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, 1999, or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the transition period from _____ to _____

Commission file number 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	02379-1040
(Address of Principal Executive Offices)	(zip code)

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

Securities registered pursuant to Section 12(b) of the Act:
None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, par value $.01 per share

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

Indicate by check mark 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 by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of the voting common stock held by non-affiliates of the registrant at February 29, 2000 was $49,248,992, based on the closing price of the common stock as quoted on the Nasdaq National Market on that date.

As of March 24, 2000 there were 5,441,960 shares of the registrant's common stock outstanding.

Documents Incorporated by Reference

Portions of the registrant's definitive proxy statement involving the election of directors at its 2000 annual meeting, which is expected to be filed within 120 days after the end of the registrant's fiscal year, are incorporated by reference into Part III of this report.

PART I

ITEM 1. BUSINESS

Boston Biomedica, Inc. and its wholly-owned subsidiaries (together, "the Company"), provide products and services for the detection and treatment of infectious diseases such as AIDS, Lyme Disease, and Viral Hepatitis. The Company has four business units, which are comparable to operating segments (the terms "business units" and "operating segments" are used herein interchangeably):

(1) BBI Diagnostics, an ISO 9001 certified manufacturer of quality control and other diagnostic products used to increase the accuracy of in vitro diagnostic tests;

(2) BBI Clinical Laboratories, a leading infectious disease testing laboratory, specializing in nucleic acid based testing, tick borne diseases, and blood bank confirmatory testing;

(3) BBI Biotech Research Laboratories, the research and development arm of the Company which supplements its support for the other BBI business units with research contracts and repository services primarily for agencies of the United States government; and

(4) BBI Source Scientific, an ISO 9001 and EN 46001 certified manufacturer of laboratory and medical instruments.

In addition, the Company is pursuing research and development programs in the areas of Pressure Cycling Technology ("PCT") and drug discovery, with the goals of introducing new solutions for improving blood plasma safety, specimen preparation in nucleic acid testing, and treatment of infectious diseases.

The Company was organized in Massachusetts in 1978, and commenced significant operations in 1986.

In July 1999, the Company announced a major reorganization and the formation of a corporate function. Pursuant to this reorganization a Senior Vice President and General Manager was appointed for each business unit, reporting to the President & Chief Operating Officer. The responsibility of the General Manager is to achieve the agreed upon goals and plan of the business unit. The primary focus of corporate is to oversee the business units and guide them according to the strategic direction of the Company.

In September 1999, the Company moved its research and development activities in PCT from leased laboratory space in Woburn, Massachusetts to its BBI Biotech facility in Gaithersburg, Maryland. This was done to allow the scientific team working on PCT to have easy and open access to the molecular and cellular biology capabilities at BBI Biotech, as well as to reduce operating costs and promote efficiencies.

In October 1999, the Company formed a new, wholly-owned subsidiary, Panacos Pharmaceuticals, Inc., ("Panacos"), a Delaware corporation. All of the Company's technology related to its drug discovery and vaccine programs, consisting primarily of patents and related sponsored research agreements, were transferred to Panacos effective January 2000. Management intends to sell a substantial portion of Panacos to third party investors in order to obtain the substantial amount of capital required to progress to more advanced stages of drug development including human clinical trials. If successful in raising capital, the Company plans to become a less than 50% shareholder in Panacos, give up operational control, and switch to the equity method of accounting for its investment, as opposed to consolidation accounting.

The Company's strategy is to leverage its scientific capabilities in microbiology, immunology, virology, and molecular biology to (1) capitalize on both the emerging end-user market for quality control products, and the molecular testing market, (2) develop new products and services, (3) enhance technical leadership, (4) capitalize on complementary business operations, and (5) 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 materials include disposable diagnostic components,

instructions, and reaction mixing vessels (generally 96-well plates or test tubes) that are coated with the relevant infectious disease antigens, antibodies or other materials. To perform the test typically, either a technician or a specially designed instrument 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 or radioactive count), that 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) that 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 and clinical laboratories worldwide. 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 groups : (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

Through its business unit BBI Diagnostics, the Company offers a broad array of "Diagnostic Products," for in vitro diagnostic use, consisting of Quality Control Panels, Accurun(R) Run Controls and Diagnostic Components, all used in connection with infectious disease testing. Diagnostic 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 are as specific, reproducible, and sensitive as possible. The Company's Accurun(R) 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.

Through its wholly-owned subsidiary, BBI Source Scientific, Inc., ("BBI Source"), the Company designs, manufactures and markets "Laboratory Instruments", consisting of readers and washers and other small medical devices. These instruments are used in hospitals and clinics, and in research, environmental and food testing laboratories. Utilizing a common hardware

technology platform, these instruments are used in connection with the performance of an IN VITRO diagnostics test, including reading the test result.

Through another wholly-owned subsidiary, BBI Clinical Laboratories, Inc. ("BBICL") the Company provides specialty clinical laboratory services that include both routine and sophisticated infectious disease testing in microbiology, immunology and molecular biology. BBICL seeks to focus its laboratory services in those advanced areas of infectious disease testing requiring special expertise.

BBI Biotech Research Laboratories, Inc., ("BBI Biotech"), another wholly-owned subsidiary, is the R&D "arm" of the Company, helping to develop new products and services for the other business units. BBI Biotech seeks to obtain government grants and other research support wherever possible to help fund the cost of this R&D. In addition, BBI Biotech provides repository services for the United States government, and other commercial services for laboratories and test kit manufacturers.

During each of the last three fiscal years, each of the Company's operating segments contributed at least 15% of the Company's consolidated revenue, with the exception of BBI Source in fiscal 1997 and 1999 and the "Other" segment in fiscal 1999. The Company's Consolidated Financial Statements set forth in Item 8 of this report provide financial information relating to each of the Company's operating segments.

Diagnostic Products

The Company manufactures its Diagnostic Products from human plasma and serum that are obtained from nonprofit and commercial blood centers, primarily in the United States. The Company has acquired and developed an inventory of approximately 30,000 individual blood units and specimens (with volumes ranging from 1 ml to 800 ml) which provides most of the raw material for its products. Within the Diagnostic Products class are two groups: Quality Control Products, consisting of QC Panels and Accurun(R) Run Controls, and Diagnostic Components.

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 Panels are designed for measuring overall test kit performance and laboratory proficiency, as well as for training laboratory professionals. The Company's data sheets, which contain comprehensive quantitative data useful for comparative analysis, are an integral part of its Quality Control Panels. 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 laboratory 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 laboratory 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>
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Quality Control Panels

Product Line	Description	Use	Customers
<S>	<C>	<C>	<C>
Seroconversion Panels	Plasma samples collected from a	Compare the clinical	Test kit manufacturers and

	single individual over a specific time period showing conversion from negative to positive for markers of an infectious disease.	sensitivity of competing manufacturers' test kits, enabling the user to assess the sensitivity of a test in detecting a developing antigen/antibody.	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 containing a known amount of an infectious disease marker as calibrated against international standards.	Evaluate the low-end analytical sensitivity of a test kit.	Test kit manufacturers.
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.
Verification Panels	Verification Panels contain naturally occurring undiluted samples at varying titers.	Verify accuracy and ensure that reagents perform to expectation: also used to troubleshoot system problems and to document problem resolution.	Clinical reference laboratories, blood banks, hospital laboratories.

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, OEM, and verification panels generally 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 from a different individual, 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. However, the Company cannot be certain that it will be able to continue to obtain such specimens.

Quality Control Panels currently span the immunologic markers for AIDS (i.e., HIV), Hepatitis (A, B and C), Lyme Disease and ToRCH (Toxoplasma, rubella, cytomegalovirus and herpes simplex virus).

Accurun(R) 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 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 testtube, 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 for the run control, determined by the user, to measure whether the other, unknown 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 what is known as 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 AccuChart(TM) tracking and charting software, used as part of a laboratory's quality assurance program, runs on a personal computer and is designed to provide the data tracking capability needed to document laboratory performance.

The Company's Accurun(R) 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(R) 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(R) 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(R) Run Control products in the fourth quarter of 1993 and has since developed and released for sale an additional 46 Accurun(R) products. Two products have been discontinued, for a total of 48 Run Controls available as of December 31, 1999. The majority of these products are available for diagnostic purposes; the others currently are limited to research use. Current Accurun(R) Run Control products generally range in price from $5 to $60 per milliliter and are described in the following table.

<TABLE>
<CAPTION>
ACCURUN(R) RUN CONTROLS

Product	Description	Number of Products	Primary Customers
<S>	<C>	<C>	<C>
Accurun 1(R) Multi Marker Positive Controls	Multi-marker run controls for diagnostic immunological tests	12	Blood banks, plasma centers, hospitals and clinical labs
Accurun Immunological Positive Controls	Single marker run controls for diagnostic immunological tests	23	Hospitals and clinical labs
Accurun Nucleic Acid Positive Controls	Single Marker run controls for amplified nucleic acid tests	5	Research and specialty labs
Accurun Reference Nucleic Acid Controls	Run controls calibrated to the World Health Organization standard.	2	International plasma manufacturers and blood centers
Accurun Negative Controls	Negative run controls for immunological and nucleic acid testing	6	All labs

</TABLE>

All of the Company's Accurun(R) Run Controls for diagnostic use require either FDA premarket clearance (a 510(k)) or validation studies (if the products are exempt from FDA submission requirements under the FDA Modernization Act of 1997), prior to being marketed for diagnostic use. As of March 1, 2000, a total of 12 products in the Accurun 1(R) line and 18 single analyte Accurun(R) controls have either received 510(k) clearance or have been validated.

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.

Laboratory Instruments

BBI Source, the Laboratory Instrumentation operating segment, designs, manufactures and markets laboratory instruments and other small medical devices used in hospitals and clinics and in research, environmental and food testing laboratories. These instruments are generally sold on a private-label or OEM basis for other companies utilizing a common hardware technology platform. The instruments manufactured by the Company use advanced optical detection methods (luminescence, fluorescence, reflectance, photometry), robotics, fluidics, and unique software, all of which are desired by customers reselling or supplying state-of-the-art instrumentation systems to laboratories worldwide in various applications.

Most of the Laboratory Instrumentation products currently being offered have been commercialized since 1985 and were primarily developed in conjunction with IN VITRO diagnostics test kit manufacturers. BBI Source hopes to attract development partners for new prototype products. Management believes that these products address important market segments in biomedical and clinical diagnostic testing and in environmental monitoring and food testing research. The BBI Source product line currently includes the following:

MicroChem(R) Photometer. A compact, low-cost, photometer designed for immunoassay and general chemistry applications.

ChemStat(R) Automated Photometer. A high-speed, automated photometer with a sample capacity of 95 tubes and a read rate of one sample per second. This product is suited for high-volume processing.

E/LUMINA(R) II Luminescence Analyzer. A flexible luminometer for both "flash" and "glow" luminescence methods, this automated system reads up to 114 samples and reports final results.

