligations pursuant to the terms of this Agreement.

9.3.2 The termination of this Agreement shall not affect any rights of the Borrower or the Lender arising prior to the effective date of such termination, as the case may be, and the provisions hereof shall continue to be fully operative until all transactions entered into, rights created or Obligations incurred prior to such occurrence or termination shall have been fully disposed of, concluded or liquidated. Upon termination of this Agreement, all Obligations (including, without limitation, the Loans) shall be due and payable without notice or demand. The security interests, liens and rights granted to the Lender hereunder and under any instrument or document delivered pursuant hereto or in connection herewith shall continue in full force and effect, notwithstanding the termination of this Agreement or the fact that the Borrower's Accounts may from time to time be temporarily in a credit position, until all of the Obligations have been paid in full after the termination hereof. All representations, warranties, covenants, waivers and agreements contained herein shall survive the termination hereof unless otherwise provided.

Notwithstanding the foregoing, if after receipt of any payment of all or any part of the Obligations, the Lender is for any reason compelled to surrender such payment to any person or entity because such payment is determined to be void or voidable as a preference, impermissible setoff, a diversion of trust funds or for any other reason, this Agreement shall continue in full force and the Borrower shall be liable to, and shall indemnify and hold the Lender harmless for, the amount of such payment surrendered until the Lender shall have been finally and irrevocably paid in full. The provisions of the foregoing sentence shall be and remain effective notwithstanding any contrary action which may have been taken by the Lender in reliance upon such payment, and any such contrary action so taken shall be without prejudice to the Lender's rights under this Agreement and shall be deemed to have been conditioned upon such payment having become final and irrevocable.

9.4 Conflict of Terms. In the event of any conflict or contradiction between or among any provision or provisions of this Agreement and any provision or provisions of any of the other Financing Instruments, the provisions of this Agreement shall govern.

9.5 Prior Discussions; Amendments in Writing; Counterparts; Filing As Financing Statement. This Agreement and all other Financing Instruments incorporate all discussions and negotiations between the Borrower and the

Lender, either express or implied, concerning the matters included herein and therein, any custom or usage to the contrary notwithstanding. No such discussions or negotiations shall limit, modify, or otherwise affect the provisions of the Financing Instruments. This Agreement may be amended or modified only in writing signed by the parties hereto, and in the case of the Lender signed by a duly authorized officer thereof. This Agreement may be executed in two or more counterparts, each of which shall constitute an original, but such counterparts together shall constitute one and the same instrument.

9.6 General Indemnification. The Borrower shall, and does hereby, further indemnify and save the Lender harmless from any and all liabilities, damages, costs, losses and expenses (including, without limitation, court costs and attorney's reasonable fees and expenses) that the Lender may sustain or incur by reason of, relating to or arising out of the preparation of this Agreement, or in collecting or enforcing the Obligations, or in enforcing any of Lender's rights or remedies, or in the prosecution or defense of any action or proceeding concerning any matter growing out of or connected with this Agreement, any of the Financing Instruments, or the Obligations, or on account of the Lender's relationship with the Borrower (each of which may be defended, compromised, settled or pursued by the Lender with counsel of Lender's selection, at the sole expense of the Borrower) except for such claims which have been determined by a court of competent jurisdiction to have arisen out of the Lender's gross negligence or bad faith. The within indemnification shall survive termination of this Agreement. The Borrower's obligations under this subsection constitute part of the Obligations secured by the security interest created by this Agreement and by the other Financing Instruments.

9.7 Destruction of Documents; Jurisdiction. This Agreement and all other Financing Instruments may be reproduced by the Lender by any photographic, photostatic, microfilm, or similar process, and the Lender may destroy the original from which any document was so reproduced. Any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made in the regular course of business). The Borrower acknowledges receipt of a true, correct and complete copy or counterpart of this Agreement.

9.8 Notices.

9.8.1 All notices or demands hereunder to the parties hereto shall be made in writing and shall be deemed to have been sufficiently given for all purposes one business day after being sent by recognized overnight delivery service for next day delivery service, on the same business day if delivered by hand and three business days after being sent by United States mail, certified mail return receipt requested, first class, postage prepaid, and addressed to the parties at their respective Notice Addresses set forth above, together with the following additions: (a) for the Lender, "Attention: Commercial Banking Group" and (b) for the Borrower, "Attention: Richard T. Schumacher, President". Either of the parties may change its Notice Address hereunder by giving notice of such change to the other party in accordance with the provisions of this subsection.

9.8.2 Notwithstanding any provision herein to the contrary, the Borrower agrees that the failure or delay by the Lender in giving any notice or statement hereunder, or any inaccuracy therein or incompleteness thereof, shall not in any way alter or affect the absolute and unconditional obligation of the Borrower to pay and perform in full the Obligations, but any action taken or not taken by the Borrower as a direct result of such lack or delay of notice, or of the Borrower's good faith reliance upon a material inaccuracy therein or the material incompleteness thereof, as the case may be, shall not in of itself, and to the extent thereof, constitute an Event of Default hereunder, so long as the Borrower does not otherwise have or receive notice or knowledge of the material contents or substance of such

notice, or of the inaccuracy or incompleteness thereof, as the case may be, and the Borrower acts at all times in good faith.

9.9 Application of Proceeds. The proceeds of any collection, sale or disposition of the Collateral, or of any other payments received hereunder, shall be applied toward the Obligations in such order and manner as the Lender determines in its sole discretion, any statute (the application of which may be waived or modified by agreement), customs or usage to the contrary notwithstanding. The Borrower shall remain liable to the Lender for any deficiency remaining following such application.

9.10 Continuance of Defaults. As used herein, and in any of the Financing Instruments, upon any and each occurrence of an Event of Default, such Event of Default shall be deemed to continue until cured by the Borrower in accordance with this Agreement (and the applicable provisions of the Financing Instruments, as the case may be),

and until such time as the Borrower requests and receives from the Lender the Lender's written acknowledgment that such Event of Default (as specified in the request) has been cured and is no longer continuing, which acknowledgment the Lender shall not unreasonably withhold or delay.

9.11 Severability. If any provision of this Agreement or any of the Financing Instruments, or any portion of such provision, or the application thereof to any person or circumstance, shall to any extent be held invalid or unenforceable, the remainder of this Agreement and the Financing Instruments or the remainder of such provision and the application thereof to other persons or circumstances (other than those as to which it is held invalid or unenforceable) shall not be affected thereby, and each term and provision hereof and of the Financing Instruments shall be valid and enforced to the fullest extent permitted by law. To the extent permitted by law, the parties hereto waive any provision of law which renders any such provision prohibited or unenforceable in any respect.

9.12 Headings. Headings appearing in this Agreement are intended for convenience only and do not constitute and shall not be interpreted to be a part of this Agreement.

9.13 Governing Law; Sealed Instrument. This Agreement is executed and delivered in The Commonwealth of Massachusetts, and for all purposes shall be construed in accordance with and governed by the laws of The Commonwealth of Massachusetts, and shall take effect as a sealed instrument. The Borrower submits itself to the jurisdiction of the Courts of The Commonwealth of Massachusetts for all purposes with respect to this Agreement and the Borrower's relationship with the Lender.

9.14 Force Majeure. The Lender shall not be responsible for delays or failures in performance hereunder resulting from causes beyond its control, including without limitation, acts of God, strikes, lockouts, riots, acts of war, governmental regulations, fire, communication line failures, power failures, earthquakes or other disasters.

9.15 Interpretation of Agreement. Should any provision of this Agreement or the other Financing Instruments require interpretation or construction, it is agreed by the parties hereto that the court, administrative body, or other entity interpreting or construing this Agreement or the other Financing Instruments shall not apply a presumption that the provisions thereof shall be more strictly construed against one party by reason of the rule of construction that a document is to be construed more strictly against the party who itself or through its agents prepared the same, it being agreed that the parties and/or their respective attorneys and agents have fully participated in the preparation of all provisions of this Agreement and the other Financing Instruments.

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EXECUTED as an instrument under seal as of the day and year first stated above.

Borrower:

Signed in the presence of: BOSTON BIOMEDICA, INC.

_____ By:_____
Witness Kevin W. Quinlan, Treasurer, hereunto duly authorized

BTRL CONTRACTS AND SERVICES, INC.

By:_____
Kevin W. Quinlan, Treasurer,
hereunto duly authorized

BBI CLINICAL LABORATORIES, INC.

By:_____
Kevin W. Quinlan, Treasurer,
hereunto duly authorized

BBI-SOURCE SCIENTIFIC, INC.

By:_____
Kevin W. Quinlan, Treasurer,
hereunto duly authorized

Lender:

THE FIRST NATIONAL BANK OF BOSTON

By:_____
G. Christopher Miller
Vice President

EXHIBIT 4.1.3

OFFICER'S COMPLIANCE CERTIFICATE

TO: THE FIRST NATIONAL BANK OF BOSTON
Bank of Boston-Worcester Tower
100 Front Street
Worcester, Massachusetts 01608-1438

The undersigned authorized officer of BBI, BTRL, BBICL and BSS (together, the "Borrower"), hereby certifies, with respect to the Commercial Loan Agreement dated as of _____ __, 1997 between The First National Bank of Boston (the "Lender") and the Borrower, as amended through the date hereof (the "Loan Agreement"), that (a) the signer has reviewed the relevant terms of the Financing Instruments and is familiar with the operations and financial condition of the Borrower; and (b) there is in existence no Event of Default described in any of the Financing Instruments and no event which, with the giving of notice or lapse of time, or both, would result in the occurrence of an Event of Default, except as noted below, if any, and the Borrower is in complete compliance as of __/__/__ with the Financial Standards (the "Applicable Financial Statements Date"), as demonstrated below. All capitalized terms used herein and not otherwise defined shall have the meanings given them in the Loan Agreement.

<TABLE>
<CAPTION>

FINANCIAL STANDARDS	APPLICABLE DATE OR TIME PERIOD	APPLICABLE RATIOS OR MONETARY REQUIREMENTS	ACTUAL AS OF __/__/__
<S>	<C>	<C>	
Consolidated Debt Service Ratio	Quarterly, at the end of each quarter	Not to exceed 1.75:1 (in each case rounded to the nearest hundredth).	___:___
Consolidated Total Liabilities: Tangible Net Worth Ratio	Quarterly	Not to exceed 2.0:1 (in each case rounded to the nearest hundredth).	___:___
Tangible Net Worth	Annually	At least $15,000,000 plus 50% of net profits for the fiscal year ended 12/31/96 and thereafter for each immediately preceding fiscal year for which the measurement is being taken, subject to adjustment in the event of acquisitions made by the Borrower in the future, which adjustments shall be determined by the Lender in its sole judgment, reasonably exercised.	$_____
Profitability	Quarterly	There can be no more than two consecutive fiscal quarters with Consolidated Net Income of less than zero.	

</TABLE>

Comments Regarding Exceptions:

Attached hereto are financial statements as of and for the fiscal (quarter)(year) ended on the Applicable Financial Statements Date, which have been certified by the undersigned as required by Section 4.1 of the Loan Agreement.

BOSTON BIOMEDICA, INC.

By:_____
Kevin W. Quinlan, Treasurer, hereunto duly authorized

BTRL CONTRACTS AND SERVICES, INC.

By:_____
Kevin W. Quinlan, Treasurer, hereunto duly authorized

BBI CLINICAL LABORATORIES, INC.

By:_____
Kevin W. Quinlan, Treasurer, hereunto duly authorized

BBI-SOURCE SCIENTIFIC, INC.

By:_____
Kevin W. Quinlan, Treasurer, hereunto duly authorized

DATE: _____

EXHIBIT 4.2.1

A. OPERATING CASH FLOW ("OCF")

Add: 1. Earnings before interest and taxes (EBIT)
2. Depreciation and Amortization
3. Non-cash expenses
Less:4. Cash income taxes paid
5. Capital Expenditures (CAPEX)
6. Non-cash income
7. OCF _____

B. ADJUSTMENTS TO OCF ("Adjusted OCF")

Add: 8. Net Equity Raised (1)
9. Financed CAPEX (2)
10. Adjusted OCF _____

C. TOTAL DEBT SERVICE ("TDS")

1. Interest Expense
2. Required Payment of Long Term Debt and Capital Leases
3. TDS _____

Adjusted OCF/TDS = Debt Service Ratio

Notes:

(1) "Net Equity Raised" is equity raised which is net of any equity used to finance acquisitions.

(2) "Financed CAPEX" is bank/lease debt used to finance capital purchases.

PABOS2:SCS:28634_5

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ASSET PURCHASE AGREEMENT

ACQUISITION OF SUBSTANTIALLY ALL OF THE ASSETS OF

SOURCE SCIENTIFIC, INC.

BY

BBI-SOURCE SCIENTIFIC, INC.,
a wholly owned subsidiary

OF

BOSTON BIOMEDICA, INC.

DATED: MARCH __, 1997

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ASSET PURCHASE AGREEMENT

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ASSET PURCHASE AGREEMENT

AGREEMENT entered into as of the ____ day of _____, 1997, among Boston Biomedica, Inc., a Massachusetts corporation with its principal place of business in West Bridgewater, Massachusetts ("BBI"), BBI-Source Scientific, Inc., a Massachusetts corporation and wholly owned subsidiary of BBI ("Buyer") and Source Scientific, Inc., a California corporation with its principal place of business in Garden Grove, California ("Seller").

RECITALS:

WHEREAS, Buyer wishes to acquire substantially all of the assets of Seller and assume certain liabilities and obligations of Seller, and Seller wishes to convey such assets to Buyer, subject to such liabilities and subject to the terms and conditions set forth in this Agreement;

NOW, THEREFORE, in consideration of the mutual agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE 1. PURCHASE AND SALE OF ASSETS.

1.1 Sale of Assets.

(a) Subject to the provisions of this Agreement and except as expressly excluded in paragraph 1.1(b), Seller agrees to sell and Buyer agrees to purchase, at the Closing (as defined in Section 1.5 hereof), all of the properties, assets and business of Seller of every kind and description, tangible and intangible, real, personal or mixed, and wherever located, including without limitation all assets set forth on Schedule 1.1 hereto, all assets shown or reflected on the Base Balance Sheet (as defined in Section 2.7 hereof) of Seller and all assets acquired or created by Seller in the ordinary course of business and consistent with the terms hereof since the date of the Base Balance Sheet through the Closing, and all of Seller's good will and the exclusive right to use the name of Seller as all or part of a trade or corporate name. The assets, property and business of Seller to be sold to and purchased by Buyer under this Agreement are hereinafter sometimes referred to as the "Subject Assets."

(b) Seller's corporate franchise, stock record books, corporate record books containing minutes of meetings of directors and stockholders and such other records as have to do exclusively with Seller's organization or stock capitalization shall be excluded from the Subject Assets.

1.2 Assumption of Liabilities

(a) Upon the sale and purchase of the Subject Assets, except as excluded in paragraph 1.2(b), Buyer shall assume and agree to pay or discharge when due the following:

(i) those liabilities of Seller listed on Schedule 1.2(a) hereto, as derived from the Base Balance Sheet;-

(ii) liabilities for accrued vacation and unreimbursed expenses for the employees and to the extent set forth in Schedule 1.2(a); and

(iii) all liabilities and obligations incurred by Seller in the ordinary course of business and consistent with the terms hereof since the date of the Base Balance Sheet which are outstanding at the time of the Closing.

The liabilities to be assumed by Buyer under this Agreement are hereinafter sometimes referred to as the "Assumed Liabilities."

(b) Except to the extent expressly assumed pursuant to Section

1.2(a) above, Buyer does not assume and shall not be liable for any debt, obligation, responsibility or liability of the Seller, or any Affiliate (as defined below), or any claim against any of the foregoing, whether known or unknown, contingent or absolute, or otherwise. Without limiting the foregoing sentence, Buyer shall have no responsibility with respect to the following, whether or not disclosed in the Base Balance Sheet or a Schedule hereto:

(i) liabilities and obligations related to or arising from any transactions with any officer, director or stockholder of Seller or any person or organization controlled by, controlling, or under common control with any of them (an "Affiliate");

(ii) liabilities and obligations for taxes of any kind resulting from the operation of Seller through the Closing and any liabilities and obligations for taxes of any kind related to or arising from the transfers contemplated hereby;

(iii) liabilities and obligations for damage or injury to person or property based upon events occurring prior to the date of Closing;

(iv) liabilities and obligations to employees of Seller, whether for accident, disability, or workers compensation insurance or benefits, benefits under employee benefit plans, back pay, accrued vacation, or obligations related to or resulting from severance of employment by Seller;

(v) workmen's liens on any of the Subject Assets;

(vi) liabilities incurred by Seller in connection with this Agreement and the transactions provided for herein, including counsel and accountant's fees, filing fees and expenses related to Seller's proxy material, transfer and other taxes, and expenses pertaining to its liquidation or the performance by Seller of its obligations hereunder;

(vii) liabilities of Seller to its dissenting stockholders, if any to the extent holders of in excess of one-half percent (0.5%) of the outstanding shares of capital stock of Seller exercise dissenting stockholder rights under the California General Corporation Law; and

(viii) liabilities of Seller with respect to any options, warrants, agreements or convertible or other rights to acquire any shares of its capital stock of any class.

(c) The assumption of Assumed Liabilities by Buyer hereunder shall be treated as independent of Buyer's existing business and shall not enlarge any rights of third parties under contracts or arrangements with Buyer or Seller or any of their respective subsidiaries. Nothing herein shall prevent Buyer from contesting in good faith any of the Assumed Liabilities.

1.3 Purchase Price and Payment. In consideration of the sale by Seller to Buyer of the Subject Assets, in addition to the assumption by Buyer of the Assumed Liabilities, Buyer agrees to pay to Seller and to the Escrow Agent, as provided hereafter, the aggregate amount of Two Million One Hundred Forty-Four Thousand Dollars ($2,144,000) (the "Purchase Price"), subject to adjustment as provided for in Section 1.4 of this Agreement, which shall be payable as follows:

(a) the sum of One Million Eight Hundred Ninety-Four Dollars ($1,894,000) shall be paid at the Closing to Seller in cash, by certified check or by federal funds wire transfer; and

(b) the sum of Two Hundred Fifty Thousand Dollars ($250,000.00) in cash, shall be deposited at the Closing into an interest bearing escrow account, and held pursuant to an Escrow Agreement, in substantially the form attached hereto as Exhibit 1.3 (the "Escrow Agreement").

1.4 Adjustment to Purchase Price. The Purchase Price shall be reduced by One Dollar ($1.00) for each One Dollar ($1.00) that Seller's tangible book

value as of the Closing Date, in accordance with generally accepted accounting principles, is less than Five Hundred Thousand Dollars ($500,000). Tangible book value shall be determined by Seller to be Seller's stockholders' equity minus all intangible assets and is subject to verification by Buyer or, at the option of Buyer, by Buyer's independent accountants, Coopers & Lybrand L.L.P. ("Coopers & Lybrand") through an audit or certain procedures as determined by Buyer. Buyer shall furnish to Seller, for Seller's review and comment, the results of any audit or procedures performed by Coopers & Lybrand. Any results from Coopers & Lybrand shall be final and binding on the parties hereto. In the event the Purchase Price is reduced as provided herein, the amounts of the reduction in the Purchase Price shall be paid to the Buyer out of the funds held in escrow pursuant to the Escrow Agreement to the extent of the balance thereof, and shall then be paid by the Seller. Any amount payable to Buyer as a result of a Purchase Price adjustment shall be paid to Buyer within five business days of notice to Seller either of Buyer's verification of Seller's calculation of Seller's tangible book value or of Coopers & Lybrand's results of audit or certain procedures performed in assessing the accuracy of Seller's calculation of Seller's tangible book value as of the Closing Date.

1.5 Time and Place of Closing. The closing of the purchase and sale provided for in this Agreement (herein called the "Closing") will be held at the offices of Brown, Rudnick, Freed & Gesmer, counsel to the Buyer, at its offices at One Financial Center, Boston, Massachusetts on or before May 5, 1997 (the "Closing Date") or at such other place, date or time as may be fixed by mutual agreement of the parties.

1.6 Delivery of Assumption of Liabilities. At the Closing, Buyer shall deliver or cause to be delivered to Seller, among other things, an agreement to assume the Assumed Liabilities having substantially the provisions of Section 1.2 hereof and in substantially the form set forth as Exhibit 1.6 hereto.

1.7 Transfer of Subject Assets. At the Closing, Seller shall deliver or cause to be delivered to Buyer good and sufficient instruments of transfer transferring to Buyer title to all the Subject Assets including a Bill of Sale in substantially the form set forth as Exhibit 1.7 hereto, and such other instruments of transfer as Buyer may require. Such instruments of transfer (a) shall be in the form and will contain the warranties, covenants and other provisions (not inconsistent with the provisions hereof) which are usual and customary for transferring the type of property involved under the laws of the jurisdictions applicable to such transfers, (b) shall be in form and substance satisfactory to counsel for Buyer, and (c) shall effectively vest in Buyer good and marketable title to all the Subject Assets, free and clear of all liens, restrictions and encumbrances except those specifically disclosed in the Schedule hereto or in the Base Balance Sheet and which Buyer has agreed herein may remain in place at and after Closing.

1.8 Delivery of Records and Contracts. At the Closing, Seller shall deliver or cause to be delivered to Buyer all of Seller's leases, contracts, commitments and rights, with such assignments thereof and consents to assignments as are necessary to assure Buyer of the full benefit of the same. Seller shall also deliver to Buyer at the Closing all of Seller's business records, tax returns, books and other data relating to its assets, business and operations (except corporate records and other property of Seller excluded under Subsection 1.1(b)) and Seller shall take all requisite steps to put Buyer in actual possession and operating control of the Subject Assets and business of Seller. After the Closing, Buyer shall afford to Seller and its accountants and attorneys reasonable access to the books and records of Seller delivered to Buyer under this Section 1.8 and shall permit Seller to make extracts and copies therefrom for the purpose of preparing such tax returns of Seller as may be required after the Closing and for other proper purposes approved by Buyer.

1.9 Change of Name. Immediately following the Closing, Seller shall file with the California Secretary of State an amendment to its Charter (as hereafter defined) changing its name to a name which does not include the words "Source Scientific." At the Closing, Seller shall deliver to the Buyer a consent in form satisfactory to the Secretary of State of Massachusetts consenting to the use of the name "Source Scientific" by Buyer or any affiliate thereof.

1.10 Further Assurances. Seller from time to time after the Closing at the request of Buyer and without further consideration shall execute and deliver further instruments of transfer and assignment (in addition to those delivered under Section 1.7) and take such other action as Buyer may reasonably require to more effectively transfer and assign to, and vest in, Buyer all of its right, title and interest in and to the Subject Assets free and clear of all liens and encumbrances, except those expressly permitted hereby. To the extent that the assignment of any lease, contract, commitment or right shall require the consent of other parties thereto, this Agreement shall not constitute an assignment thereof; however, Seller shall obtain before the Closing any necessary consents or waivers to assure Buyer of the benefits of such leases, contracts, commitments or rights. Seller shall cooperate with Buyer to permit Buyer to enjoy Seller's rating and benefits under the workman's compensation laws and unemployment compensation laws of applicable jurisdictions, to the extent permitted by such laws. Nothing herein shall be deemed a waiver by Buyer of its right to receive at the Closing an effective assignment of each of the leases, contracts, commitments or rights of Seller.

1.11 Tax Returns. Seller, with the assistance and approval of Buyer, shall promptly prepare and file on or before the due date or any extension thereof (together with Buyer's payment for the amount of taxes, if any, shown to be due thereon which constitute Assumed Liabilities) all required federal, state and local tax returns with respect to Seller's operations prior to the Closing. Unless Buyer otherwise requests, Seller shall also take all necessary steps to terminate its fiscal year for federal income tax purposes on the Closing date.

1.12 Allocation of Purchase Price. The purchase price payable by Buyer for the Subject Assets pursuant to Section 1.3 and the face amount of the Assumed Liabilities assumed pursuant to Section 1.2 shall represent payment for the Subject Assets at the prices shown on a memorandum to be prepared and initialed by the parties and delivered at the Closing or as soon thereafter as required information is made available. The prices reflected in said memorandum shall represent the fair market values of the Subject Assets at the Closing, to the best of the knowledge and belief of the parties hereto, and the parties hereto agree that they will not take a position inconsistent with such allocation for Federal income tax purposes.

ARTICLE 2. REPRESENTATIONS AND WARRANTIES OF SELLER.