EXECWASH(R) Washing System. An automated immunoassay washing system that can be quickly configured by the user to wash different solid-phase assay formats by a propriety manifold design. The EXEC-WASH is fully compatible with a variety of other Company products, such as the ChemStat and the E/LUMINA II Luminescence Analyzer.

Protocol Design Software System. A development tool for researchers and assay manufacturers, the program operates under Microsoft(R) Windows and serves as the master programming center for EXEC-WASH systems to create fluid handling protocols.

Verif-Eye(R) A reflectance reader for rapid, reliable results for use in research and development or process inspection and verification.

Services

The Company seeks to focus its specialty laboratory services in both the clinical reference laboratory testing and advanced biomedical 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

BBICL, the Clinical Laboratory Services operating segment, operates an independent specialty clinical reference laboratory that performs both routine and sophisticated infectious disease testing in microbiology, immunology and molecular biology, with special emphasis in AIDS, Viral Hepatitis, Lyme and other tick borne diseases, and comfirmatory testing for the blood bank industry. The Company's specialty clinical laboratory combines traditional microbiology, advanced immunology, and current molecular diagnostic techniques, such as PCR and bDNA, to detect and identify microorganisms, their antigens and related antibodies, and their nucleic acids (i.e., DNA and RNA).

Specimens are picked up daily from customers, primarily by BBICL's courier staff, and are brought to the laboratory in New Britain, Connecticut for testing. There, they are received, accessioned, scheduled, and then tested. Results are returned to customers by fax, remote printers, data transmission and hard copy. BBICL emphasizes accuracy and turnaround time along with competitive pricing as keys to customer satisfaction. Customers include blood banks, physicians, clinics, hospitals and other clinical/research laboratories.

Contract Research and Services

The BBI Biotech operating segment offers a variety of research services in molecular biology, cell biology and immunology to governmental agencies, diagnostic test kit manufacturers and biomedical researchers. Molecular biology services include DNA extractions and sequencing, recombinant DNA support, probe labeling and custom nucleic acid amplification 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 and custom western blot assays.

The Company currently provides contract research services under several contracts and grants. These services are primarily related to infectious disease diagnostics, in support of the products and services that the Company wishes to develop. Current contracts include the following: clinical trials support for candidate HIV vaccines; identification and DNA sequencing of human genes involved in neurological disorders, development of PCR based assays for Babesiosis and Transfusion Transmitted Virus, and microtiter plate assays for HIV-1 genotyping.

Blood Processing and Repository Services

Since 1983, BBI Biotech has provided blood processing and repository services for the National Cancer Institute ("NCI"), also a part of the National Institutes of Health ("NIH"). The repository stores over 6,000,000 specimens and processes or ships up to several thousand specimens per week in support of various NIH cancer and virus research programs. In 1997, BBI Biotech was awarded a five-year (including renewal options) NCI repository contract with aggregate payments of up to $4.8 million. In 1998, BBI Biotech received a six-year $2.9 million repository contract (including five one-year extension options) with the National Heart, Lung and Blood Institute of the NIH, and in 1999, it received a seven-year, $9.6 million repository contract with the National Institute of Allergy and Infectious Disease. To date all renewal options under these contracts have been approved, although the Company cannot be certain that any subsequent options will be exercised.

Other Services

Clinical Trials. All four business units conduct clinical trials for domestic and foreign test kit and device manufacturers. Manufacturers must collect data for submission to the United States FDA and other countries' regulatory agencies, and these manufacturers contract with organizations such as the Company to perform this work. By providing this service, the Company is able to maintain close contact with test kit and device 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 and device manufacturers seeking to obtain FDA approval for their infectious disease test kits.

Laboratory Instrumentation Services. BBI Source offers services to design, develop, manufacture and distribute laboratory instruments to companies seeking to market biomedical products manufactured under government-approved manufacturing practices. These services range in complexity from consulting to full system development and distribution.

After-sales Service. BBI Source also provides after-sales service. Management believes that after-sales service is a major marketing advantage in many of the Company's markets, since many of the Company's customers do not maintain their own full service departments. Servi-Trak(R), a proprietary software program, is a key element of this after-sales service. The Company's service department is located at BBI Source's facility in Garden Grove, California. The

Company utilizes an independent third party contractor located in Giessen, Germany, to provide a fully functional European service and support center.

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. The drug screening program and in vitro assays are now offered through the Company's newly formed subsidiary, Panacos Pharmaceuticals, Inc.

Research and Development

The Company's research and development effort is focused on (i) the development of new and improved Quality Control Products (Panels and Accurun(R)) for the emerging end-user market and the in vitro diagnostics market, (ii) the expansion of its infectious disease testing services using PCR and other amplification assays, (iii) the design and development of new laboratory instruments and mechanical and optical detection techniques, emphasizing its Verif-Eye reflectance reader, (iv) the development of pressure cycling technology ("PCT") for nucleic acid purification and pathogen inactivation, and (v) the determination of the mechanism of action and performance of initial toxicity studies on its lead compounds in the Company's drug discovery program ("Panacos"). The Company has 36 full or part-time employees involved in its research and development effort. As announced in 1998, at the time of its acquisition of BioSeq, Inc., the Company has significantly increased spending on research and development both in whole dollars and as a percentage of revenue in 1999 as compared to 1998. 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, manufacturing, regulatory and finance personnel to identify and prioritize the development of new products and services. Whenever it can, the Company seeks to fund its research and development activities from grants provided by various agencies and departments of the United States government. See also "Contract Research and Services."

Quality Control Products. In the area of Quality Control Products, the Company's product development activities center on the identification and characterization of materials for the manufacture of new products and the replacement of sold-out products. During 1999, the Company introduced 14 new Seroconversion, Performance, and Qualification Panel products, 43 OEM Panels, as well as 13 new Accurun(R) Run Controls. The Company is developing new Quality Control Products for use with both immunological and molecular diagnostic tests for subtypes and variants of HIV, HCV and HBV, and a variety of controls targeted for leading instrument platforms. The Company has increased the number of Quality Control Products it offers from approximately 20 products in 1990 to

more than 200 in 1999.

Infectious Disease Tests. The Company also develops new and improved infectious disease tests, which the Company believes offer potential for above average profit, for sale by the Clinical Laboratory Services operating segment. Current emphasis is on additional PCR and other amplification technology based tests for infectious disease diagnostics, beyond the Company's current offerings of assays for the pathogens of AIDS, Lyme Disease, Viral Hepatitis, and Herpes, and for the direct detection of other infectious agents in blood, tissues and other bodily fluids.

Laboratory Instruments. The Company's product development activities related to laboratory instruments are centered on additional configurations of a "reflectance" reader to produce objective results from rapid in vitro diagnostic tests. In addition, the Company continues to work on applications for existing products to broaden their utilization.

Pressure Cycling Technology. BBI BioSeq, a wholly-owned subsidiary of the Company, owns patent pending technology based on PCT. PCT research is primarily focused in two areas: (1) nucleic acid extraction and purification from target pathogens in connection with sample preparation for PCR or other molecular testing; and (2) pathogen inactivation of blood plasma intended for transfusion or for further fractionation into transfusion products. See Note 2 to the Company's Notes to Consolidated Financial Statements in Item 8 hereunder for further details related to the 1998 acquisition of BioSeq, Inc.

Drug Discovery. In August 1998, the Company hired a Vice President, Biotheraputics to direct its drug discovery and development efforts. In collaboration with Dr. K.H. Lee of the School of Pharmacy, University of North Carolina at Chapel Hill ("UNC"), the Company conducts research relating to compounds, pharmaceutical compositions, therapeutic methods, and vaccine preparations, primarily in the HIV field. The Company owns, jointly with UNC, five United States patents related to this drug discovery program. Two additional United States patent applications and foreign applications for all five of the joint patents are pending.

In April 1999, the Company increased its commitment to directly support the drug discovery program at UNC, in which a full-time, post-doctoral research scientist and two of Dr. Lee's doctoral students are working to develop synthetic derivatives of anti-HIV compounds that have been discovered pursuant to the Company's joint collaboration with UNC. These research scientists are also working to introduce modifications to these derivatives in an effort to make them more soluble, less toxic, or otherwise enhance their anti-viral properties. UNC has licensed to the Company exclusive worldwide rights to the five patents awarded to the Company and UNC. Two compounds covered under these patents have exhibited therapeutic indices in in vitro test model systems in excess of those recorded for AZT under comparable test conditions. 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.

In October 1999, the Company formed a new, wholly-owned subsidiary, Panacos Pharmaceuticals, Inc., ("Panacos") a Delaware corporation. All of the technology, intellectual property, sponsored research agreements, and related rights from the drug discovery business unit were transferred to Panacos effective January 2000. Management intends to sell a substantial portion of Panacos to third party investors in 2000 in order to obtain the substantial amount of capital required to progress to more advanced stages of drug development including human clinical trials. If successful in raising capital, the Company plans to become a less than 50% shareholder in Panacos, relinquish operational control, and switch to the equity method of accounting for its investment, as opposed to consolidation accounting.

Sales and Marketing

The Company's sales and marketing efforts are managed on a business unit basis. Such activities are directed by a Director of Sales and Marketing for each unit. Overall, the Company employees 35 people in the sales, marketing, and customer service functions.

The Company's marketing strategy is to focus on 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 also continues 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 uses its marketing platform, known as "Total Quality System" ("TQS"). TQS is a package of Quality Control Products, including the Company's Accurun(R) Run Controls and AccuChart Quality Control Software, that 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(R) line of run control products. In addition, the Company continues to expand the Accurun product line to support the high growth nucleic acid testing market, and to capitalize on the worldwide implementation of new technology to improve the safety of blood products.

The Company's Diagnostic Products are currently sold through a combination of telephone, mail, third party distributors and direct sales efforts. Domestically, Diagnostic Products are sold through a direct sales force led by a Sales and Marketing director. The sales force consists of two sales group managers and 12 sales representatives. Internationally, the Company distributes its Diagnostic Products both directly and through 22 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. The Company's Laboratory Instruments are sold through a direct domestic and international sales force consisting of one director and one sales representative.

The Company's Specialty Clinical Laboratory Testing services are marketed primarily through a direct domestic sales force, which consists of nine sales representatives managed by one regional manager, and a sales and marketing director. The sales representatives are located throughout the eastern, mid-western and western United States and 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 occasional advertising in industry publications, technical presentations, and exhibitions at local, national and international trade shows and expositions. During 1999, the Company introduced a new product information library on the Company web site (www.bbii.com) allowing customers, field sales personnel and international distributors immediate access to detailed product information and marketing literature.

Seasonality

Historically, the Company's results of operations have been subject to quarterly fluctuations due to a variety of factors, primarily customer purchasing patterns, 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 off-the-shelf Diagnostic Products typically have been highest in the fourth quarter and lowest in the first quarter of each fiscal year, whereas OEM product sales may peak in any quarter of the year, depending on the customer's underlying production cycle for their product. Specialty Clinical Laboratory Services have 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 one to five-year periods, and upon completion, frequently do not have renewal phases. As a

result, these contracts 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 performed.

Customers

The Company's customers for Diagnostic Products consist of four major groups: (1) international diagnostics and pharmaceutical manufacturing companies, such as Abbott Diagnostics, Behring, Biorad, Chiron, Dade-Behring, DiaSorin, Fujirebio, Hoffman LaRoche, Ortho Diagnostics (Johnson & Johnson), and Sanofi Diagnostics. (2) 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, (3) national and international proficiency providers such as the College of American Pathologists and the European Union Concerted Action for Quality Control and (4) end-users of diagnostic test kits, such as hospital and independent clinical laboratories, including LabCorp, Quest Diagnostics , public health laboratories and blood banks, including the American Red Cross, Swiss Red Cross, and United Blood Services.

The Company's customers for Laboratory Instruments consist of international diagnostic and pharmaceutical manufacturing companies and are generally sold on an OEM basis, for use by hospitals, and clinical and research laboratories. In addition, Laboratory Instruments are sold directly to environmental and food testing laboratories, and wineries. Customers include Mast Immuno Systems, Beckman/Hybritech Inc., Vicam, and Toray Fuji Bionics Inc. The Company's customers for specialty clinical testing services include hospital and clinical laboratories, physicians, blood banks, researchers and other health care providers.

The Company performs specialty testing services for a major state prison system in connection with a third party laboratory. The Company's customers for contract research include various agencies of the National Institutes of Health (NIH) such as the National Institute of Allergies and Infectious Disease ("NIAIDS"), the National Cancer Institute ("NCI"), and the National Heart Lung and Blood Institute ("NHLBI").

The Company does not have long-term contracts with its customers for Diagnostic Products or its Specialty Clinical Testing Services, which are generally sold pursuant to purchase orders for discrete purchases. Laboratory Instruments are generally sold on an OEM basis under short-term contracts with monthly delivery dates. The Company believes that its relationships with customers are satisfactory.

The Company's Consolidated Financial Statements, including the Notes thereto, set forth in Item 8 of this report provide information relating to the Company's foreign and domestic sales.

During the fiscal years 1999, 1998 and 1997, sales to the Company's three largest customers accounted for an aggregate of approximately 16%, 18% and 20%, respectively, of the Company's net sales, although the customers were not identical in each period. During the fiscal years 1999, 1998 and 1997, the combined revenues to all branches of the National Institutes of Health, a United States Government agency, accounted for approximately 15%, 13% and 13%, respectively, of total consolidated revenues of the Company. While the Company believes that the loss of any one of these customers would have an adverse effect on the Company's results, this risk is partially mitigated by the diversity of its customer base within the in vitro diagnostics industry and the different diseases and instrument platforms on which they focus.

Manufacturing and Operations

The Company manufactures and assembles Diagnostic Products at its facility in West Bridgewater, Massachusetts. Raw materials (primarily plasma and serum) are acquired from a variety of vendors and through a program of donor recruitment, screening, management, and plasma/serum collection and

characterization. Laboratory instruments are manufactured and assembled at the Company's facility in Garden Grove, California. All important raw materials and sub-assemblies are acquired from a variety of vendors with multiple sources of supply.

The Company operates its specialty clinical laboratory in New Britain, Connecticut, its research and development laboratory (including PCT and Panacos activities) in Gaithersburg, Maryland and a repository facility in Frederick, 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 its current and future markets could be adversely affected.

In the area of Quality Control Products, the Company competes in the United States with NABI (formerly North American Biologicals, Inc.) in run controls and quality control panel products, with Dade International, Bio-Rad Laboratories, Inc., and Blackhawk Biosystems Inc. in run controls, and with a number of smaller, privately-held companies in quality control panels. In Europe, in addition to the above, the Dutch Red Cross offers several run control and panel products. The Company believes that all of these competitors currently offer a less diverse line of panel and run control products than the Company, although the Company cannot be certain that these companies will not expand their product lines.

In the Diagnostic Components area, the Company competes with 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.

The laboratory instrument manufacturing industry is diverse and highly competitive. The Company believes its technology base, reputation for reliability, systems integration and service capabilities provide it with a competitive advantage over its competitors which include: Dynatech Corp, Kollsman Manufacturing Company, Inc., Bio-Tek Instruments Inc., Rela Inc. (part of Colorado Medtech, Inc.) and SeaMed, as well as numerous, smaller companies, such as Awareness Technology Inc.

The Clinical Laboratory Services segment competes with large national reference laboratories, such as LabCorp of America and Quest 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 testing market, it is able to offer its customers a higher value-added service for the more complex diagnostic tests than the larger national reference laboratories.

BBI Biotech competes primarily with BioReliance Corporation and several universities for research and development contracts and with McKesson Bioservices, Inc., for repository services.

Intellectual Property

The Company holds as trade secrets current technology used to prepare Basematrix and other blood-based products. None of the Company's Diagnostic Components has been patented. The Company relies primarily on a combination of trade secrets and non-disclosure and confidentiality agreements to establish and protect its proprietary rights in these products and related technology. The Company cannot be certain that others will not independently develop or

otherwise acquire the same, similar or more advanced trade secrets and know-how.

BBI Source has also relied on trade secrets and proprietary know-how for its Laboratory Instruments which it protects in part by entering into confidentiality agreements with persons or parties deemed appropriate by management. In addition, the Company currently has six issued United States patents, covering significant aspects of the Company's core instrument technology and techniques, as well as several electronic and mechanical designs employed in the Company's products.

The Company has two United States patents related to its contracts and services work. Jointly with the Uiversity of North Carolina, at Chapel Hill, the Company has five additional United States patents relating to compounds, pharmaceutical compositions, therapeutic methods, and vaccine preparation in connection with the Company's drug discovery program. Two additional United States patents and foreign applications for all five of the joint patents are pending. The Company intends to continue to seek patent protection for innovations and discoveries arising out of the drug discovery programs.

The Company has fifteen pending patent applications for its Pressure Cycling Technology. Several of these have been followed up with foreign applications, and the Company expects to file additional foreign applications in 2000 relating to Pressure Cycling Technology. On March 14, 2000 the Company received notice from the United States Patent Office that one of its applications had been approved and the patent related to pressure cycling control of chemical reactions was issued to the Company.

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

BBI(R), Accurun(R), Microchem(R), Chemstat(R), E/LUMINA(R), EXECWASH(R) and Verif-Eye(R) are registered trademarks of the Company.

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 most 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 the FDA finding the product to be substantially equivalent to an existing FDA cleared, and 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 the 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(R) Run Controls, when marketed for blood donor screening or diagnostic use, have been classified by the FDA as medical devices that until 1998 required clearance under the 510(k) process. In 1998, new rules took effect that exempted unassayed controls intended for use in diagnostic testing from the requirement for a 510(k) submission. BBI may now label these products "For In Vitro Diagnostic Use" if they are validated according to the Company's protocols and manufactured according to cGMP (current Good Manufacturing Practices, which is FDA guidance for manufacturing processes for medical devices). The FDA still requires 510(k) clearance for assayed controls, and controls intended for use in blood screening. The FDA could, in addition, 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.

The Company cannot be certain that it 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.

As of March 1, 2000, a total of 13 products in the Accurun 1(R) line and 18 single analyte Accurun(R) controls have either received 510(k) clearance or have been validated according to the Company's protocols and are manufactured according to cGMP. Certain of the Company's Accurun(R) Run Controls are currently marketed "for research use only." 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, or validated prior to marketing, and initiate enforcement action against the Company, which could have a material adverse effect on the Company. The FDA has issued a Draft Policy Compliance Guideline, which, if it takes effect as currently issued, will strictly limit the sale of products labeled "for research use only." The Company is monitoring this situation, and will adapt its policies as required.

BBI Source generally obtains 510(k) and CE approval for all laboratory instrumentation designed and manufactured in its Garden Grove facility.

The Company is registered as a medical device manufacturer with the FDA for its Diagnostic Products and Laboratory Instruments and files listings of its products semi-annually. The Company's facilities in West Bridgewater, Massachusetts for Diagnostic Products and Garden Grove, California for Laboratory Instruments are FDA Good Manufacturing Practices (FDA/GMP) facilities. The Company must maintain high standards of quality in manufacturing, testing and documentation, and implement strict cGMP guidelines governing reagent and instrument manufacturing.

Once cleared or approved, medical devices are subject to pervasive and continuing regulation by the FDA, including, but not limited to cGMP regulations governing testing, control, and documentation; and reporting of adverse experiences with the use of the device. The FDA monitors ongoing compliance with cGMP and other applicable regulatory requirements by conducting periodic inspections. FDA regulations require FDA 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. The Company cannot be certain, 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.

The Company's Diagnostic Products and Laboratory Instruments business units are both ISO9001 certified, with registration by TUV Rheinland for the Diagnostic Products unit and British Standard Institute for the Laboratory Instruments unit. The Laboratory Instrument group is also certified to EN46001, a set of supplementary requirements applicable to their products.

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 members of the European Union and the European Free Trade Association) are in the process of adopting various product and service "Directives" to address essential health, safety, and environmental requirements associated with the subject products and services. These "Directives" cover both quality system requirements (ISO Series 9000 Standards and the EN46001 Requirements) and product and marketing related requirements. In addition, some jurisdictions have requirements related to marketing of the Company's products. The Company cannot be certain that it 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 (such as the College of American Pathologists), and other national regulatory agencies (such as the 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 US 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 US Department of Agriculture (Importation and Transportation of Controlled Materials and Organisms and Vectors) and the US Nuclear Regulatory Commission (in vitro testing with by-product 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 US Environmental Protection Agency identification number. The Company is also registered with the US 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, 1999 the Company employed 288 persons, all of whom were located in the United States. Of these, 107 persons were employed by the West Bridgewater, Massachusetts company, 78 by the New Britain, Connecticut company, 70 by the three Gaithersburg, Maryland companies, and 33 by the Garden Grove, California company. 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, 1999:

<TABLE>
<CAPTION>

Name	Age	Position
<S>	<C>	<C>
Richard T. Schumacher	49	Chief Executive Officer and Chairman of the Board
Kevin W. Quinlan	49	President and Chief Operating Officer; and Director
William R. Prather, R.Ph, M.D.	52	Senior Vice President, Finance and Business Development, Treasurer and Director
Graham P. Allaway, Ph.D.	44	Senior Vice President, Drug Discovery
Patricia E. Garrett, Ph.D.	56	Senior Vice President and General Manager of BBI Clinical Laboratories
Mark M. Manak, Ph.D.	48	Senior Vice President and General Manager of BBI Biotech
David F. Petersen	53	Senior Vice President and General Manager of BBI Source
Richard C. Tilton, Ph.D.	63	Senior Vice President, Science and Technology
Barry M. Warren	52	Senior Vice President and General Manager of BBI Diagnostics
Kathleen W. Benjamin	43	Vice President, Human Resources
Richard D'Allessandro	53	Vice President, Information Technology
Ronald V. DiPaolo, Ph.D.	55	Vice President, Manufacturing

</TABLE>

Mr. Schumacher, the Founder of the Company, has been the Chief Executive Officer and Chairman since 1992 and served as President from 1986 to August 1999. 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 served as President and Chief Operating Officer since August 1999. From January 1993 to August 1999, he served as Senior Vice President, Finance, Chief Financial Officer and Treasurer. 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. Prather, a Director of the Company since 1999, has been Senior Vice President, Finance and Business Development since July 1999. From January 1999 to August 1999, Dr. Prather served as Senior Vice President, Business Development. Prior to joining the Company, Dr. Prather was the Senior Health Care Analyst for the investment banking firm, Cruttenden Roth, Inc., from 1995 to 1998. From 1992 to 1995 he was the Senior Analyst in Health Care for Manning and Napier Advisors. Dr. Prather earned a B.S. in Pharmacy and an MD at the University of Missouri - Kansas City and completed a Clinical Research Geriatric Fellowship at Harvard Medical School. Dr. Prather is a Director of Primed International, a medical device company and a member of the Advisory Board of the Canadian Medical Discovery Fund, Inc., a fund of MDS Capital Corp.