Seller hereby represents and warrants to Buyer as follows:

2.1 Organization and Qualification of Seller. Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of California, with full power and authority to own or lease its properties and to conduct its business in the manner and in the places where such properties are owned or leased or such business is conducted by it. The copies of Seller's Certificate of Incorporation or equivalent document as amended to date ("Charter"), certified by the California Secretary of State, and of Seller's by-laws as amended to date, certified by Seller's Secretary (or the equivalent), and previously delivered to Buyer's counsel, are complete and correct. Seller is duly qualified to do business as a foreign corporation in every jurisdiction in which such qualification is required. The states in which Seller is so qualified are listed on Schedule 2.1.

2.2 Capitalization of Seller. The authorized capital stock of the Seller consists of 75,000,000 shares of common stock, no par value (the "Common Stock"), of which 34,540,004 shares are validly issued and outstanding, fully paid and non-assessable as of the date of this Agreement. Except as set forth on

Schedule 2.2 hereto, there are no (a) outstanding warrants, options or other rights granted by Seller or, to Seller's knowledge, by any principal stockholders of Seller (the "Principal Stockholders"), to purchase or acquire, or pre-emptive rights with respect to the issuance or sale of, the capital stock of Seller, (b) other securities of Seller directly or indirectly convertible into or exchangeable for shares of capital stock of the Seller, or (c) restrictions on the transfer of Seller's capital stock. For purposes of this Agreement, Principal Stockholders shall include all stockholders of Seller who hold, of record or beneficially, five percent (5%) or more of the outstanding shares of Seller's Common Stock.

2.3 Subsidiaries

(a) Seller directly or indirectly owns the indicated amounts of the issued and outstanding capital stock of the corporations listed on Schedule 2.3 to this Agreement (hereinafter referred to as the "Subsidiaries" or individually as a "Subsidiary"). The Seller has good and marketable title to the shares of stock of each of the Subsidiaries which it owns, free of any adverse claim, lien or restriction, and there are no outstanding options, warrants or other rights of any kind to acquire any additional shares of stock of any of the Subsidiaries.

(b) Except as set forth on Schedule 2.3, each Subsidiary is a corporation duly organized, validly existing and in good standing under the laws of its state of incorporation, with full power and authority to own or lease its properties and to conduct its business in the manner and in the places where such properties are owned or leased or such business is conducted. The copies of the Charter and by-laws of each Subsidiary as amended to date, certified by the Secretary of State of the state of incorporation of such Subsidiary or its Secretary (or the equivalent) and previously delivered to Buyer's counsel are complete and correct. Each of the Subsidiaries is duly qualified to do business as a foreign corporation in every jurisdiction in which such qualification is required.

(c) Except as set forth on Schedule 2.3, neither Seller nor any of its Subsidiaries owns any securities issued by any other business organization or governmental authority, except U.S. Government securities. Neither Seller nor any of the Subsidiaries is a partner or participant in any joint venture or partnership of any kind.

2.4 Authorization of Transaction. All necessary action, corporate or otherwise, has been taken by Seller and the Stockholders, if any such action is necessary, to authorize the execution, delivery and performance of this Agreement and the transactions contemplated hereby, and the Agreement is the valid and binding obligation of Seller, enforceable in accordance with its terms.

2.5 Present Compliance with Obligations and Laws. Neither Seller nor any Subsidiary is: (a) in violation of its Charter or by-laws; (b) in default in the performance of any material obligation, agreement or condition of any material debt instrument which (with or without the

passage of time or the giving of notice) affords to any person the right to accelerate any material indebtedness or terminate any material right; (c) in default or breach of (with or without the passage of time or the giving of notice) any other material contract to which it is a party or by which it or any of the Subject Assets are bound except as disclosed in Schedule 2.21; or (d) in violation of any law, regulation, administrative order or judicial order applicable to it or its business or the Subject Assets.

2.6 No Conflict of Transaction With Obligations and Laws.

(a) Neither the execution, delivery or performance of this Agreement, nor the performance of the transactions contemplated hereby, will: (i) constitute a breach or violation of the Charter or by-laws of Seller or any Subsidiary; (ii) conflict with or constitute (with or without the passage of time or the giving of notice) a breach of, or default under, any debt instrument to which Seller or any Subsidiary is a party, or give any person the right to

accelerate any material indebtedness or terminate any material right; (iii) constitute (with or without the passage of time or giving of notice) a default under or breach of any other material agreement, instrument or obligation to which Seller or any Subsidiary is a party or by which it or any of the Subject Assets are bound; or (iv) result in a violation of any law, regulation, administrative order or judicial order applicable to Seller or any Subsidiary, or their businesses or the Subject Assets.

(b) The execution, delivery and performance of this Agreement and the transactions contemplated hereby by the Seller do not require the consent, waiver, approval, authorization, exemption of or giving of notice to any governmental authority.

2.7 Financial Statements. Attached as Schedule 2.7 hereto are the following audited consolidated financial statements of Seller and its Subsidiaries and unconsolidated statements of such companies for the fiscal years ended June 30, 1996 and 1995 and unaudited consolidated financial statements for the six and three month periods ended December 31, 1996 all of which statements are complete and correct and fairly present the financial position of Seller and its Subsidiaries on a consolidated or unconsolidated basis, as the case may be, on the date of such statements and the results of their operations on the applicable basis for the periods covered thereby, and such financial statements have been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods involved and prior periods.

The Seller's unaudited balance sheet as of December 31, 1996 included in the above financial statements is sometimes referred to hereinafter as the "Base Balance Sheet."

2.8 Absence of Undisclosed Liabilities. As of the date of the Base Balance Sheet, Seller and its Subsidiaries had no material liabilities of any nature, whether accrued, absolute, contingent or otherwise (including without limitation liabilities as guarantor or otherwise with respect to obligations of others, or liabilities for taxes due or then accrued or to become due), except: (a) the Assumed Liabilities; (b) liabilities stated or adequately reserved against on the Base Balance Sheet; and (c) liabilities disclosed in Schedule 2.8 hereto. Since the date of the Base Balance Sheet, Seller and its Subsidiaries had no material liabilities of any nature, whether accrued, absolute, contingent or otherwise (including without limitation liabilities as guarantor or otherwise with respect to obligations of others, or liabilities for taxes due or then accrued or to become due) except (a) the Assumed Liabilities; (b) liabilities stated or adequately reserved against on the Base Balance Sheet; (c) liabilities in the aggregate not in excess of [$5,000] arising in the ordinary course of business; and (d) liabilities disclosed in Schedule 2.8 hereto. There is no fact which materially adversely affects, or may in the future (so far as can now be reasonably foreseen) materially adversely affect, the business, properties, operations or condition of Seller and its Subsidiaries on a consolidated basis which has not been specifically disclosed herein or in a schedule furnished herewith.

2.9 Absence of Certain Changes. Except as disclosed in Schedule 2.9 hereto, since the date of the Base Balance Sheet there has not been:

(a) any change in the financial condition, properties, assets, liabilities, business or operations of the Seller or any Subsidiary which change by itself or in conjunction with all other such changes, whether or not arising in the ordinary course of business, has been materially adverse with respect to Seller or any Subsidiary;

(b) any contingent liability incurred by Seller or any Subsidiary as guarantor or otherwise with respect to the obligations of others;

(c) any mortgage, encumbrance or lien placed on any of the properties of Seller or any Subsidiary which remains in existence on the date hereof or at the time of Closing;

(d) any obligation or liability incurred by Seller or any Subsidiary other than obligations and liabilities incurred in the ordinary course of business;

(e) any purchase, sale or other disposition, or any agreement or other arrangement for the purchase, sale or other disposition, of any of the properties or assets of Seller or any Subsidiary other than in the ordinary course of business;

(f) any damage, destruction or loss, whether or not covered by insurance, materially and adversely affecting the properties, assets or business of Seller and its Subsidiaries on a consolidated basis;

(g) any declaration, setting aside or payment of any dividend on, or the making of any other distribution in respect of, the capital stock of Seller, or any Subsidiary other than a wholly-owned Subsidiary, or any direct or indirect redemption, purchase or other acquisition by Seller of its own capital stock or the stock of any such Subsidiary;

(h) any labor trouble or claim of unfair labor practices involving Seller or any Subsidiary; any change in the compensation payable or to become payable by Seller or any Subsidiary to any of their officers, employees or agents other than normal merit increases in accordance with compensation programs existing on the date of the Base Balance Sheet, or any bonus payment or arrangement made to or with any of such officers, employees or agents;

(i) any change with respect to the management or supervisory personnel of Seller or any Subsidiary;

(j) any payment or discharge of a material lien or liability of Seller or any Subsidiary which was not shown on the Base Balance Sheet or incurred in the ordinary course of business thereafter; or

(k) any obligation or liability incurred by Seller or any Subsidiary to any of their employees, officers, directors or shareholders or any loans or advances made by Seller or any Subsidiary to any of their employees, officers, directors or shareholders, except transactions between Seller and a Subsidiary and normal compensation and expense allowances payable to officers.

2.10 Payment of Taxes. Except as disclosed on Schedule 2.10 hereto, the Seller and each of its Subsidiaries have filed all federal, state, local, and foreign government income, excise and franchise tax returns, real estate and personal property tax returns, sales and use tax returns and all other tax returns required to be filed by them, and they have paid all taxes owing by them except taxes which have not yet accrued or otherwise become due for which adequate provision has been made in the pertinent financial statements referred to in Section 2.7 above. All transfer, excise and other taxes payable to any jurisdiction by reason of the sale and transfer of the Subject Assets pursuant to this Agreement shall be paid or provided for by Seller after the Closing out of the consideration payable by Buyer hereunder. Except as disclosed on Schedule 2.10 hereto, the federal income tax returns of Seller and the Subsidiaries have never been examined by the Internal Revenue Service and no extension of time for the assessment of deficiencies for any year is in effect. The provisions for taxes reflected in the above-mentioned financial statements are adequate to cover any tax liabilities of Seller and any Subsidiary in respect of their respective businesses, properties and operations during the periods covered by said financial statements and all prior periods. Neither the Internal Revenue Service nor any other taxing authority is now asserting or threatening to assert against the Seller or any Subsidiary any deficiency or claim for additional taxes or interest thereon or penalties in connection therewith.

2.11 Title to Properties; Liens; Condition of Properties.

(a) Set forth on Schedule 2.11 hereto is a listing of (i) all the real property owned by Seller or any Subsidiary at the date hereof, (ii) all leases under which Seller or any Subsidiary leases real property at the date hereof, (iii) a complete description of the machinery, equipment and other personal property used or owned by Seller or any Subsidiary as of the date

hereof, and (iv) all leases under which Seller or any Subsidiary leases any personal property at the date hereof. Except as specifically disclosed in Schedule 2.11 or in the Base Balance Sheet, Seller and its Subsidiaries have good and marketable title in fee simple to all of their real and personal property, including property described in said schedule as owned, and all of their leases are valid and subsisting and fully assignable by Seller or its Subsidiaries (as the case may be) and no default exists under any thereof.

(b) None of the real or personal property owned or used by Seller or any Subsidiary is subject to any mortgage, pledge, lien (other than for taxes not yet due and payable), conditional sale agreement, security title, encumbrance or other charge, except as specifically disclosed in Schedule 2.11 or in the Base Balance Sheet.

(c) Except as otherwise specified in Schedule 2.11 hereto:

(i) all buildings, machinery and equipment of Seller and each Subsidiary are in good repair, have been well maintained, substantially conform with all applicable ordinances, regulations and zoning or other laws, and do not encroach on property of others, and such machinery and equipment is in good working order; and

(ii) as of the date hereof, there is no pending or threatened change of any such ordinance, regulation or zoning or other law and there is no pending or threatened condemnation of any such property.

2.12 Collectibility of Accounts Receivable. All of the accounts receivable of Seller and its Subsidiaries shown or reflected on the Base Balance Sheet, less a reserve for bad debts in the amount shown on the Base Balance Sheet, are, and those existing at the time of Closing, less the reserve shown on the Base Balance Sheet, will be, (a) valid and enforceable claims which arose out of transactions with unaffiliated parties, (b) fully collectible within 90 days from invoice date through the Seller's normal means of collection, and (c) subject to no set-off or counterclaim.