Dr Allaway, has served as Vice President and Senior Vice President, Drug Discovery since joining the Company in 1998. Prior to that, from 1997 to 1998, he was CEO of Manchester Biotech (UK). From 1990 to 1997, Dr. Allaway served in various senior management positions including Associate Scientific Director and Head, Therapeutic Development Group at Progenics Pharmaceuticals, Inc., in Tarrytown, New York. From 1984 to 1990 Dr. Allaway was a Visiting Fellow and Visiting Associate at the NIH. Dr. Allaway received an M.A. in zoology from Oxford University and a Ph.D in virology from the University of London.

Dr. Garrett has served as Senior Vice President and General Manager of BBI Clinical Laboratories since August 1999. From 1988 to August 1999, she served as Senior Vice President, Regulatory Affairs & Strategic Programs. 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 and General Manager of BBI Biotech since August 1999. From 1992 to 1999 he served as Senior Vice President, Research and Development. From 1980 to 1992, he served as Director of Molecular Biology and Director of Contracts and Services 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.

Mr. Petersen has served as Senior Vice President and General Manager of BBI Source since August 1999. From May 1998 to August 1999, he was Vice President, BBI Source Scientific. Mr. Peterson has 25 years of experience in operations management and materials planning. Before joining the Company in 1988, he was the Manager of Manufacturing for Matrix Instruments from 1985 to 1988 and previously was Manager of Production and Inventory Control for Farr Company, Inc. from 1977 to 1985. He is certified in production and inventory management (CPIM) by the American Production and Inventory Control Society (APICS). He is also an Assistant Professor at California State University Dominguez Hills, where he instructs upper division courses in manufacturing techniques and material resource planning. He holds a B.S. in business management from the University of LaVerne in LaVerne, California.

Dr. Tilton has served as Senior Vice President, Science and Technology since August 1999. Prior to this time he 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, serving as its 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 and General Manager of BBI Diagnostics since August 1999. From 1993 to 1999, he served as Senior Vice President, Sales & Marketing. 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.

Ms. Benjamin has served as Vice President, Human Resources since January 1999. Prior to her promotion to Vice President, Ms. Benjamin served as Director of Human Resources and Investor Relations from 1997 to 1999. Prior to joining the Company in 1997 she was employed by Shields Health Care Group, a provider of Magnetic Resonance Imaging and radiation oncology, serving as their Director of Operations from 1992 to 1997. Prior to this time she was an educator. Ms. Benjamin received her B.S., from the College of Life Sciences and Agriculture at the University of New Hampshire.

Mr. D'Allessandro has served as Vice President, Information Technology since January 1999. Mr. D'Allessandro joined the Company in 1993 as Director, Management Information Systems and served in that capacity until his promotion to Vice President. Mr. D'Allessandro has 30 years of experience in data processing/information systems technology, with a focus on manufacturing and biotechnology organizations. Mr. D'Allessandro is APICS certified and received his B.S. in Management Information Systems from Northeastern University.

Dr. DiPaolo has served as Vice President, Manufacturing since 1997. From 1993 to 1997, he served as Vice President of Operations. Prior to joining the Company, from 1986 to 1989, Dr. DiPaolo served as Vice President and General Manager of the Biomedical Products Division of Collaborative Research, a medical research products company. 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 nominated by the Chief Executive Officer and elected by the Board of Directors.

ITEM 2. PROPERTIES.

The Company owns its corporate offices and diagnostic products manufacturing facility for its BBI Diagnostics operating segment, which is located in a two-story, 32,000 square foot building in West Bridgewater, Massachusetts. The Company has been renovating and expanding this facility during the past three years, and believes that upon completion of renovations, its facility in West Bridgewater will be sufficient to meet its needs for several years.

The Company leases 41,000 square feet of space in Garden Grove, California where its BBI Source business unit manufactures laboratory Instruments. The lease continues until February 1, 2002 and the Company has an option to renew at market rates.

The Company leases its laboratory facilities in Gaithersburg and Frederick, Maryland and New Britain, Connecticut. The BBI Biotech segment's Gaithersburg facility contains 36,500 square feet of custom built laboratory and office space, and is occupied under a ten-year lease that is due to expire on October 31, 2007. The Frederick facility contains 36,000 square feet of primarily repository space and is also occupied by the BBI Biotech segment, under a seven-year lease that is due to expire on November 30, 2006. The BBICL business unit occupies the New Britain facility which has 15,000 square feet of usable area, most of which is dedicated to laboratory space. This lease is due to expire on July 30, 2000; the Company has exercised its option to renew the lease for an additional five years.

The Company leased approximately 2,500 square feet of laboratory space in Woburn, Massachusetts through August 1999.

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 1999 to a vote of security holders of the Company.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY 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".

The following table sets forth the high and low closing price, by quarter, during the two most recent fiscal years:

<TABLE>
<CAPTION>

	Common Stock Price	
<S>	<C>	<C>
Fiscal Year Ended December 31, 1999	High	Low
First Quarter	$3.375	$2.625

Second Quarter	$5.313	$2.750
Third Quarter	$4.562	$3.375
Fourth Quarter	$4.438	$2.750
Fiscal Year Ended December 31, 1998		
First Quarter	$8.063	$5.125
Second Quarter	$7.313	$4.500
Third Quarter	$5.125	$2.500
Fourth Quarter	$4.375	$2.000

</TABLE>

As of March 24, 2000, there were 20,000,000 shares of Common Stock authorized of which approximately 5,441,960 shares were outstanding, held of record by approximately 1,500 stockholders.

The Company has not declared or paid any dividends on its Common Stock. In accordance with the terms of the Company's loan agreement with its bank, payment of dividends on Common Stock requires bank approval. The Company does not expect to recommend the payment of a dividend as it plans to continue to reinvest profits to expand its business.

In October 1999, MdBio, Inc., an accredited investor, received 29,153 stock units in connection with its award of $175,000 to the Company under a manufacturing incentive program that MdBio instituted. Each stock unit consists of one share of our common stock and a warrant to purchase on additional share of our common stock at an exercise price of $10.00 per share. MdBio's warrants expire on September 29, 2003.

MdBio's warrants were not registered under the Securities Act of 1933, as amended, in reliance upon the exemptions from registration set forth in Sections 3(b) and 4(2) of that act, relating to sales by an issuer not involving any public offering. The MdBio transaction did not involve a public offering.

ITEM 6. SELECTED FINANCIAL DATA

The statement of income data for each of the fiscal years in the five year period ended December 31, 1999, and the balance sheet data as of December 31, 1999, 1998, 1997, 1996, and 1995, have been derived from the consolidated financial statements of the Company. These 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>
<CAPTION>

	Year Ended December 31,				
	1999	1998(1)	1997(2)	1996	1995
Consolidated Statement of Income Data:	(In thousands, except per share data)				
<S>	<C>	<C>	<C>	<C>	<C>
REVENUE:					
Products	$ 14,057	$ 13,075	$ 11,711	$ 8,470	$ 6,622
Services	15,214	13,006	10,588	7,039	5,649

Total revenue	29,271	26,081	22,299	15,509	12,271
COSTS AND EXPENSES:					
Cost of products	7,267	7,180	5,773	4,252	3,564
Cost of services	11,168	8,897	7,239	4,856	4,168
Research and development	3,259	2,461	1,311	797	375
Acquired research and development (3)	--	4,231	--	--	--
Selling and marketing	4,024	3,939	3,241	2,188	1,340
General and administrative	4,442	4,275	3,343	2,401	2,316
Total operating costs and expenses	30,160	30,983	20,907	14,494	11,763
(Loss) income from operations	(889)	(4,902)	1,392	1,015	508
Interest (expense) income, net	(424)	(51)	283	(213)	(336)
(Loss) income before income taxes and extraordinary item	(1,313)	(4,953)	1,675	802	172
Benefit from (provision for) income taxes	499	564	(670)	(321)	(69)
Net (loss) income	$ (814)	$ (4,389)	$ 1,005	$ 481	$ 103
Net (loss) income per share, basic	$ (0.17)	$ (0.94)	$ 0.23	$ 0.17	$ 0.04
Net (loss) income per share, diluted	$ (0.17)	$ (0.94)	$ 0.21	$ 0.14	$ 0.03
Number of shares used to calculate net income per share					
Basic	4,670	4,655	4,438	2,916	2,570
Diluted	4,670	4,655	4,780	3,340	3,040

<CAPTION>

	December 31,				
	1999	1998	1997	1996	1995
Consolidated Balance Sheet Data:	(In thousands, except per share data)				
<S>	<C>	<C>	<C>	<C>	<C>
Working capital	$ 10,053	$ 9,095	$ 9,633	$ 12,836	$ 4,688
Total assets	26,162	24,082	23,650	19,798	9,928
Long term debt, less current maturities	7,146	3,989	26	41	4,216
Total stockholders' equity	13,646	14,069	18,067	16,290	3,187
Dividends	--	--	--	--	--

</TABLE>

(1) Effective September 30, 1998, the Company acquired all classes of stock of BioSeq, Inc., a development stage company with no revenue, for a total purchase price of $4,226,000.

(2) Effective July 1, 1997, the Company acquired the business and net assets of Source Scientific, Inc. for $1,994,000 which increased 1997 revenue by $2,608,000.

(3) Consists of $3,381,000 of in-process research and development related to the BioSeq acquisition, and a charge of $850,000 related to the purchase of license technology in the first quarter of 1998.

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

Overview

The Company generates revenue from products and services provided primarily to the in vitro diagnostic infectious disease industry. There are two broad product classes: Diagnostic Products and Laboratory Instruments. Diagnostic Products consist of three groups: Quality Control Panels, Accurun(R) Run Controls, and Diagnostic Components. Services consist of Specialty Clinical Laboratory Testing, Contract Research, Blood Processing and Repository Services, Clinical Trials, Laboratory Instrumentation Services, After-Sales Service and Drug Screening.

Historically, the Company's results of operations have been subject to quarterly fluctuations due to a variety of factors, primarily customer

purchasing patterns, 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 off-the-shelf 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 OEM product sales may peak in any quarter of the year, depending on the production cycle of a given project. Specialty Clinical Laboratory Testing services have 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 one to five year periods, and upon completion, frequently do not have renewal phases. As a result these contracts 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 performed.

With the acquisition of BioSeq, Inc and its pressure cycling technology in September 1998 as well as the hiring of a Vice President for the Drug Discovery and Development program and its subsequent formation of a new subsidiary ("Panacos Pharmaceuticals, Inc."), the Company has significantly increased its rate of research and development spending on new technologies. In addition, it has continued to focus on the development of new Quality Control Products and new tests for its clinical laboratory. Additional sales and support will be added as needed with the expectation of continued future revenue growth.

The Company does not have any foreign operations. However, the Company does have significant export sales in Europe, the Pacific Rim countries and Canada to agents under distribution agreements, as well as directly to test kit manufacturers. All sales are denominated in US dollars. Export sales for the years ended December 31, 1999, 1998, and 1997 were $4.0 million, $4.1 million, and $4.6 million, respectively. The Company expects that export sales will continue to be a significant source of revenue and gross profit.

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:

<TABLE>
<CAPTION>

	Year Ended December 31		
	1999	1998	1997
<S>	<C>	<C>	<C>
Revenue:			
Products	48.0%	50.1%	52.5%
Services	52.0	49.9	47.5
Total revenue	100.0	100.0	100.0
Gross profit	37.0	38.4	41.6
Operating expenses:			
Research and development	11.1	9.4	5.9
Acquired research and development	--	16.2	--
Selling and marketing	13.7	15.1	14.5
General and administrative	15.2	16.4	15.0
Total operating expenses	40.0	57.1	35.4
(Loss) income from operations	(3.0)	(18.8)	6.2
Interest income (expense)	(1.5)	(0.2)	1.3
(Loss) income before income taxes	(4.5)	(19.0)	7.5
Net (loss) income	(2.8)	(16.8)	4.5
Product gross profit	48.3%	45.1%	50.7%
Services gross profit	26.6%	31.6%	31.6%

</TABLE>

Years Ended December 31, 1999 and 1998

Total revenue increased 12.2%, or $3,190,000, to $29,271,000 in 1999 from $26,081,000 in 1998. The increase in revenue was the result of an increase in product revenue of 7.5% or $982,000 to $14,057,000 from $13,075,000, and an increase in service revenue of 17.0% or $2,208,000 to $15,214,000 from $13,006,000 in 1998. Most of the product increase was attributable to the following factors. The Diagnostics segment realized a 15.0% increase in Accurun(R) sales as the Company continued to successfully penetrate the emerging end-user market. In addition, the increased outsourcing occurring in the in vitro diagnostics industry has resulted in a 57.8% increase in Basematrix sales. The Laboratory Instrumentation segment achieved a 12.6% increase in instrument sales as it refocused its efforts in OEM contract manufacturing. These increases were partially offset by a 22.7% decrease in Seroconversion Panel sales, realized by the Diagnostics segment, as the consolidation within the in vitro diagnostic industry continues to negatively affect demand for these products. The increase in service revenue was primarily attributable to a 39.2% revenue increase at the Clinical Laboratory Services segment. The growth in this segment was led by a 55.1% increase in molecular testing. Also contributing to the growth in the service revenue was contract research within the BBI Biotech operating segment. This growth was driven by a 43.9% increase in repository services and the start of new contracts in the AIDS Vaccine Support arena. These increases were partially offset by an 88.6% decrease in laboratory instrumentation services as the Company completed its work on the ABX, Inc., contract in the first quarter of 1999. Management feels that the end-user market will continue to be an area of growth for its Quality Control Products while the outsourcing within the in vitro diagnostics market will continue to benefit sales of Diagnostic Components and Laboratory Instrumentation. The Company also anticipates that new contracts at the BBI Biotech segment and molecular testing at the Clinical Laboratory segment will also contribute to revenue growth.

Overall gross profit increased 8.3%, or $831,000, to $10,835,000 in 1999 from $10,004,000 in 1998. Product gross profit increased 15.2%, or $894,000, to $6,789,000 in 1999 from $5,895,000 in 1998 and product gross margin increased to 48.3% in 1999, from 45.1% in 1998. Services gross profit decreased $63,000 to $4,046,000 in 1999 from $4,109,000 in 1998 and gross margin declined to 26.6% in 1999 from 31.6% in 1998. The increase in product gross

margin was due entirely to the gross margins realized in the Laboratory Instrumentation operating segment, which increased from 17.8% in 1998 to 28.1% in 1999 as the business unit operated at a higher volume, thus realizing better economies of scale compared with 1998 as overhead costs were spread over a greater number of units. Product gross margins at the other segments remained relatively steady. Management anticipates that further utilization increases at BBI Source will continue to benefit gross margins. The decrease in service gross margins was realized at all operating segments. The BBI Biotech segment's service gross margin decreased from 26.8% to 19.8%. BBI Biotech margins were adversely affected by startup costs associated with new repository contracts in 1999, primarily the acquisition of freezers, which under the terms of the contract become government property and thus are charged directly to cost of sales. Also, the Clinical Laboratory Services segment realized service gross margins of 30.3% in 1999 versus 32.4% in 1998. This decrease is due to increased competition in the molecular testing arena, which created pricing pressure, negatively affecting margins. Finally, in early 1999, the Laboratory Instruments segment realized a decrease in service gross margins from 52.7% to 46.3%, as it completed the high-margin ABX, Inc., contract in early 1999. The Company feels that service margins will continue to feel pressure from increased competition in the clinical testing market. Furthermore as BBI Biotech expands its repository services, low-margin contracts will account for a greater portion of its total revenue if the Company is not continually successful in obtaining higher margin commercial services work.

Research and development costs, exclusive of acquired in-process research and development, increased 32.4% or $797,000 to $3,259,000 in 1999 from $2,461,000 in 1998. A significant portion of the increase is attributable to the operating segment referred to as "Other", which consists of the pressure cycling technology ("PCT") and Drug Discovery activities. The Company increased its PCT expenditures by approximately $893,000 as it completed the design, development,

and manufacture of 8 prototype PCT instruments known as "barocylcers". The Company also made significant progress during 1999 with its patents in the nucleic acid extraction and pathogen inactivation areas. The Company's increased expenditures in Drug Discovery by approximately $361,000 resulted in expanded rights under its agreement with the University of North Carolina, at Chapel Hill, and significant progress in the prosecution of patents for the compounds. In addition, the BBI Biotech segment increased its spending to continue its support of the Diagnostics and Clinical Laboratory Services segments.

There were two accounting charges in 1998, which were classified on the income statement as acquired in-process research and development. In the first quarter there was an accounting charge of $850,000 related to the acquisition of the worldwide exclusive rights to BioSeq, Inc's, immunodiagnostic research and development technology. In the third quarter, the Company recorded a charge of $3,381,000 related to in-process technology as a result of the Company's acquisition of BioSeq, Inc. This allocation of the purchase price was based on an independent valuation and was expensed, as no alternative future uses exist. There were no such charges during 1999.

Selling and marketing expenditures remained relatively flat during 1999 as compared to 1998, across all operating segments. Costs increased only 2.2% or $85,000 to $4,024,000 in 1999 from $3,939,000 in 1998 as the Company effectively managed costs in this area.

General and administrative costs increased 3.9% or $166,000 to $4,442,000 in 1999 from $4,276,000 in 1998. This increase is attributable to the corporate reorganization that was announced in July of 1999. The reorganization created business units, which are directed by a senior vice president and general manager. The reorganization resulted in the classification of the salaries, and other related costs, of two executives in the general and administrative line of the income statement from other income statement lines, to more accurately reflect their new responsibilities. General and administrative costs are expected to increase in 2000, as the reorganization impact will be felt for the entire fiscal year 2000. In addition, 1999 benefited as certain general and administrative personnel costs were capitalized as property and equipment in connection with the implementation of enterprise resource planning systems at the Diagnostics and Laboratory Instruments segments. General and administrative costs at the other segments were flat.

As a result of all of the above, the Company experienced an operating loss of $889,000 versus $4,902,000 in 1998. Excluding the $4,231,000 of acquired in-process research and development charges realized in 1998, the Company's operating loss increased by 32.3% or $217,000 to $889,000 in 1999 from $672,000 in 1998. The Diagnostics

operating segment realized an increase in operating income of approximately $225,000 or 40.3% and Clinical Laboratory Services operating segments realized a significant increase in operating income of approximately $522,000 or 389.6%. The Laboratory Instrumentation segment realized a slight reduction, 8.1%, in its operating loss. These operational improvements were more than offset by the planned increases in research and development expenditures, which resulted in significant operating losses in the "Other" operating segment. Another result of the Company's increased research and development investment is the $219,000 decrease in operating income realized by the BBI Biotech operating segment as the business unit realized an operating loss in 1999 of approximately $152,000 as compared to operating income in 1998 of approximately $67,000. Management anticipates continued strength from its Diagnostics and Clinical Laboratory Services segments. Although the Laboratory Instrumentation segment has realized operating losses since it was acquired in July 1997, the Company believes that the goodwill created in connection with the acquisition is realizable as management believes that the segment will begin to generate operating income by the end of 2001. The Company will continue to increase its spending in the Other segment, however, it expects that the impact from this increased spending on the Company's bottom line will be mitigated by the planned sale of the common stock of Panacos and the continued funding support in the area of PCT.

The Company had net interest expense of $424,000 in 1999 versus $51,000 in 1998. The Company had used its proceeds from its initial public offering and, at the end of the second quarter of 1998, began to borrow funds from its

revolving line of credit to continue its infrastructure and research and development investments. In addition to a higher average borrowing balance in 1999, the Company realized the effects of rising interest rates.

The Company recorded tax benefits at its combined federal and state statutory rate of 38% for 1999. Although the Company realized consolidated operating losses for 1999 and 1998 management believes that its valuation allowance is adequate as the Company plans to return to profitability within six to twelve months, at which point it will begin to realize benefit from its federal and state tax assets. The tax benefit rate recognized in 1998 was adversely affected by the in-process research and development charges discussed above. The March 1998 technology license transaction resulted in a temporary difference as the technology license is deductible for tax purposes over a 15-year period, while the September 1998 common stock acquisition resulted in a permanent difference that is never deductible. See Note 10 to Consolidated Financial Statements in Item 8 hereunder for further detail.

The Company had a net loss of $814,000 in 1999 versus $4,389,000 in 1998 as a result of the operating loss, the interest expense, and the effective tax rate described above.

Years Ended December 31, 1998 and 1997

In July 1997 the Company acquired the business of Source Scientific, Inc. The acquisition was completed by a wholly-owned subsidiary of the Company, BBI Source Scientific, Inc., ("BBI Source") and was accounted for as an asset purchase. The income statement for 1997 includes the results of BBI Source for the last six months of the year, effecting comparability of results with 1998.