2.13 Inventories. Except as set forth in Schedule 2.13, all finished goods, work in process and raw materials contained in the inventories of Seller and its Subsidiaries reflected on the Base Balance Sheet are, and those existing at the Closing will be, of a quality and quantity saleable in the ordinary course of the business of Seller and its Subsidiaries at prevailing market prices without discounts. Except as set forth in Schedule 2.13, all inventory items shown on the Base Balance Sheet are, and those existing at the Closing will be, priced at lower of cost (FIFO) or market, and reflect write-downs to realizable values in the case of items which have become obsolete or unsaleable (except at prices less than cost) through regular distribution channels in the ordinary course of the business of Seller and its Subsidiaries. Subject to write-downs complying with the preceding sentence, the values of the inventories stated in the Base Balance Sheet reflect the normal inventory valuation policies of Seller and its Subsidiaries and were determined in accordance with generally accepted accounting principles, practices and methods, consistently applied. Purchase commitments for raw materials and parts are not in excess of normal requirements, and none are at prices materially in excess of current market prices. Sales commitments for finished goods are all at prices in excess of prices used in valuing inventory, after allowing for selling expenses and a normal profit margin. Since the date of the Base Balance Sheet, no inventory items have been sold or disposed of except through sales in the ordinary course of business at prices no less than prevailing market prices, and in no event less than cost.

2.14 Intellectual Property Rights.

(a) For purposes of this Section 2.14, "Intellectual Property" means a patent, patent application, trademark or service mark, trademark or service mark

application, trade name or copyright, and "Computer Software" means all information, however embodied, with respect to information processing processes and programs, including software, firmware, databases and manuals and documentation with respect thereto.

(b) All rights of ownership of, or material licenses to use, Intellectual Property or Computer Software held by the Seller or any Subsidiary are listed on Schedule 2.14. There are no Intellectual Property or Computer Software rights, other than those set forth on such schedule, reasonably necessary to the conduct of the business of Seller and its Subsidiaries as presently conducted.

(c) Except as set forth on Schedule 2.14, all rights to Intellectual Property required to be listed in Schedule 2.14 and in which Seller or any Subsidiary claims ownership rights:

(i) have been duly registered in, filed in, or issued by the United States Patent Office, United States Register of Copyrights, or the corresponding offices of other countries identified on said schedule;

(ii) have been properly maintained and renewed in accordance with all applicable laws and regulations in the United States and such foreign countries;

(iii) in the case of copyrightable works of authorship, were developed and authored as original works of authorship either by full time employees of Seller or a Subsidiary within the normal scope of their duties as works for hire, or by third persons as works for hire under an express written obligation of assignment to Seller or a Subsidiary;

(iv) are owned exclusively by Seller or a Subsidiary, free and clear of any attachments, liens, or encum brances; no other person has any right or interest in or license to use or right to license others to use any of the Intellectual Property;

(v) are freely transferable (except as otherwise required by law); and

(vi) are not subject to any outstanding order, decree, judgment or stipulation.

(d) Except as set forth in Schedule 2.14, with respect to any Computer Software used in or necessary to the business of the Seller and the Subsidiaries and in which Seller or any Subsidiary claims ownership rights, Seller and each Subsidiary have: (i) affixed in a timely manner appropriate copyright notices complying with the Copyright Act of 1976, as amended, and the rules and regulations of the United States Copyright Office to all copies of such Computer Software, in object code form or any other form distributed to the public; (ii) distributed such Computer Software only pursuant to written agreements limiting the use, reproduction, distribution and disclosure thereof, and requiring the licensees to preserve the

confidentiality thereof to an extent adequate to protect Seller's rights therein; and (iii) disclosed or made available the source code or systems documentation thereof only to employees or consultants of the Seller who required such disclosure or access for the business purposes of the Seller.

(e) With respect to any Intellectual Property or Computer Software set forth on Schedule 2.14 which Seller or any Subsidiary holds a license to use, such license is adequate to the conduct of the business of Seller and its Subsidiaries as presently conducted.

(f) No proceedings to which Seller or any Subsidiary is a party have been commenced which (i) challenge the rights of Seller or any Subsidiary in respect of the Intellectual Property or any Computer Software listed on Schedule 2.14, or (ii) charge Seller or any Subsidiary with infringement of any other person's rights in Intellectual Property or Computer Software; and no such

proceeding to which Seller or a Subsidiary is not a party has been filed, nor are any such proceedings threatened to be filed.

(g) To Seller's knowledge, none of the rights in Intellectual Property or Computer Software listed on Schedule 2.14 is being infringed by any other person, and neither Seller nor any Subsidiary is infringing upon any Intellectual Property or Computer Software rights of any other person.

(h) No director, officer or employee of Seller or any of its Subsidiaries owns, directly or indirectly, in whole or in part, any Intellectual Property right which Seller or any of its Subsidiaries has used, is presently using, or the use of which is reasonably necessary to their respective businesses as now conducted.

(i) In addition to the Intellectual Property described above, Seller and each of its Subsidiaries have the right to use, free and clear of any claims or rights of others except claims or rights described in Schedule 2.14, all trade secrets, customer lists, manufacturing secret processes (collectively "Trade Secrets") required for or used in the manufacture or marketing of all products formerly or presently produced by Seller or such Subsidiary, including products licensed from others. The Seller and its Subsidiaries have adopted measures adequate to protect their Trade Secrets. Copies of all forms of confidentiality or non-disclosure agreements utilized by Seller or any Subsidiary to protect its Trade Secrets have been provided to Buyer. The Seller and each of its Subsidiaries are not using or in any way making use of any Trade Secrets of any third party, including without limitation a former employer of any present or past employee of Seller or any Subsidiary.

(j) To Seller's knowledge, none of the Trade Secrets is being infringed by any other person, and none of the Trade Secrets infringe upon the trade secret rights of any other person.

2.15 Contracts and Commitments.

(a) Except for contracts, commitments, plans, agreements and licenses described

in Schedule 2.15 hereto , neither Seller nor any Subsidiary is a party to or subject to:

(i) any contract or agreement for the purchase of any commodity, material, equipment or asset, except purchase orders in the ordinary course for less than $1,000 each, such orders not exceeding in the aggregate [$5,000];

(ii) any other contracts or agreements creating any obligations of Seller or any Subsidiary after the date of the Base Balance Sheet;

(iii) any contract or agreement providing for the purchase of all or substantially all of its requirements of a particular product from a supplier;

(iv) any contract or agreement which by its terms does not terminate or is not terminable without penalty by Seller or such Subsidiary (or its successor or assign) within one year after the date hereof;

(v) any contract or agreement for the sale or lease of its products not made in the ordinary course of business;

(vi) any contract with any sales agent or distributor of products of Seller or any Subsidiary;

(vii) any contract containing covenants limiting the freedom of Seller or any Subsidiary to compete in any line of business or with any person or entity; or

(viii) any license or franchise agreement (as licensor or licensee or franchisor or franchisee).

(b) Except as described in Schedule 2.15, neither Seller nor any

Subsidiary is in default under any contracts, commitments, plans, agreements or licenses to which they are party or by which they are bound or has knowledge of any termination, cancellation, limitation or modification or change in any business relationship with any material supplier or customer. For the purposes hereof, a supplier or customer is material if it accounts for more than two percent (2%) of the orders or sales, as the case may be, of Seller and its Subsidiaries on a consolidated basis.

2.16 Labor and Employee Relations.

(a) Except as shown on Schedule 2.16 hereto, there are no currently effective consulting or employment agreements or other material agreements with individual consultants or employees to which Seller or any Subsidiary is a party or by which they are bound. Complete and accurate copies of all such written agreements have been delivered to Buyer. Also shown on Schedule 2.16 are the name and rate of compensation (including all bonus compensation) of each officer, employee or agent of Seller or any Subsidiary.

(b) Except as shown on Schedule 2.16, none of the employees of Seller or any Subsidiary is covered by any collective bargaining agreement with any trade or labor union, employees' association or similar association. Each of Seller and the Subsidiaries has complied with applicable laws, rules and regulations relating to the employment of labor, including without limitation those relating to wages, hours, unfair labor practices, discrimination, and payment of social security and similar taxes. There are no representation elections, arbitration proceedings, labor strikes, slowdowns or stoppages, material grievances or other labor troubles pending or overtly threatened, with respect to the employees of Seller or any Subsidiary.

(c) There are no complaints against Seller or any Subsidiary pending or overtly threatened before the National Labor Relations Board or any similar state or local labor agencies, or before the Equal Employment Opportunity Commission or any similar state or local agency, by or on behalf of any employee of Seller or any Subsidiary.

(d) There is no contingent liability for sick leave, vacation time, severance pay or similar items not set forth on the Base Balance Sheet or on Schedule 2.16. The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby will not trigger any severance pay obligation under any contract or at law.

(e) The Seller has provided to Buyer a complete description of all employment policies under which the Seller or any Subsidiary has operated or which has been communicated to their employees.

2.17 Employee Benefits and ERISA.

(a) Schedule 2.17 (a) hereto describes all of the employee compensation and benefit plans, agreements, commitments, practices or arrangements of any type (including, but not limited to, plans described in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) offered, maintained or contributed to by Seller or any Subsidiary for the benefit of current or former employees or directors of Seller or any Subsidiary, or with respect to which Seller or any Subsidiary has or may have any liability, whether direct or indirect, actual or contingent (including, but not limited to, liabilities arising from affiliation under Section 414(b), (c), (m) or (o) of the Code or Section 4001 of ERISA) (collectively, the "Benefit Plans"). Neither Seller nor any Subsidiary has incurred any obligation for any withdrawal liability or liability to make any other contributions with respect to any employee benefit plan that is a "multiemployer plan" within the meaning of Section 3(37) of ERISA. Neither Seller nor any Subsidiary has any liability, whether direct or indirect, actual or contingent, with respect to any employee pension plan as defined in Section 3(2) of ERISA, and which is intended to meet the qualification requirements of the Code that is a defined benefit plan (as defined in Section 3(35) of ERISA) and is subject to Title IV of ERISA, whether or not terminated (including, but not limited to, liabilities arising from affiliation under Section 414(b), (c), (m) or (o) of the Code or Section 4001 of ERISA).

(b) With respect to each Benefit Plan described in Section 2.17(a) hereto, Seller has delivered to Buyer true and complete copies of: (i) any and all plan documents (including, but not limited to, all amendments thereto) and agreements (including, but not limited to, trust agreements, insurance contracts, and custodial and investment management agreements); (ii) any and all material employee communications (including, but not limited to, all summary plan descriptions and material modifications thereto, claims, review policies, distribution forms, and loan documents, as applicable); (iii) all returns or reports required at any time within the last five (5) years by ERISA or the Code (including, but not limited to, the five (5) most recent actuarial reports, if applicable); (iv) the most recent annual and periodic accounting of plan assets, if applicable; (v) the most recent determination letter received from the Internal Revenue Service (the "Service"), if applicable; and (vi) in the case of any unfunded or self-insured plan or arrangement, a current estimate of accrued and anticipated liabilities thereunder.

(c) With respect to each Benefit Plan described on Schedule 2.17(a) hereto and except as set forth on Schedule 2.17(c) hereto, (i) if intended to qualify under Section 401(a) of the Code, such plan so qualifies, and its trust is exempt from taxation under Section 501(a) of the Code; (ii) such plan has been administered and enforced in accordance with its terms and all applicable laws, regulations and rulings in all material respects; (iii) no breach of fiduciary duty has occurred with respect to which Seller or any Subsidiary or any Benefit Plan may be liable or otherwise damaged in any material respect; (iv) no material disputes nor any audits or investigations by any governmental authority are pending or threatened; (v) no "prohibited transaction" (within the meaning of either Section 4975(c) of the Code or Section 406 of ERISA) has occurred with respect to which Seller or any Subsidiary or any Benefit Plan may be liable or otherwise damaged in any material respect; (vi) all contributions (including, without limitation, normally anticipated matching or discretionary contributions under defined contribution plans), premiums, and other payment obligations have been accrued on the consolidated financial statements of Seller (including without limitation the Base Balance Sheet) in accordance with generally accepted accounting principles, and, to the extent due, have been made on a timely basis, in all material respects; (vii) all contributions or benefit payments made or required to be made under such plan meet the requirements for deductibility under the Code; (viii) Seller has expressly reserved the right to amend, modify or terminate such plan, or any portion of it, at any time without liability to itself; and (ix) no such plan requires Seller or any Subsidiary to continue to employ any employee or director.