Total revenue increased 17.0%, or $3,782,000, to $26,081,000 in 1998 from $22,299,000 in 1997. The increase in revenue was the result of an 11.6% increase in product revenue of $1,364,000 to $13,075,000 from $11,711,000, and a 22.8% increase in service revenue of $2,418,000 to $13,006,000 from $10,588,000 in 1997. Most of the product increase was attributable to increased sales of Quality Control Products achieved by the Diagnostics segment. The increase in such products was led by Accurun(R) which doubled in sales over the prior year. Also contributing to the increase in product sales was the inclusion of BBI Source (the Laboratory Instruments segment) for the full year in 1998 versus a half-year in 1997. The decrease in Quality Control Panel sales at the Diagnostics segment partially offset the product sales increases, as sales fell short of expectations due to consolidation in the in vitro diagnostic test kit industry. The BBI Biotech segment led the increase in service revenue with a 49.8% increase in contract research. Also contributing to the increase in service revenue was the Clinical Laboratory Testing segment, realizing a 19.5% increase in revenue.

Overall gross profit increased 7.7%, or $717,000, to $10,004,000 in 1998 from $9,287,000 in 1997. Product gross profit decreased 0.7%, or $43,000, to $5,895,000 in 1998 from $5,938,000 in 1997 and product gross margin decreased to 45.1% in 1998 from 50.7%. In 1997 the Diagnostics segment's product gross margin benefited from significant one-time sale of two "World-Wide Panels," which have unusually high gross margins due to their unique characteristics. These

panels sold out in the first quarter of 1998, with minimal impact on 1998. The remaining product gross margin decrease was the result of lower capacity utilization at the Laboratory Instrumentation segment. Services gross profit increased 22.7%, or $759,000, to $4,109,000 in 1998 from $3,350,000 in 1997 and gross margin remained steady at 31.6% in 1998 and 1997. Higher margins generated by the Contract Services and Laboratory Instrumentation segments offset the decrease in margins realized by the increased pricing pressure facing the Clinical Laboratory Testing segment

Research and development expenditures increased 87.7%, or $1,150,000, to $2,461,000 in 1998 from $1,311,000 in 1997. The increase was realized across all of the segments. The Laboratory Instrumentation segment invested in new reflectance technology for its Verif-Eye product line. The Diagnostics segments also increased its development expenditures, specifically for development of Accurun(R) molecular and immunological Run Controls. The Company invested in development of new specialized molecular

assays for use by the Clinical Laboratory Testing segment. Finally, the Company began the development of PCT as it acquired BioSeq, Inc. (one component of the Other segment) in September 1998.

There were two accounting charges during the twelve months ended December 31, 1998, which were classified on the income statement as acquired in-process research and development. In the first quarter there was an accounting charge of $850,000 related to the acquisition of the worldwide exclusive rights to BioSeq Inc's immunodiagnostic research and development technology. In the third quarter, the Company recorded a charge of $3,381,000 related to in-process technology as a result of the Company's $4,226,000 acquisition of BioSeq, Inc.

Selling and marketing expenses increased 21.5%, or $698,000, to $3,939,000 in 1998 from $3,241,000 in 1997. The increase was attributable primarily to inclusion for a full year in 1998 of the expanded TQS sales, marketing, and technical support staff added to the Diagnostics segment in the spring of 1997. The Company also expanded its presence at tradeshows, resulting in higher expenditures in this category.

General and administrative costs increased 27.9%, or $933,000, to $4,276,000 in 1998 from $3,343,000 in 1997. This increase was attributable primarily to additional support staff, and increased information systems consulting and investor relations activities at the Diagnostics segment, which includes the majority of the corporate functions and officers for both periods. In addition, the inclusion of the Laboratory Instrumentation segment for a full year added $412,000 of expense to this category.

As a result of all of the above, the Company experienced an operating loss of $4,902,000 versus income of $1,392,000 in 1997. This decrease was primarily a result of the acquired in-process research and development expense, a higher operating loss at the Laboratory Instrumentation segment, increased research and development expenditures at all segments, and lower profitability at its Diagnostics and Clinical Laboratory Testing operating segments.

The Company had net interest expense of $51,000 in 1998 versus interest income of $283,000 in 1997. The Company had used the proceeds from its initial public offering and, at the end of the second quarter of 1998, began to borrow funds from its revolving line of credit to continue its infrastructure and research and development investments.

The Company provided taxes at the combined federal and state rate of 38% for 1998 versus 40% in the prior year. The rate decrease was the result of offsetting the Massachusetts taxable income of the Diagnostics operating segment with the Massachusetts losses of BBI BioSeq, Inc., This benefit was adversely impacted by the tax treatment of the acquired in-process technology from BioSeq, Inc. as the acquisition was structured as a stock purchase. Therefore, the effective benefit rate for 1998 was approximately 11%.

The Company had a net loss of $4,389,000 in 1998 versus net income of $1,005,000 in 1997 as a result of the operating loss described above and a shift to interest expense in 1998 versus interest income in 1997.

Liquidity and Capital Resources

At December 31, 1999, the Company had cash and cash equivalents of approximately $315,000 and working capital of $10,053,000. Gross trade accounts receivable increased $483,000 or 7.2% as a result of a 7.8% increase in revenues in the fourth quarter of 1999 versus the same period in 1998. Inventory increased $228,000 or 3.4%, related primarily to work-in-process for upcoming projects within the Diagnostics segment.

The Company has financed its operations to date through cash flow from operations, borrowings from banks and the sale of its common stock. The Company expects its cash flow, working capital, and available borrowings under its revolving line of credit to meet existing operational needs in 2000. In mid 1999 the Company and its bank agreed to a modified borrowing agreement with revised financial covenants, which the Company expects will meet existing operational needs for the foreseeable future. At December 31, 1999 the Company was in compliance with its financial covenants.

In addition, in March 2000 the Company received a signed term sheet from a bank for a mortgage of the Company's West Bridgewater, MA facility. The Company anticipates that it will complete the transaction in the beginning of the second quarter of 2000. The Company intends to use the $2,500,000 of cash generated to pay down its existing line of credit.

Net cash used in operations for 1999 was $657,000 as compared to $1,215,000 in 1998. This decrease in operational use of cash is due to improved management of working capital, including better utilization of inventory and more effective management of payables and receivables. The $123,000 increase in reserve for doubtful accounts partially offset this improvement of operational cash flow. The Company increased its reserve because there has been a gradual shift in the Company's customer mix from large, well known, in vitro diagnostics manufacturers to a more diversified customer matrix, which includes smaller, less established companies. While the Company has not yet experienced a significant increase in write-off's as a result of this shift, management feels that establishing the current level of reserve is prudent.

Cash used in investing activities for 1999, 1998 and 1997 amounted to $2,731,000, $5,462,000, and $5,396,000, respectively. Substantially all of the investing activities in 1999 related to additions of property and equipment. These expenditures included approximately $1,138,000 of computer hardware and software, including approximately $807,000 invested in new enterprise resource planning systems for the Diagnostics and Laboratory Instrumentation segments. The BBI Biotech segment spent approximately $522,000 on leasehold improvements as it prepared a new facility in Frederick, Maryland for the repository contract with the National Institute of Allergy and Infectious Disease, Division of AIDS. In addition, the Company continued construction at its BBI Diagnostics facility in West Bridgewater, Massachusetts as it spent approximately $352,000 improving this manufacturing facility. In 1998, three major items accounted for most of the Company's investing activities. First, effective September 30, 1998, the Company completed the acquisition of the remaining common stock of BioSeq, Inc., for a cash expenditure of $2,557,000. Second, $1,460,000 was expended for additional improvements at the Company's Massachusetts and Maryland facilities. Finally, $437,000 was spent on software, hardware and implementation costs for the enterprise resource planning system. In 1997, four items accounted for most of the investing activities. First, the Company exercised its option to purchase an additional 165,000 shares of BioSeq, Inc. stock at an aggregate cost of $750,000, thereby increasing its ownership of BioSeq to 19.9%. Second, in May 1997, the Company's BBI Biotech subsidiary signed a ten year lease for new laboratory space in Gaithersburg, Maryland and spent $566,000 on leasehold improvements for new laboratory space for its contract research and product development activities. Third, the expansion and renovation of its BBI Diagnostics manufacturing facility in West Bridgewater, Massachusetts, commenced construction and approximately $920,000 was expended. Finally, the Company completed the acquisition of Source Scientific, Inc. at a purchase price of $1,994,000 including acquisition costs.

During 1999, net cash provided by financing activities was approximately $3,555,000 from a combination of net borrowings of $3,164,000 under the revolving line of credit, and proceeds of $206,000 from the sale of stock and stock warrants to third party investors. In addition, the Company realized proceeds of $148,000 and $37,000 from the sale of stock and the exercise of stock options, respectively. During 1998, net cash provided by financing activities was $4,052,000 from a combination of net borrowings of $3,963,000 under the revolving line of credit, and proceeds of $89,000 from the exercise of stock options. During 1997, net cash generated from financing activities included $300,000

from the exercise of warrants, and $182,000 from exercising stock options. Also in 1997, $1,124,000 was used to pay down debt acquired in connection with the Source acquisition.

The Company anticipates significant capital expenditures in 2000 to continue as it plans to compete renovations to its manufacturing facility in Massachusetts and its repository facility in Frederick, Maryland. In addition to the renovations, the Company intends to continue its enterprise resource planning system implementation, as it installs new systems at BBICL and BBI Biotech. The Company believes that existing cash balances, the borrowing

capacity available under the revolving line of credit, cash generated from operations and proceeds from the issuance of its common stock are sufficient to fund operations and anticipated capital expenditures in 2000. Except for purchase orders in connection with the manufacturing expansion, there were no material financial commitments for capital expenditures as of December 31, 1999.

In February of 2000, the Company received notice that certain warrant holders exercised 500,000 warrants. This exercise will result in proceeds to the Company of approximately $2,100,000, net of transaction costs, when the transaction closes, pursuant to completing the registration of the underlying shares.

Year 2000 Readiness Disclosure

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

Specifications were developed for desired capabilities, including Year 2000 compliance and the Company began to assess various enterprise resource planning systems ("ERP System") in 1998. Additionally, the Company organized a task force at each operating segment to review other infrastructure areas including communications systems, building security systems and embedded technologies in areas such as laboratory instruments and manufacturing equipment. The Company also began to survey mayor suppliers, distributors, and customers to determine the status and schedule for their Year 2000 compliance.

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

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

Recent Accounting Pronouncements

Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133) is effective, as amended for quarters of fiscal years beginning after June 15, 2000. The new standard requires companies to record derivatives on the balance sheet as assets or liabilities, measured at fair value. Gains or losses resulting from changes in the values of those derivatives would be accounted for depending on the use of the derivatives and whether they qualify for hedge accounting. The key criterion for hedge accounting is that the hedging relationship must be highly effective in achieving offsetting changes in fair value or cash flows. The Company does not currently engage in derivative trading or hedging activity.