(d) With respect to each Benefit Plan described on Schedule 2.17(a) hereto and except as set forth on Schedule 2.17(d) hereto, (i) no such plan is, or has ever been, subject to Title IV of ERISA; (ii) there is no excess of actuarial accrued liabilities or "benefit liabilities" (as defined in Section 4001(a)(16) of ERISA), over the fair market value of Plan assets as of the Closing Date; (iii) there has been no "accumulated funding deficiency," whether or not waived, and no missed "quarterly contributions," (as these terms are defined in ERISA); (iv) the funding methods used are acceptable under ERISA; (v) the actuarial assumptions used are and have been reasonable, both individually and collectively and calculated as if the participants receive lump sum payments upon plan termination; (vi) there has been no "reportable event" (as defined in Section 4043 of ERISA); (vii) there has been no termination or partial termination; (viii) there has been no filing with the Pension Benefit Guaranty Corporation ("PBGC") of an intent to terminate such plan, nor has the PBGC instituted any proceedings to terminate such plan; (ix) no lien has been created under Section 412(n) of the Code or Section 302(f) of ERISA; (x) neither Seller nor any Subsidiary has received a notice of deficiency or liability or a demand for

payment from, incurred any liability to, been assessed a penalty by, or had a lien perfected or enforced by the PBGC; and (xi) if such plan is a multiemployer pension plan under which the Seller is obligated to make contributions, there would be no withdrawal liability under Title IV of ERISA upon the cessation of contributions to such plan as of the day of the Closing.

(e) With respect to each Benefit Plan described on Schedule 2.17(a) hereto which provides welfare benefits of the type described in Section 3(1) of ERISA: except as set forth on Schedule 2.17(e) hereto, (i) no such plan provides medical or death benefits with respect to current or former employees or directors of Seller or any Subsidiary, or their dependents, beyond their termination of employment, other than coverage mandated by Sections 601-608 of ERISA and 4980B of the Code; (ii) each such plan has been administered in compliance with Sections 601-609 of ERISA and 4980B of the Code; (iii) no such plan is or is provided through a "multiple employer welfare arrangement" within the meaning of Section 3(40) of ERISA; and (iv) no such plan has reserves, assets, surpluses or prepaid premiums.

(f) The consummation of the transactions contemplated by this Agreement will not (i) entitle any individual to severance pay pursuant to a prior agreement with Seller; (ii) accelerate the time of payment or vesting under any Benefit Plan; or (iii) increase the amount of compensation or benefits due to any individual. No payment made or contemplated under any Benefit Plan constitutes an "excess parachute payment" within the meaning of Section 280G of the Code.

2.18 Environmental Matters.

(a) Except as disclosed in Schedule 2.18 hereto, any and all waste oil, hazardous waste, hazardous substances, toxic substances or hazardous materials used or generated by Seller or any Subsidiary have always been and are being generated, used, stored or treated on or at any of the properties or facilities owned or leased by Seller or any Subsidiary (for the purposes of this Section, a "Site") in accordance with federal, state and local laws, regulations and ordinances. Copies of any and all filings made or documents prepared under the California Safe Drinking Water & Toxic Enforcement Act of 1986 and under Title III of the Superfund Amendments and Reauthorization Act of 1986, including without limitation material safety data sheets and chemical lists, have been provided to Buyer.

(b) Except as disclosed in Schedule 2.18 hereto, no petroleum, oil, hazardous waste, hazardous substances, toxic substances or hazardous materials used or generated by Seller or any Subsidiary have ever been, are being, are intended to be or are threatened with being spilled, released, discharged, disposed, placed, leaked, or otherwise caused to become located in the air, soil or water in, under or upon a Site. Seller has provided Buyer with copies of all notices filed pursuant to the Comprehensive Environmental Response, Compensation and Liability Act or comparable state law, including without limitation any reports, whether oral or written, made to the National Response Center, or other agencies.

(c) Except as disclosed in Schedule 2.18 hereto, no petroleum, oil, hazardous

substances or hazardous waste have ever been shipped by or for Seller or any Subsidiary to other sites or facilities for treatment, storage or disposal, and neither Seller nor any Subsidiary has received any notice that any sites or facilities to which any such wastes have been shipped or sent are subject to or threatened to become subject to any governmental response action or clean up order. Seller has provided Buyer with copies of all manifests documenting disposal of hazardous substances relating to operations of Seller and its Subsidiaries.

(d) Except as disclosed in Schedule 2.18 hereto, all hazardous materials and toxic substances have been shipped by Seller and its Subsidiaries in accordance with all applicable federal, state and local laws, regulations and ordinances, including The Hazardous Materials Transportation Act, the regula

tions of the Department of Transportation, and any corresponding state and local statute and regulations adopted pursuant to said acts.

(e) All underground tanks and other underground storage facilities located at any Site are disclosed in Schedule 2.18 hereto and copies of all notifications made to federal, state or local authorities pursuant to the Resource Conservation and Recovery Act relating to underground storage tanks have been provided to Buyer. As of the date hereof, none of such underground tanks and other underground storage facilities are in violation of any federal, state or local environmental law, regulation or ordinance.

(f) Except as disclosed in Schedule 2.18 hereto, all wells, water discharges and other water diversions on any Site are properly registered and/or permitted under, and copies of such permits have been provided to Buyer, and do not violate, any applicable federal, state or local law, regulation or ordinance.

(g) Except as disclosed in Schedule 2.18 hereto, each of Seller and its Subsidiaries has all necessary and applicable air permits and licenses, and has properly registered (for air pollution control purposes) all air emitting devices used in activities conducted by it, as required by applicable federal, state or local law, regulation or ordinance. Copies of all such permits have been provided to Buyer.

(h) Except as disclosed on Schedule 2.18 hereto, all asbestos insulated equipment or areas on any Site are in compli ance with all applicable federal, state and local laws, current regulations, and ordinances.

(i) For purposes of this section, "hazardous waste", "hazardous substances", "hazardous material", "oil", "petroleum", "toxic substances", "manifest", "material safety data sheets", and "response action" shall have the meaning set forth in the Resource Conservation and Recovery Act, The Comprehensive Environmental Response, Compensation and Liability Act, The Hazardous Materials Transportation Act, The Federal Water Pollu tion Control Act, The Toxic Substances Control Act, and corres ponding state and local statutes, and ordinances and any amend ments, or successor legislation to such Acts, or as currently defined in any federal, state or local regulations adopted pursuant to such Acts.

2.19 Permits. Each of Seller and its Subsidiaries holds all licenses, permits and franchises which are required to permit it to conduct their respective businesses as presently conducted, and all such licenses, permits and franchises are listed on Schedule 2.19 hereto and are now, and will be after the Closing, valid and in full force and effect, and Buyer shall have full benefit of the same.

2.20 Warranty or Other Claims. Except as disclosed on Schedule 2.20, there are no existing or threatened claim, nor are there any facts upon which a claim could be based, against Seller or any Subsidiary for services or merchandise which are defective or fail to meet any service or product warranties. No claim has been asserted against Seller or any Subsidiary for renegotiation or price redetermination of any business transaction, and there are no facts upon which any such claim could be based.

2.21 Litigation. Except for matters described in Schedule 2.21 hereto, there is no litigation pending or threatened against Seller or any Subsidiary and there are no outstanding court orders, court decrees, or court stipulations to which Seller or any of its Subsidiaries is a party or by which any of their assets are bound, any of which (a) question this Agreement or affect the transactions contemplated hereby, or (b) materially restrict the present business, properties, operations, prospects, assets or condition, financial or otherwise, of Seller or any Subsidiary, or (c) will result in any material adverse change in the business, properties, operations, prospects, assets or the condition, financial or otherwise, of Seller or any of its Subsidiaries. Neither Seller nor any Subsidiary, has any reason to believe that any further action, suit, proceeding or investigation which (a) questions this Agreement or affects

the transactions contemplated hereby, or (b) materially restricts the present business, properties, operations, prospects, assets or conditions, financial or otherwise, of Seller or any Subsidiary, or (c) will result in any material adverse change in the business, properties, operations, prospects, assets or condition, financial or otherwise, of Seller or any of its Subsidiaries, which has not been identified in Schedule 2.21 may be brought against the Seller or any of its Subsidiaries.

2.22 Borrowings and Guarantees. Except for the loan in the amount of Five Hundred Thousand Dollars ($500,000) made pursuant to that certain Business Loan and Security/Subordination Agreement by and among BBI, Seller and Concord Growth Corporation (the "Loan Agreement") and as otherwise set forth on Schedule 2.22 hereto, there are no agreements and undertakings pursuant to which Seller (a) is borrowing or is entitled to borrow any money, (b) is lending or has committed itself to lend any money, or (c) is a guarantor or surety with respect to the obligations of any person. Complete and accurate copies of all such written agreements have been delivered to Buyer.

2.23 Financial Service Relations and Powers of Attorney. All of the arrangements which Seller or any Subsidiary has with any bank depository institution or other financial services entity, whether or not in Seller's or the Subsidiary's name, are completely and accurately described on Schedule 2.23 hereto, indicating with respect to each of such arrangements the type of arrangement maintained (such as checking account, borrowing arrangements, safe deposit box, etc.) and the person or persons authorized in respect thereof. Except as set forth in Schedule 2.23

or pursuant to the Loan Agreement, neither the Seller nor any Subsidiary has any outstanding power of attorney.

2.24 Insurance. Schedule 2.24 contains a complete and correct list of all policies of insurance maintained by Seller or any Subsidiary (including insurance providing benefits for employees) in effect on the date hereof, together with complete and correct information with respect to the premiums, coverages, insurers, expiration dates, and deductibles in respect of such policies. Except for amounts deductible under policies of insurance described on such Schedule or with respect to risks assumed as a self-insurer and described on such Schedule, neither Seller nor any Subsidiary is, or has been at any time, subject to any liability as a self-insurer of the businesses or assets of Seller or any Subsidiary that is reasonably likely to have a material adverse effect upon the businesses, assets, revenues, condition (financial or otherwise) or prospects of Seller or any Subsidiary. Except as set forth on Schedule 2.24, there are no claims pending or overtly threatened, under any of said policies, or disputes with insurers, and all premiums due and payable thereunder have been paid, and all such policies are in full force and effect in accordance with their respective terms.

2.25 Minute Books. The minute books of Seller and the minute books of each Subsidiary accurately record all action taken by their respective shareholders, boards of directors and committees thereof.

2.26 Finder's Fee. Except as set forth on Schedule 2.26 hereto, neither the Seller, nor any Subsidiary nor, to Seller's knowledge any Principal Stockholder, has incurred or become liable for any broker's commission or finder's fee relating to or in connection with the transactions contemplated by this Agreement.

2.27 Transactions with Interested Persons. No officer, supervisory employee, director or stockholder of Seller or any Subsidiary, or their respective spouses or children, (a) owns, directly or indirectly, on an individual or joint basis, any material interest in, or serves as an officer or director of, any customer, competitor or supplier of Seller or any Subsidiary, or any organization which has a material contract or arrangement with Seller or any Subsidiary, or (b) has any contract or agreement with the Seller or any Subsidiary other than as disclosed on Schedule 2.27 hereto, and all such agreements are, except as noted on such schedule, on arms-length terms.

2.28 Absence of Sensitive Payments. Neither Seller, any of its Subsidiaries, nor any of their respective directors, officers, agents, stockholders or employees, either on behalf of Seller or its Subsidiaries:

(a) has made or has agreed to make any contributions, payments or gifts of funds or property to any governmental official, employee or agent where either the payment or the purpose of such contribution, payment or gift was or is illegal under the laws of the United States, any state thereof, or any other jurisdiction (foreign or domestic);

(b) has established or maintained any unrecorded fund or asset for any purpose, or has made any false or artificial entries on any of its books or records for any reason; or

(c) has made or has agreed to make any contribution or expenditure, or has reimbursed any political gift or contribution or expenditure made by any other person, to candidates for public office, whether federal, state or local (foreign or domestic) where such contributions were or would be a violation of applicable law.

2.29 Disclosure of Material Information. Neither this Agreement nor any schedule or exhibit hereto or certificate issued pursuant hereto contains any untrue statement of a material fact, or omits to state a material fact necessary to make the statements herein or therein not misleading, relating to the business or affairs of Seller and its Subsidiaries. There is no fact which materially adversely affects the business, condition (financial or otherwise) or prospects of Seller and its Subsidiaries which has not been set forth herein or in a Schedule hereto.