In December 1999, the Staff of the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101"). This SAB summarizes certain of the Staff's views in applying generally accepted accounting principles, in the United States, to revenue recognition in financial statements. SAB 101 is effective for the Company's quarter ended June 30, 2000. The Company does not expect the provisions of SAB 101 to have a material impact on its financial statements.

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: finalization of SEC guidelines for valuation of in-process research and development as it relates to purchase accounting; 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; the renewal and full funding of contracts with National Institutes of Health (NIH), National Heart, Lung and Blood Institute (NHLBI) and other government agencies; the inability of the Company to develop the technology recently acquired as part of its purchase of BioSeq, Inc. to the level of commercial utilization; the inability of Panacos to obtain sufficient funding to progress to more advanced stages of development, the failure of Panacos to identify and successfully commercialize any new drugs or vaccines, the 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; the interruption of significant parts of the Company's business as a result of internal business system failure or the failure of the business systems of its suppliers, distributors or customers due to the inability of such systems to properly interpret dates subsequent to December 31, 1999; 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 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is subject to interest rate risk in connection with its long-term debt. The aggregate hypothetical loss in earnings for one year of those financial instruments held by the Company at December 31, 1999 that are subject to interest rate risk resulting from a hypothetical increase in interest rates of 10 percent is less than $100,000, after-tax. The hypothetical loss was determined by calculating the aggregate impact of a 10 percent increase in the interest rate of each variable rate financial instrument held by the Company at December 31, 1999, that is subject to interest rate risk. Fixed rate financial instruments were not evaluated, as the Company believes the risk exposure is not material.

The Company is exposed to concentrations of credit risk in cash and cash equivalents and trade receivables. Cash and cash equivalents are placed with major financial institutions with high quality credit ratings. Trade receivables credit risk exposure is significant as the Company derives a significant portion of its revenues from a small number of customers however this risk is mitigated by the dispersion across different industries and geographies in which the customers operate; in addition to this, the largest customer (approximately 15% of 1999 consolidated revenue) was the NIH, a U.S. Government agency. The Company is exposed to credit-related risks associated with its trade accounts receivable denominated in U.S. Dollars but receivable from foreign customers.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

BOSTON BIOMEDICA, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

	December 31,	
	1999	1998

<S>	<C>	<C>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 314,923	$ 146,978
Accounts receivable, less allowances of $746,797 in 1999 and $623,710 in 1998	6,446,318	6,086,693
Inventories	6,917,916	6,689,768
Prepaid expenses	344,353	479,983
Deferred income taxes	934,790	847,268
Total current assets	14,958,300	14,250,690
Property and equipment, net	8,295,024	6,925,423
OTHER ASSETS:		
Goodwill and other intangibles, net	2,589,310	2,809,825
Deferred income taxes	220,535	--
Notes receivable and other	99,171	96,447
	2,909,016	2,906,272
TOTAL ASSETS	$26,162,340	$24,082,385
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 2,552,268	$ 2,369,495
Accrued compensation	1,189,140	1,284,162
Accrued income taxes	112,487	--
Other accrued expenses	1,028,667	795,642
Current maturities of long term debt	22,414	15,569
Deferred revenue	--	690,760
Total current liabilities	4,904,976	5,155,628
LONG-TERM LIABILITIES:		
Long term debt, less current maturities	7,145,651	3,988,602
Other liabilities	465,590	730,138
Deferred income taxes	--	139,363
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Common stock, $.01 par value; authorized 20,000,000 shares in 1999 and 1998; issued and outstanding 4,773,365 in 1999 and 4,667,816 in 1998	47,734	46,679
Additional paid-in capital	16,809,242	16,418,716
Accumulated deficit	(3,210,853)	(2,396,741)
Total stockholders' equity	13,646,123	14,068,654
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	$ 26,162,340	$ 24,082,385

</TABLE>

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

BOSTON BIOMEDICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

<TABLE>
<CAPTION>

Years Ended December 31,

	1999	1998	1997
<S>	<C>	<C>	<C>
REVENUE:			
Products	$ 14,056,657	$ 13,075,085	$ 11,711,026
Services	15,214,431	13,005,991	10,588,311
Total revenue	29,271,088	26,081,076	22,299,337
COSTS AND EXPENSES:			
Cost of products	7,267,273	7,179,920	5,773,417
Cost of services	11,168,595	8,897,046	7,238,527
Research and development	3,258,542	2,461,316	1,311,190
Acquired research and development	--	4,230,812	--
Selling and marketing	4,023,791	3,938,753	3,241,422
General and administrative	4,441,524	4,275,627	3,342,829
Total operating costs and expenses	30,159,725	30,983,474	20,907,385
(Loss) income from operations	(888,637)	(4,902,398)	1,391,952
Interest income	6,146	27,901	295,998
Interest expense	(430,593)	(78,621)	(13,227)
(Loss) income before income taxes	(1,313,084)	(4,953,118)	1,674,723
Benefit from (provision for) income taxes	498,972	564,399	(669,889)
Net (loss) income	$ (814,112)	$ (4,388,719)	$ 1,004,834
Net (loss) income per share, basic	$ (0.17)	$ (0.94)	$ 0.23
Net (loss) income per share, diluted	$ (0.17)	$ (0.94)	$ 0.21
Number of shares used to calculate net (loss) income per share			
Basic	4,669,717	4,654,609	4,437,801
Diluted	4,669,717	4,654,609	4,780,070

</TABLE>

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

BOSTON BIOMEDICA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997

<TABLE>
<CAPTION>

	Common Stock		Additional	Retained	Total
	Shares	$.01 Par Value	Paid-In Capital	Earnings (Deficit)	Stockholders' Equity
<S>	<C>	<C>	<C>	<C>	<C>
BALANCE, December 31, 1996	4,378,157	$ 43,782	$15,258,656	$ 987,144	$16,289,582
Stock options and warrants exercised	244,409	2,444	480,032		482,476
Tax benefit of stock options exercised			290,361		290,361
Net income				1,004,834	1,004,834
BALANCE, December 31, 1997	4,622,566	46,226	16,029,049	1,991,978	18,067,253
Stock options and warrants issued with acquisition			236,327		236,327
Stock options exercised	45,250	453	88,696		89,149
Tax benefit of stock options exercised			64,644		64,644
Net loss				(4,388,719)	(4,388,719)
BALANCE, December 31, 1998	4,667,816	46,679	16,418,716	(2,396,741)	14,068,654

Common stock issued	53,300	533	147,905		148,438
Stock warrants issued, net of issuance costs			206,011		206,011
Stock options and warrants exercised	52,249	522	36,610		37,132
Net loss			(814,112)	(814,112)	
BALANCE, December 31, 1999	4,773,365	$ 47,734	$16,809,242	$(3,210,853)	$13,646,123

</TABLE>

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

BOSTON BIOMEDICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	Years Ended December 31,		
	1999	1998	1997
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (loss) income	$ (814,112)	$(4,388,719)	$ 1,004,834
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:			
Depreciation and amortization	1,578,731	1,280,049	858,434
Provision for doubtful accounts	96,661	154,335	174,925
Deferred rent and other	(264,549)	117,911	(71,381)
Deferred income taxes	(447,420)	(528,676)	2,391
Tax benefit of stock options exercised	--	64,644	290,361
Acquired research and development	--	4,230,812	--
Changes in operating assets and liabilities:			
Accounts receivable	(456,286)	(675,171)	(1,907,413)
Other assets	--	--	(13,930)
Inventories	(228,148)	(786,947)	(640,301)
Prepaid expenses and other	135,630	(144,199)	2,546
Accounts payable	182,773	105,122	797,690
Accrued compensation and other expenses	250,490	(86,054)	(102,199)
Deferred revenue	(690,760)	(558,264)	330,855
Net cash (used in) provided by operating activities	(656,990)	(1,215,157)	726,812
CASH FLOWS FOR INVESTING ACTIVITIES:			
Acquired research and development	--	(850,000)	--
Payments for additions to property and equipment	(2,727,816)	(2,929,568)	(2,612,697)
Purchase of intangible assets	--	(3,470)	(39,625)
Return of deposits and other	(2,724)	27,731	--
Purchase of long term investment	--	--	(750,000)
Acquisitions, net of cash aquired	--	(1,706,540)	(1,993,722)
Net cash used in investing activities	(2,730,540)	(5,461,847)	(5,396,044)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of debt	3,175,427	3,977,351	--
Repayments of long-term debt	(11,533)	(14,878)	(1,123,526)
Proceeds from issuance of common stock and stock warrants	391,581	89,149	482,476
Net cash provided by (used in) financing activities	3,555,475	4,051,622	(641,050)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS:	167,945	(2,625,382)	(5,310,282)
Cash and cash equivalents, beginning of year	146,978	2,772,360	8,082,642
Cash and cash equivalents, end of year	$ 314,923	$ 146,978	$ 2,772,360

SUPPLEMENTAL INFORMATION:			
Income taxes paid	$ 33,391	$ 113,287	$ 662,304
Interest paid	$ 414,297	$ 72,755	$ 5,731
Long-term investment included in acquisition			$ 1,482,500

</TABLE>

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

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, laboratory instrumentation, 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 also invests in new technologies related to infectious diseases. The Company is subject to risks common to companies in the biotechnology, medical device and diagnostic industries, 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 governmental 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, BBI Biotech Research Laboratories, Inc. ("BBI Biotech"), BBI Clinical Laboratories, Inc. ("BBICL"), BBI Source Scientific, Inc. ("BBI Source"), and BBI BioSeq, Inc. ("BBI BioSeq"). BBI consists primarily of the Diagnostic Products segment as well as executive corporate officers. During the year, the Company incorporated Panacos Pharmaceuticals, Inc., ("Panacos"). Effective January 2000, Panacos will be accounted for as an additional consolidated subsidiary of the Company. 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 significant 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, the value and realizability of intangible assets, as well as the net realizable value of its inventory.

The valuation methodology applied to the acquisition of BioSeq, Inc. (see Note 2) was based on estimated discounted future cash flows. The purchase price accounting is based on this valuation. Significant assumptions include gross and operating profit margins, and future tax, discount, and royalty rates.

Actual results could differ from the estimates and assumptions used by management.

(iii) Revenue Recognition

Product revenue is recognized 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,

firm commitment and transfer to the customers of all risks and rewards of ownership. Total revenue related to bill and hold transactions was approximately $1,998,000, $1,388,000, and $459,000 for the years ended December 31, 1999, 1998, and 1997, respectively.

Services are recognized as revenue upon completion of tests for specialty laboratory services. Revenue from service contracts and research and development contracts for the Company's laboratory instrumentation business is recognized as the service and research and development activities are performed under the terms of the contracts.

Revenue under long-term contracts, generally lasting from one to five years, including funded research and development contracts, is recorded when costs to perform such research and development activities are incurred. Billing under long-term contracts are generally at cost plus a predetermined profit. Billing occurs as costs associated with time and materials are incurred. Customers are obligated to pay for such services, when billed, and payments are non-refundable. On occasion certain customers make advance payments that are deferred until revenue recognition is appropriate. The Company does not believe there are any material collectability issues associated with these receivables.