2.30 SEC Filings.

(a) Seller has filed or caused to be filed all registration statements, reports or statements, and any amendments thereto, required to be filed by it pursuant to Sections 13, 14 or 15(d) of the Securities Exchange Act of 1934, and has heretofore furnished (or shall prior to the Closing Date furnish) to Buyer copies, as applicable, of:

(i) Seller's Annual Report on Form 10-K for its three most recent fiscal years;

(ii) Seller's Annual Report to Stockholders for its three most recent fiscal years;

(iii) Seller's definitive Proxy Statements for all meetings of stockholders since the beginning of its third preceding fiscal year; and

(iv) Seller's Quarterly Report(s) on Form 10-Q for each quarter since the end of its most recent fiscal year.

(b) The documents furnished to Buyer pursuant to paragraph (a) were prepared in accordance with the requirements of the Securities Exchange Act of 1934 and the rules and regula tions thereunder in all material respects and do not contain any misstatement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in light of the circumstances, not misleading.

ARTICLE 3. REPRESENTATIONS AND WARRANTIES OF BBI AND BUYER.

BBI and Buyer hereby represent and warrant to Seller as follows:

3.1 Organization of BBI and Buyer. Each of BBI and Buyer is a corporation duly

organized, validly existing and in good standing under the laws of Massachusetts with full corporate power to own or lease its properties and to conduct its business in the manner and in the places where such properties are owned or leased or such business is conducted by each of them.

3.2 Authorization of Transaction. All necessary action, corporate or

otherwise, has been taken by BBI and Buyer to authorize the execution, delivery and performance of this Agreement, and the same is the valid and binding obligation of BBI and Buyer enforceable in accordance with its terms, subject to laws of general application affecting creditor's rights generally.

3.3 No Conflict of Transaction With Obligations and Laws.

(a) Neither the execution, delivery or performance of this Agreement, nor the performance of the transactions contemplated hereby, will: (i) constitute a breach or violation of BBI or Buyer's Charter or by-laws; (ii) conflict with or constitute (with or without the passage of time or the giving of notice) a breach of, or default under any material agreement, instrument or obligation to which BBI or Buyer is a party or by which either of them or their respective assets are bound which would materially affect the performance by Buyer of its obligations under this Agreement; or (iii) result in a violation of any law, regulation, administrative order or judicial order applicable to BBI or Buyer.

(b) The execution, delivery and performance of this Agreement and the transactions contemplated hereby by Buyer do not require the consent, waiver, approval, authorization, exemp tion of or giving of notice to any governmental authority.

3.4 SEC Filings.

(a) Buyer has filed or caused to be filed all registration statements, reports or statements, and any amendments thereto, required to be filed by it pursuant to Sections 13, 14, or 15(d) of the Securities Exchange Act of 1934, and has heretofore furnished (or shall prior to the Closing Date furnish) to Seller copies, as applicable, of:

(i) Buyer's Annual Report on Form 10-K for its most recent fiscal year;

(ii) Buyer's Annual Report to Stockholders for its most recent fiscal year;

(iii) Buyer's definitive Proxy Statements for all meetings of Stockholders since the beginning of its preceding fiscal year; and

(iv) Buyer's Quarterly Report(s) on Form 10-Q for each quarter since the end of its most recent fiscal year.

3.5 Litigation. There is no litigation pending or, to the knowledge of Buyer, threatened against Buyer which will have a material adverse effect on its properties, assets or business or which would prevent or hinder the consummation of the trans actions contemplated by this Agreement.

3.6 Finder's Fee. Except as set forth on Schedule 3.6 hereto, Buyer has not incurred or become liable for any broker's commission or finder's fee relating to or in connection with the transactions contemplated by this Agreement.

ARTICLE 4. COVENANTS OF SELLER.

Seller hereby covenants and agrees with Buyer as follows:

4.1 Conduct of Business. Between the date of this Agreement and the Closing, Seller will do, and it will cause each of its Subsidiaries to do, the following unless Buyer shall otherwise consent in writing:

(a) conduct its business only in the ordinary course and refrain from changing or introducing any method of management or operations except in the ordinary course of business and consistent with prior practices;

(b) refrain from making any purchase, sale or disposition of any asset or property other than in the ordinary course of business, from purchasing any capital asset costing more than $300 and from mortgaging, pledging,

subjecting to a lien or otherwise encumbering any of its properties or assets;

(c) refrain from incurring any contingent liability as a guarantor or otherwise with respect to the obligations of others, and from incurring any other contingent or fixed obliga tions or liabilities except those that are usual and normal in the ordinary course of business;

(d) refrain from making any change or incurring any obligation to make a change in its Charter or by-laws or authorized or issued capital stock, except as contemplated by this Agreement;

(e) refrain from declaring, setting aside or paying any dividend or making any other distribution in respect of capital stock, or making any direct or indirect redemption, purchase or other acquisition of capital stock, of Seller or any Subsidiary other than a wholly-owned Subsidiary;

(f) refrain from entering into any employment contract or making any change in the compensation payable or to become payable to any of its officers, employees or agents;

(g) refrain from prepaying any loans from its stock holders, officers or directors (if any) or making any change in its borrowing arrangements;

(h) use its best efforts to prevent any change with respect to its banking arrangements;

(i) use its best efforts to keep intact its business organization, to keep available its present officers, agents and employees and to preserve the goodwill of all suppliers, customers and others having business relations with it;

(j) have in effect and maintain at all times all insurance of the kind, in the amount and with the insurers set forth in Schedule 2.24 hereto or equivalent insurance with any substitute insurers approved by Buyer; and

(k) permit Buyer and its authorized representatives to have full access to all its properties, assets, records, tax returns, contracts and documents and furnish to Buyer or its authorized representatives such financial and other information with respect to its business or properties as Buyer may from time to time reasonably request.

(l) promptly advise Buyer of additions, deletions or other changes required to be made to the Schedules hereto to make such Schedules accurate and complete as of the Closing solely as a result of the operation of the business of Seller in a manner consistent with the covenants of this Agreement, and to furnish Buyer with such revised Schedules at or prior to the Closing.

4.2 Authorization from Others. Prior to the Closing, Seller will have obtained, and will cause its Subsidiaries to have obtained, all authorizations, consents and permits of others required to permit the consummation by Seller and its Subsidi aries of the transactions contemplated by this Agreement.

4.3 Breach of Representations and Warranties. Promptly upon the occurrence of, or promptly upon Seller's becoming aware of the impending or threatened occurrence of, any event which would cause or constitute a breach, or would have caused or constituted a breach had such event occurred or been known to Seller prior to the date hereof, of any of the representations and warranties of Seller contained in or referred to in this Agreement, Seller shall give detailed written notice thereof to Buyer and shall use its best efforts to prevent or promptly remedy the same.

4.4 Consummation of Agreement. The Seller shall use its best efforts to perform and fulfill all conditions and obligations on its part to be performed and fulfilled under this Agreement, to the end that the transactions contemplated by this Agreement shall be fully carried out. To this end, Seller

will obtain all necessary authorizations or approvals of its stockholders and Board of Directors, to the sale of assets contemplated by this Agreement and the dissolution of Seller in accordance with the laws of the state of incorporation of Seller, which shall include as integral parts thereof:

(a) the transfer to Buyer of the Subject Assets upon the terms and conditions set forth in this Agreement;

(b) cessation of all business by Seller as Source Scientific, Inc. from and after the Closing, except in connection with its liquidation; and

(c) authorization to the officers and directors of Seller to discharge all debts and obligations of Seller (other than those assumed by Buyer hereunder), and to distribute in liquidation the purchase price received by Seller as provided herein.

4.5 Compliance with Securities Laws. As soon as practicable after execution of this Agreement, Seller shall cause its counsel to initiate preparation of preliminary proxy materials in accordance with the Securities Exchange Act of 1934, and the rules and regulations thereunder, for a special meeting of the Company's stockholders at which the stockholders will be asked to approve the transactions contemplated hereby. Such proxy materials shall be in form and substance satisfactory to the Buyer and its counsel.

ARTICLE 5. COVENANTS OF BBI AND BUYER.

BBI and Buyer hereby covenant and agree with Selleras follows:

5.1 Authorization from Others. Prior to the Closing Buyer will have obtained all authorizations, consents and permits of others required to permit the consummation by BBI and Buyer of the transactions contemplated by this Agreement.

5.2 Consummation of Agreement. The Buyer shall use its best efforts to perform and fulfill all conditions and obligations on its part to be performed or fulfilled under this Agreement, to the end that the transactions contemplated by this Agreement shall be fully carried out. To this end, BBI will obtain any approvals of its stockholders or Board of Directors and Buyer will obtain any approvals of its stockholders or Board of Directors which may be required in order to consummate the transactions contemplated hereby.

5.3 Disclosure of Adverse Change. Prior to the Closing, Buyer shall advise Seller of any fact which materially adversely affects the business, condition (financial or otherwise) or prospects of Buyer and BBI not otherwise previously publicly disclosed. To this end, Buyer shall have the right, prior to disclosing such fact to Seller, to require Seller to enter into a confidentiality agreement relating to non-disclosure of such fact consistent with compliance under the Securities Exchange Act of 1934.

ARTICLE 6. CONDITIONS TO OBLIGATIONS OF BBI AND BUYER.

The obligations of BBI and Buyer to consummate this Agreement and the transactions contemplated hereby are subject to the condition that on or before the Closing Date the actions required by this Article 6 will have been accomplished.

6.1 Shareholder Authorization. This Agreement and the transactions contemplated hereby shall have been duly approved by the affirmative vote of Seller's stockholders, as

required by the laws of the state of incorporation of Seller.

6.2 Dissenting Stockholders. Holders of not more than one-half percent (.5%) of the shares of the Common Stock of Seller shall have taken steps to

preserve the rights of dissenting stockholders afforded by the laws of the state of incorporation of Seller, and Seller shall have delivered to Buyer a true and correct list of the names, addresses and numbers of shares held by each holder of dissenting shares of Seller and the steps taken by each such holder as required by the laws of Seller's jurisdiction of incorporation governing appraisal rights.

6.3 Representations; Warranties; Covenants. Each of the representations and warranties of Seller contained in Article 2 shall be true and correct as though made on and as of the Closing Date. Seller shall, on or before the Closing Date, have performed all of its obligations hereunder which by the terms hereof are to be performed on or before the Closing Date. Seller shall have delivered to Buyer a certificate of Seller's President and Chief Financial Officer dated as of the Closing Date, in form and substance satisfactory to BBI and Buyer, to the effect that the statements contained in Sections 6.3 and 6.4 are true and that all other conditions to BBI's and Buyer's obligations hereunder have been satisfied. Seller shall have delivered to Buyer a certificate of Seller's President and Chief Financial Officer, dated as of the Closing Date, in form and substance satisfactory to BBI and Buyer, confirming that the conditions set forth in Sections 6.1 and 6.2 have been fulfilled.

6.4 No Material Adverse Change. There shall have been no material adverse change in the financial condition, prospects, properties, assets, liabilities, business or operations of Seller since the date hereof, whether or not in the ordinary course of business.

6.5 Opinion of Seller's Counsel.

(a) At the Closing, BBI and Buyer shall have received from Susan L. Preston, Esquire, counsel for Seller, an opinion dated as of the Closing, in form and substance satisfactory to BBI and Buyer.

(b)At the Closing, BBI and Buyer shall have received from Messrs. Arter & Hadden, counsel for Seller, an opinion dated as of the Closing, in form and substance satisfactory to BBI and Buyer.

6.6 Employment Contracts. Each of the individuals listed on Schedule 6.6 hereto shall have accepted employment with Buyer and executed and delivered to Buyer an employment agreement having substantially the terms and conditions contained in Exhibit 6.6 attached hereto, and all employment contracts to which Seller is a party shall have been terminated.

6.7 Non-Competition Contracts. Seller and each of the individuals listed on Schedule 6.7 hereto shall have executed and delivered to Buyer non-competition agreements having substantially the terms and conditions of Exhibit 6.7 attached hereto.

6.8 Approval of Board of Directors. The transactions contemplated by this Agreement shall have been reviewed and approved by the Board of Directors of Buyer and BBI and their respective stockholders to the extent necessary.

6.9 Approval of Buyer's Counsel. All actions, proceedings, instruments and documents required to carry out this Agreement and all related legal matters contemplated by this Agreement shall have been approved by counsel for Buyer, provided that the approval of such counsel shall not be unreasonably withheld.

6.10 Absence of Certain Litigation. There shall not be any (a) injunction, restraining order or order of any nature issued by any court of competent jurisdiction which directs that this Agreement or any material transaction contemplated hereby shall not be consummated as herein provided, (b) suit, action or other proceeding by any federal, state, local or foreign government (or any agency thereof) pending before any court or governmental agency, or threatened to be filed or initiated, wherein such complainant seeks the restraint or prohibition of the consummation of any material transaction contemplated by this Agreement or asserts the illegality thereof, or (c) suit, action or other proceeding by a private party pending before any court or

governmental agency, or threatened to be filed or initiated, which in the opinion of counsel for Buyer is likely to result in the restraint or prohibition of the consummation of any material transaction contemplated hereby or the obtaining of an amount in payment (or indemnification) of material damages from or other material relief against any of the parties or against any directors or officers of BBI or Buyer, in connection with the consummation of any material transaction contemplated hereby.

6.11 FIRPTA Certificate. At the Closing, the Seller will deliver to Buyer certificates which satisfy the requirements of the regulations under Section 1445 of the Internal Revenue Code of 1986, as amended.

6.12 Consents and Waivers. Seller shall have obtained any necessary consents or waivers to assure Buyer of the benefits of all leases, contracts, commitments and rights, to the extent that the assignment of any lease, contract, commitment or right requires the consent of parties other than Seller.

6.13 Escrow Agreement. There shall have been executed and delivered to BBI and Buyer an Escrow Agreement in substantially the form attached hereto as Exhibit 1.3, pursuant to which $250,000 of the purchase price shall be deposited in escrow at the Closing to secure payment of any purchase price adjustment or indemnification payable to BBI and Buyer hereunder by reason of the breach of any of the representations and warranties of Seller or failure of Seller to perform any of its obligations hereunder, and said amounts shall have been deposited with the Escrow Agent pursuant to said Escrow Agreement.

6.14 Convertible Debentures. Holders of the convertible debentures of Seller in the principal amount of $629,000 shall have converted the principal amount of such debentures and all accrued interest thereon ($70,898 as of January 31, 1997) into 13,997,960 shares of Seller's

Common Stock and terminated in writing their stock purchase warrants, in full satisfaction of Seller's obligations to such debenture holders.

6.15 Opinion of Independent Accountants. Buyer shall have received in form and substance reasonably satisfactory to it, reports and opinions on such business, financial and legal matters in connection with the transactions contemplated by this Agreement as it deems pertinent, including, without limitation, a satisfactory report from Buyer's independent accountants, Coopers & Lybrand, regarding Seller's business and financial condition.

6.16 Opinion of Investment Banking Firm. Buyer shall have received in form and substance reasonably satisfactory to it, an opinion from a recognized investment banking firm to the effect that the purchase price is fair to Buyer's stockholders from a financial point of view.

6.17 Due Diligence. The results of Buyer's due diligence investigation of Seller shall be satisfactory to Buyer, in Buyer's sole discretion. Any additions, deletions or other changes to be made to the Schedules hereto pursuant to Section 4.1(1) shall be satisfactory to Buyer, in Buyer's sole discretion.

6.18 Facility Lease. The lease with respect to Seller's Garden Grove facility located at 7390 Lincoln Way, Garden Grove, California (the "Garden Grove Lease") shall have been amended, in form and substance satisfactory to Buyer, to reduce to approximately 25,000 square feet (one floor) the space leased by Seller, and to reduce the payment due under the Garden Grove Lease in proportion to the decrease in the amount of space leased.

6.19 Reduction of Interest Payments. Concord Growth Corporation ("Concord") shall have agreed in writing to a reduction in the minimum interest payment to $2,500 per month in return for an increase in interest to the prime rate plus five percent (5%) and a reduction in advancement to seventy percent (70%), along with payment of the line of credit loan by April 30, 1997, and Concord shall have further agreed in writing that upon repayment of the principal amount of Seller's line of credit loan with Concord and all accrued but unpaid interest thereon, Concord shall waive its right to prepayment penalties of any kind.

6.20 Consents to Transactions. BBI's lending bank, The First National Bank of Boston, shall have consented to the transactions contemplated hereby.

6.21 Authorization. Seller shall have obtained and will cause its Subsidiaries to have obtained all authorities, consents and permits of others required to permit the consummation by Seller and its Subsidiaries of the transactions contemplated by this Agreement.

6.22 Bulk Sales Law. Seller shall have complied with the obligations imposed on vendors under the Bulk Sales Act, or the equivalent, as a result of the transactions contemplated by this Agreement.

ARTICLE 7. CONDITIONS TO OBLIGATIONS OF SELLER

The obligations of Seller to consummate this Agreement and the transactions contemplated hereby are subject to the condition that on or before the Closing the actions required by this Article 7 will have been accomplished.

7.1 Shareholder Authorization. This Agreement and the transactions contemplated hereby shall have been duly approved by the affirmative vote of the stockholders of Seller as required by Seller's state of incorporation.

7.2 Representations; Warranties; Covenants. Each of the representations and warranties of Buyer contained in Article 3 shall be true and correct as though made on and as of the Closing; Buyer shall, on or before the Closing, have performed all of its obligations hereunder which by the terms hereof are to be performed on or before the Closing; and Buyer shall have delivered to Seller a certificate of the President and any Vice President of Buyer dated as of the Closing to such effect.

ARTICLE 8. TERMINATION OF AGREEMENT.

8.1 Termination. At any time prior to the Closing, this Agreement may be terminated (a) by mutual consent of the parties with the approval of their respective Board of Directors, notwithstanding prior approval of this Agreement by the stockholders of any party, (b) by either party if there has been a material misrepresentation, breach of warranty or breach of covenant by the other party in its representations, warranties and covenants set forth herein, (c) by Buyer if the conditions stated in Article 6 have not been satisfied at or prior to the Closing, or (d) by Seller if the conditions stated in Article 7 have not been satisfied at or prior to the Closing.

8.2 Right to Proceed. Anything in this Agreement to the contrary notwithstanding, if any of the conditions specified in Article 6 hereof have not been satisfied, Buyer shall have the right (but not the obligation) to proceed with the transactions contemplated hereby without waiving its rights hereunder, and if any of the conditions specified in Article 7 hereof have not been satisfied, Seller shall have the right (but not the obligation) to proceed with the transactions contemplated hereby without waiving its rights hereunder.

ARTICLE 9. RIGHTS AND OBLIGATIONS SUBSEQUENT TO CLOSING.

9.1 Survival of Warranties. All representations, warranties, agreements, covenants and obligations herein or in any schedule, certificate or financial statement delivered by either party to the other party incident to the transactions contemplated hereby are material, shall be deemed to have been relied upon by the other party and shall survive through and until March 31, 1998, regardless of any investigation and shall not merge in the performance of any obligation by either party hereto.

9.2 Collection of Assets. Subsequent to the Closing, Buyer shall have the right and authority to collect all receivables and other items transferred and assigned to it by Seller

hereunder and to endorse with the name of Seller any checks received on account of such receivables or other items, and Seller agrees that it will promptly transfer or deliver to Buyer from time to time after Closing, any cash or other property that Seller may receive with respect to any claims, contracts, licenses, leases, commitments, sales orders, purchase orders, receivables of any character or any other items required to be transferred by it to Buyer pursuant to the provisions hereof.

9.3 Payment of Debts. Seller shall as promptly as possible after the Closing pay all debts and obligations not to be assumed by Buyer hereunder.

ARTICLE 10. INDEMNIFICATION.

10.1 Definitions. For purposes of this Article 10:

"Losses" means all losses, damages (including, without limitation, punitive and consequential damages), liabilities, payments and obligations, and all expenses related thereto. Losses shall include any reasonable legal fees and costs incurred by any of the Indemnified Persons subsequent to the Closing in defense of or in connection with any alleged or asserted liability, payment or obligation, whether or not any liability or payment, obligation or judgment is ultimately imposed against the Indemnified Persons and whether or not the Indemnified Persons are made or become parties to any such action.

"Buyer's Indemnified Persons" means BBI and the Buyer, and their respective directors, officers, employees, stockholders and agents. "Indemnified Person" means any person entitled to be indemnified under this Article 10.

"Indemnifying Person" means any person obligated to indemnify another person under this Article 10.

"Seller's Indemnified Persons" means the Seller.

"Third Party Action" means any written assertion of a claim, or the commencement of any action, suit, or proceeding, by a third party as to which any person believes it may be an Indemnified Person hereunder

10.2 Indemnification by Seller.

(a) Subject to the limitations in paragraph (b) below, Seller agrees to defend, indemnify and hold harmless Buyer's Indemnified Persons from and against all Losses directly or indirectly incurred by or sought to be imposed upon any of them:

(i) resulting from, relating to or arising out of any breach of any of the representations or warranties made by Seller in or pursuant to this Agreement or any schedule

hereto or in any agreement, document or instrument executed and delivered pursuant hereto or in connection with the Closing;

(ii) resulting from or arising out of any breach of any covenant or agreement made by Seller in or pursuant to this Agreement;

(iii) in respect of any liability or obligation of Seller or any Subsidiary not included in the Assumed Liabilities;

(iv) resulting from or arising out of any liability, payment or obligation arising out of any litigation or similar matter required to be described on Schedule 2.21, except to the extent of reserves with respect thereto on the Base Balance Sheet;

(v) resulting from or arising out of any liability, payment or obligation in respect of any taxes for all periods, or portions thereof, ending on or before the Closing Date, owing by Seller or any Subsidiary of any kind or description (including interest and penalties with respect thereto);

(vi) resulting from or arising out of any governmental or third party claims for damages or clean-up costs under any environmental law arising out of the operations of the Seller or any Subsidiary on or before the Closing Date, except to the extent of reserves with respect thereto on the Base Balance Sheet.

(b) The right to indemnification under paragraph 10.2(a) is subject to the following limitations: Seller shall have no liability under paragraph 10.2(a) unless one or more of the Buyer's Indemnified Persons gives written notice to Seller asserting a claim for Losses, including reasonably detailed facts and circumstances pertaining thereto, before the earlier of the running of any applicable statute of limitations or March 31, 1998.

10.3 Indemnification by Buyer.

(a) From and after the Closing Date, Buyer shall indemnify and hold harmless Seller's Indemnified Persons from any and all Losses directly or indirectly incurred by or sought to be imposed upon them:

(i) resulting from or arising out of any breach of any of the representations or warranties made by Buyer, in or pursuant to this Agreement or in any agreement, document or instrument executed and delivered pursuant hereto or in connection with the Closing; and

(ii) resulting from or arising out of any breach of any covenant or agreement made by Buyer in or pursuant to this Agreement.

10.4 Defense of Third Party Actions.

(a) Promptly after receipt of notice of any Third Party Action, any person who believes he, she or it may be an Indemnified Person will give notice to the potential Indemnifying Person of such action. The omission to give such notice to the Indemnifying Person will not relieve the Indemnifying Person of any liability hereunder, except to the extent, but only to the extent, it was prejudiced thereby, nor will it relieve it of any liability which it may have other than under this Article 10.

(b) Upon receipt of a notice of a Third Party Action, the Indemnifying Person shall have the right, at its option and at its own expense, to participate in and be present at the defense of such Third Party Action, but not to control the defense, negotiation or settlement thereof, which control shall remain with the Indemnified Person, unless the Indemnifying Person makes the election provided in paragraph (c) below.

(c) By written notice within 45 days after receipt of a notice of a Third Party Action, an Indemnifying Person may elect to assume control of the defense, negotiation and settlement thereof, with counsel reasonably satisfactory to the Indemnified Person; provided, however, that the Indemnifying Person agrees (i) to promptly indemnify the Indemnified Person for its expenses to date, and (ii) to hold the Indemnified Person harmless from and against any and all Losses caused by or arising out of any settlement of the Third Party Action approved by the Indemnifying Person or any judgment in connection with that Third Party Action. The Indemnifying Persons shall not in the defense of the Third Party Action enter into any settlement which does not include as a term thereof the giving by the third party claimant of an unconditional release of the Indemnified Person, or consent to entry of any judgment except with the consent of the Indemnified Person.

(d) Upon assumption of control of the defense of a Third Party Action under paragraph (c) above, the Indemnifying Person will not be liable to the Indemnified Person hereunder for any legal or other expenses subsequently incurred in connection with the defense of the Third Party Action, other than reasonable expenses of investigation.

(e) If the Indemnifying Person does not elect to control the defense of a Third Party Action under paragraph (c), the Indemnifying Person shall promptly reimburse the Indemnified Person for expenses incurred by the Indemnified Person in connection with defense of such Third Party Action, as and when the same shall be incurred by the Indemnified Person.

(f) Any person who has not assumed control of the defense of any Third Party Action shall have the duty to cooperate with the party which assumed such defense.

10.5 Miscellaneous. Buyer's Indemnified Persons shall be entitled to indemnification under Section 10.2(a) and Seller's Indemnified Persons shall be entitled to indemnification under Section 10.3(a), regardless of whether the matter giving rise to the applicable liability, payment, obligation or expense may have been previously disclosed to any such person and limited only in accordance with Section 10.4(a) notice requirements.

10.6 Payment of Indemnification. Claims for indemnification under this Article 10

other than pursuant to Section 10.3 shall be paid pursuant to the terms of the Escrow Agreement with respect to amounts held thereunder and otherwise by the Seller, and any claims for indemnification under this Article 10 shall be paid or otherwise satisfied by Indemnifying Persons within 30 days after notice thereof is given by the Indemnified Person if the Indemnifying Person does not dispute the claim, or within five (5) days of resolution of any disputed claim.

ARTICLE 11. MISCELLANEOUS.

11.1 Fees and Expenses. Except as set forth below, each of the parties will bear its own expenses in connection with the negotiation and the consummation of the transactions contemplated by this Agreement, and no expenses of Seller relating in any way to the purchase and sale of the Subject Assets hereunder shall be charged to or paid by Buyer or included in any account of Seller as of the Closing.

Seller shall pay to Buyer upon demand a fee equal to all Expenses (as defined below) (the "Termination Fee"), payable by certified check or by federal funds wire transfer, if (i) the requisite approval of the transactions contemplated hereby by Seller's stockholders is not obtained at Seller's Special Meeting of Stockholders, (ii) the Special Meeting of Stockholders does not occur prior to April 30, 1997 or if it does occur, Seller's stockholders do not approve the transactions by the requisite vote, (iii) the conditions specified in Articles 6 and 7 hereof are not satisfied (other than regulatory approvals and breach by Buyer), (iv) Seller materially breaches the letter agreement dated February 4, 1997 between Buyer and Seller (the "Letter Agreement"), or (v) this Agreement is terminated by Seller for any reason other than as a result of a willful and material breach of this Agreement by Buyer; provided, however, that the Termination Fee shall be Buyer's Expenses plus $250,000 if Seller (or any affiliate) enters into an acquisition with a person other than Buyer, within one year of the date of the Letter Agreement.

For purposes of this Article 8, "Expenses" means all fees and expenses incurred or paid by or on behalf of Buyer or any of its affiliates in connection with the consummation of any of the transactions contemplated hereby, by the Letter Agreement, by the Business Loan and Security/Subordination Agreement, or the transactions contemplated hereby or thereby, including all fees and expenses of counsel, investment banking firms, accountants, experts and consultants to Buyer or any of its affiliates and a reasonable allocation of corporate overhead. In the event that this Agreement is so terminated, each party will return all papers, documents, financial statements and other data furnished to it by or with respect to each other party to such other party (including any copies thereof made by the first party).

11.2 Notices. Any notice or other communication in connection with this Agreement shall be deemed to be delivered if in writing (or in the form of a telegram or facsimile transmission) addressed as provided below and if either (a) actually delivered electronically or physically at said address, or (b) in

the case of a letter, three business days shall have elapsed after the same shall have been deposited in the United States mail, postage prepaid and registered or certified, return receipt requested:

If to the Seller, to:

Source Scientific, Inc.
7390 Lincoln Way
Garden Grove, CA 92841
Attention: Richard A. Sullivan, President

with a copy to:

Weiss, Jensen, Ellis & Howard
520 Pike Street, Suite 2600
Seattle, WA 98101
Attention: Susan L. Preston

If to BBI or Buyer, to:

Boston Biomedica, Inc.
375 West Street
West Bridgewater, MA 02379
Attention: Richard T. Schumacher, President

with a copy to:
Brown, Rudnick, Freed & Gesmer
One Financial Center
Boston, MA 02111
Attention: Steven R. London, Esquire and John G. Nossiff, Jr., Esquire

and in any case at such other address as the addressee shall have specified by written notice. All periods of notice shall be measured from the date of delivery thereof.

11.4 Publicity and Disclosures. No press releases or any public disclosure, either written or oral, of the transactions contemplated by this Agreement shall be made without the prior knowledge and written consent of BBI and Seller. Seller and BBI acknowledge, however, that, as public companies, Seller and BBI may be legally obligated to make certain public announcements from time to time regarding their respective businesses, including one or more announcements regarding the transactions contemplated by this Agreement. Accordingly, BBI and Seller agree that, notwithstanding any other provision of this Section 11.4, BBI and Seller

shall be free to make such public announcements regarding the transactions contemplated by this Agreement at such time as Buyer, or BBI or Seller reasonably believes such announcements are required in order to comply with applicable federal and state securities laws, provided that each provides the other with a copy of such announcement at least 24 hours prior to its release.

11.5 Non-Solicitation. Seller shall not, and shall use its best efforts to cause its affiliates, as that term is interpreted under the Securities Act of 1933, as amended, and each of its officers, directors, employees, representatives, and agents not to, directly or indirectly (a) encourage, solicit, initiate, engage or participate in discussions or negotiations with any person or entity (other than Buyer) concerning any merger, consolidation, sale of material assets, tender offer, recapitalization, accumulation of any equity interest in Seller, proxy solicitation or other business combination involving Seller or any Subsidiary or (b) provide any nonpublic information concerning the business, properties or assets of Seller or any subsidiary to any person or entity (other than Buyer) other than in connection with the sale of products in the ordinary course of business.

11.6 Confidentiality. The parties agree that they will keep confidential and not disclose or divulge any confidential, proprietary or secret information which they may obtain from the other in connection with the transactions

contemplated herein, or pursuant to inspection rights granted hereunder unless such information is or hereafter becomes public information.

11.7 Entire Agreement. This Agreement (including all exhibits or schedules appended to this Agreement and all documents delivered pursuant to or referred to in this Agreement, all of which are hereby incorporated herein by reference) constitutes the entire agreement between the parties, and all promises, representations, understandings, warranties and agreements with reference to the subject matter hereof and inducements to the making of this Agreement relied upon by any party hereto, have been expressed herein or in the documents incorporated herein by reference.

11.8 Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision hereof.

11.9 Assignability. This Agreement may not be assigned otherwise than by operation of law (a) by BBI or Buyer without the prior written consent of Seller, or (b) by Seller without the prior written consent of Buyer. However, any or all rights of BBI and Buyer to receive performance (but not the obligations of Buyer to Seller hereunder) and rights to assert claims against Seller hereunder, may be assigned by Buyer to (i) any direct or indirect subsidiary, parent or other affiliate of Buyer, or (ii) any person or entity extending credit to BBI or Buyer to finance the purchase price. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns.

11.10 Amendment. This Agreement may be amended only by a written agreement executed by BBI, Buyer and Seller.

11.11 Attorney-in-Fact. The Seller hereby irrevocably appoints and designates Richard

T. Schumacher or his successor unanimously appointed in written notice by the Seller to the Buyer (the "Agent") as its agent and attorney-in-fact to accept service of process immediately following the Closing.

11.12 Governing Law; Venue.

(a) This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts (other than the choice of law principles thereof), except that any representations and warranties with respect to real and tangible property shall be governed by and construed in accordance with the laws of the jurisdiction where such property is situated if other than in the Commonwealth of Massachusetts.

(b) Any claim, action, suit or other proceeding initiated by any of the Sellers' Indemnified Persons against Buyer, or by any of the Buyer's Indemnified Persons against any Seller, under or in connection with this Agreement may be asserted, brought, prosecuted and maintained in any Federal or state court in the Commonwealth of Massachusetts, as the party bringing such action, suit or proceeding shall elect, having jurisdiction over the subject matter thereof, and Seller and Buyer hereby waive any and all rights to object to the laying of venue in any such court, the assertion of personal jurisdiction over such persons by any such court and to any right to claim that any such court may be an inconvenient forum. Seller and Buyer hereby submit themselves to the jurisdiction of each such court and agree that service of process on them in any such action, suit or proceeding may be effected by the means by which notices are to be given to it under this Agreement.

11.13 Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed in original but all of which together shall constitute one and the same instrument.

11.14 Effect of Table of Contents and Headings. Any table of contents, title of an article or section heading herein contained is for convenience of reference only and shall not affect the meaning of construction of any of the

provisions hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in multiple counterparts as of the date set forth above by their duly authorized representatives.

BOSTON BIOMEDICA, INC.

BY: _____
Richard T. Schumacher, President

BBI-SOURCE SCIENTIFIC, INC.

BY: _____
Name:
Title:

SOURCE SCIENTIFIC, INC.

BY: _____
Richard A. Sullivan, President

ASSETS FOR CASH PURCHASE AGREEMENT

List of Schedules and Exhibits

Schedule 1.1 Assets

Schedule 1.2(a) - Liabilities Assumed

Schedule 2.1 - Qualification of Seller

Schedule 2.2 - Options, Warrants and Convertible Securities

Schedule 2.3 - Subsidiaries

Schedule 2.7 - Financial Statements of the Seller

Schedule 2.8 - Undisclosed Liabilities

Schedule 2.9 - Changes Since Base Balance Sheet Date

Schedule 2.10 Payment and Taxes

Schedule 2.11 - Property, Leases and Equipment

Schedule 2.13 Inventories

Schedule 2.14 - Intellectual Property Rights

Schedule 2.15 - Contracts and Commitments

Schedule 2.16 - Labor and Employee Relations

Schedule 2.17(a) - ERISA; Compensation and Benefit Plans

Schedule 2.17(c) ERISA; Compensation and Benefit Plans

Schedule 2.17(d) ERISA; Compensation and Benefit Plans

Schedule 2.17(e) ERISA; Compensation and Benefit Plans

Schedule 2.18 - Environmental Matters

Schedule 2.19 - Permits

Schedule 2.20 Claims

Schedule 2.21 - Litigation

Schedule 2.22 - Borrowings and Guarantees

Schedule 2.23 - Banking and Financial Arrangements

Schedule 2.24 - Insurance

Schedule 2.26 Finder's Fees

Schedule 2.27 Transactions with Interested Persons

Schedule 6.6 - Parties to Employment Contracts

Schedule 6 7 Parties to Non-Competition Contracts

Exhibit 1.3: Escrow Agreement

Exhibit 1.6: Assumption of Liabilities

Exhibit 1.7: Bill of Sale

Exhibit 6.6: Employment Contract

Exhibit 6.7: Non-Competition Contract

EXHIBIT 11.1

BOSTON BIOMEDICA, INC. AND SUBSIDIARIES

STATEMENT RE COMPUTATION OF INCOME PER SHARE

WEIGHTED AVERAGE SHARES

<TABLE>
<CAPTION>

	Year Ended December 31,		
	1994	1995	1996
<S>	<C>	<C>	<C>
Average Common Stock Outstanding	2,551,946	2,569,641	2,915,522
Net effect of dilutive Common Stock Equivalents-based on treasury stock method using average market price	-	548,541	424,714
Issuance of "Cheap Stock"	35,191	33,295	
	2,587,137	3,151,477	3,340,236
Net Income	$ 96,528	$ 102,990	$ 481,220
Add: net reduction of interest on debt, less 40% taxes	-	27,258	-
Adjusted net income for earnings per share calculation	$ 96,528	$ 130,248	$ 481,220
Income (loss) per share	0.04	0.04	0.04

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EXHIBIT 21.1

SUBSIDIARIES OF THE COMPANY

<TABLE>
<CAPTION>

Name	Jurisdiction of Organization
<S>	<C>
BBI Clinical Laboratories, Inc.	Massachusetts
BTRL Contracts and Services, Inc. (d/b/a/ Biotech Research Laboratories)	Massachusetts
BBI-Source Scientific, Inc.	Massachusetts

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