(1) Business and Significant Accounting Policies (Continued)

Total revenue related to long-term contracts was approximately $4,457,000, $4,175,000, and $3,125,000 for the years ended December 31, 1999, 1998 and 1997, respectively. Total contract costs associated with these agreements were approximately $4,323,000, $3,950,000, and $2,782,000 for the years ended December 1999, 1998 and 1997, respectively. Included in the revenue recognized under long-term contracts are certain unbilled receivables representing additional indirect costs, which are allowed under the terms of the respective contracts. Unbilled receivables were less than $40,000 for all years presented.

(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 fair market value, and classified as cash equivalents.

(v) Research and Development Costs

Research and development costs are expensed as incurred.

(vi) Inventories

Inventories are stated at the lower of 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 to ten years for certain manufacturing and laboratory equipment, from three to five years for management information systems and office equipment, three years for automobiles and thirty years for the building. Leasehold improvements are amortized over the shorter of the life of the improvement or the remaining life of the leases, which range from four to ten years. Upon retirement or sale, the cost and related accumulated depreciation of the asset are removed from the accounting records. Any resulting gain or loss is credited or charged to income.

In March of 1998, the American Institute of Certified Public

Accountants issued Statement of Position ("SOP") 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use". SOP 98-1 requires computer software costs associated with internal use software to be charged to operations as incurred until certain capitalization criteria are met. SOP 98-1 is effective beginning January 1, 1999. The Company adopted this policy during 1999 as it implemented enterprise resource planning systems at two of its locations. See Footnote 4 for further information.

(viii) Goodwill and Intangibles

The Company has classified as goodwill, the cost in excess of fair value of the assets of the business acquired. Goodwill is being amortized on a straight-line basis over ten to fifteen years. Other intangibles primarily consist of patents, licenses, and intellectual property rights and are amortized over periods ranging from four to sixteen years.

(ix) Impairment of Long-Lived Assets

The Company evaluates the potential impairment of its long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. At the occurrence of a certain event or change in circumstances, the Company evaluates the potential impairment of an asset based on estimated future undiscounted cash flows. In the event impairment exists, the Company will measure the amount of such impairment based on the present value of estimated future cash flows using a discount rate commensurate with the risks involved. Based on management's assessment as of December 31, 1999, the Company has determined that no impairment of long-lived assets exists. Upon the occurrence of a material circumstance, such as the failure of certain technology to demonstrate promise that it may gain commercial acceptance or the failure of a business segment to achieve certain performance objectives, management will reassess the value of associated assets and if appropriate at that time, will recognize an impairment charge. The realizability of the goodwill related to the

acquisition of BBI Source Scientific has been a specific area of focus by the Company. Management feels that although the business unit has realized operating losses since the acquisition in July 1997, the goodwill is not impaired as management believes the segment will be profitable by the end of 2001.

(x) Income Taxes

The Company utilizes the liability method of accounting for income taxes. Under this 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. At December 31, 1999, the Company's entire valuation allowance related to the net operating losses acquired in connection with the BioSeq acquisition. Management feels that no additional valuation allowance is required as its tax strategies and normal profitability levels will allow it to realize all of its tax assets, including federal and state net operating losses and tax credits.

(xi) 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 Note 6). 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.

(xii) Deferred Revenue

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

(xiii) Computation of Earnings per Share

Basic earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding. Diluted earnings per share is computed by dividing income available to common shareholders by the weighted average common shares outstanding plus additional common shares that would have been outstanding if dilutive potential common shares had been issued. For purposes of this calculation, stock options are considered common stock equivalents in periods in which they have a dilutive effect. Options and warrants that were antidilutive were excluded from the calculation.

(xiv) Segment Reporting

The Company adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," on December 31, 1998. SFAS No. 131 establishes standards for the way that public business enterprises report information about operating segments in annual financial statements and requires selected information about operating segments in interim financial reports. It also establishes standards for related disclosures about products and services, geographic areas and major customers. SFAS No. 131 supersedes SFAS No. 14, Financial Reporting for Segments of a Business Enterprise, but retains the requirements to report information about major customers. Disclosures required by this new standard are included in the notes to the consolidated financial statements under the caption "Segment Reporting and Related Information."

(xv) Recent Accounting Standards

Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133)is effective, as amended for quarters of fiscal years beginning after June 15, 2000. The new standard requires companies to record derivatives on the balance sheet as assets or liabilities, measured at fair value. Gains or losses resulting from changes in the values of those derivatives would be accounted for depending on the use of the derivatives and whether they qualify for hedge accounting. The key criterion for hedge

(1) Business and Significant Accounting Policies (Continued)

accounting is that the hedging relationship must be highly effective in achieving offsetting changes in fair value or cash flows. The Company does not currently engage in derivative trading or hedging activity.

In December 1999, the Staff of the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101"). This SAB summarizes certain of the Staff's views in applying generally accepted accounting principles, in the United States, to revenue recognition in financial statements. SAB 101 is effective for the Company's quarter ended June 30, 2000. The Company does not expect the provisions of SAB 101 to have a material impact on its financial statements

(2) Acquisition of BioSeq, Inc.

On September 30, 1998 the Company acquired the remaining common stock outstanding of BioSeq (approximately 81%) for $879,000 in cash (net of cash acquired of $121,000), warrants to purchase 100,000 shares of the Company's stock at an exercise price of $2.50 per share, minimum long-term royalty payments of $424,000, debt and accrued interest owed by BioSeq at the time of acquisition of approximately $736,000, and other acquisition costs. The Company also exchanged BioSeq's stock options for 46,623 BBI stock options with an average exercise price of $2.74. Accordingly, the Company's aggregate cost of acquiring all of BioSeq's equity, including the original 19% investment under the 1996 Purchase Agreement of $1,482,000 (classified as long-term investment at December 31, 1997 was approximately $4,226,000. The cash portion of the acquisition was financed from a combination of debt and cash. The acquisition has been recorded using purchase accounting, and BioSeq's results are included in the consolidated results of the Company commencing October 1, 1998.

BBI BioSeq is a development stage company with patent pending technology based on pressure cycling technology. Approximately $3,381,000 of the purchase price had been allocated to in-process research and development and expensed in the third quarter based on an independent valuation of the assets acquired. The acquired in-process research and development has been charged to earnings as no alternative future use exists. The patents on the core technology were valued and capitalized at $778,000, and are being amortized over their remaining life, approximately sixteen years. Other assets acquired were primarily laboratory equipment, which are being depreciated over their remaining useful lives of three to ten years.

Allocated in-process research and development consists of two projects, that were on-going at the time of the acquisition: nucleic acid extraction and purification and pathogen inactivation. BioSeq had expended approximately $1.6 million prior to September 30, 1998 on these projects. Both of these projects have encouraging preliminary data demonstrating potential feasibility, but significant scientific, mechanical and design issues remain. The Company estimates that it will spend in excess of $4.8 million through the year 2002 to complete the development into commercially viable products and to begin generating revenue. Remaining development efforts are focused on feasibility studies to establish the key performance parameters and biological activities to be retained; designing and building a prototype instrument; further development of the prototype for the applications; scale-up of design; data generation and clinical trials; applying and obtaining Food and Drug Administration approval, where applicable, final design modifications; and transfer to manufacturing. In addition to the risk of the technology ultimately not working, failure to complete on a timely basis could allow new or existing competing technologies to be developed and commercially accepted.

The valuation methodology was based on estimated discounted future cash flows. Significant assumptions include gross and operating profit margins, and future tax, discount, and royalty rates. Recent accounting guidelines on valuation methodologies for in-process research and development are still evolving and the amount written off maybe subject to adjustment.

(2) Acquisition of BioSeq, Inc. (Continued)

The following unaudited pro forma information combines the consolidated results of operations of the Company and BioSeq as if the acquisition had occurred at the beginning of 1997, after giving effect to certain adjustments, including amortization of the intangible assets, increased interest expense on the acquisition debt, and related income tax effects. The unaudited pro forma information is shown for comparative purposes only and is based on management's estimates of research and development expenditures.

<TABLE>
<CAPTION>

	Years Ended December 31,	
	1998 Pro Forma	1997 Pro Forma

<S>	<C>	<C>
Revenues	26,081,077	22,299,337
Operating income (loss)	(1,474,694)	191,952
Net income (loss)	(989,327)	242,834
EPS	(0.21)	0.05

</TABLE>

The pro forma information excludes acquired research and development of $4,231,000

(3) 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 QC Panels, Accurun(R) 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 also includes component parts used in the manufacture of laboratory instrumentation. Inventory balances at December 31, 1999 and 1998 consisted of the following:

<TABLE>
<CAPTION>

	1999	1998
<S>	<C>	<C>
Raw materials	$2,675,735	$2,407,154
Work-in-process	1,845,778	1,788,399
Finished goods	2,396,403	2,494,215
	$6,917,916	$6,689,768

</TABLE>

(4) Property and Equipment

Property and equipment at December 31, 1999 and 1998 consisted of the following:

<TABLE>
<CAPTION>

	1999	1998
<S>	<C>	<C>
Laboratory and manufacturing equipment ..	$ 3,456,410	$ 3,082,834
Management information systems	3,691,338	2,556,193
Office equipment	1,051,673	821,538
Automobiles	318,242	206,693
Leasehold improvements	2,177,236	1,610,260
Land, building and improvements	2,611,733	2,307,039
	13,306,632	10,584,557
Less accumulated depreciation	5,011,608	3,659,134
Net book value	$ 8,295,024	$ 6,925,423

</TABLE>

(4) Property and Equipment (Continued)

Depreciation expense for the years ended December 31, 1999, 1998 and 1997 was approximately $1,359,000, $1,096,000, and $731,000 respectively. Included in 1999, 1998 and 1997 land, building and improvements is approximately $203,000, $1,345,000 and $920,000, respectively, of construction in progress.

In accordance with SOP 98-1, the Company capitalized approximately $448,000 of internal labor and related costs, in 1999, in connection with its ERP System Implementation. These costs are included in the Management Information Systems line item and are being depreciated over the same life as the system, 5 years. Depreciation expense, related to these capitalized costs was approximately $7,000 for the year ended December 31, 1999.

(5) Intangible Assets

Intangible assets at December 31, 1999 and 1998 consisted of the following:

<TABLE>
<CAPTION>

	1999	1998
<S>	<C>	<C>
Goodwill	$2,293,045	$2,293,045
Patents	795,880	796,380
Licenses	37,752	37,752
	3,126,677	3,127,177
Less accumulated amortization	537,367	317,352
Net book value	$2,589,310	$2,809,825

</TABLE>

Amortization expense for the years ended December 31, 1999, 1998 and 1997 was approximately $220,000, $184,000, and $125,000 respectively.

(6) Segment Reporting and Related Information (all dollar amounts in thousands)

Operating segments are components of an enterprise for which separate financial information is available that is evaluated regularly by senior management in deciding how to allocate resources and in assessing performance of each segment. The Company is organized along legal entity lines and senior management regularly reviews financial results for all entities, focusing primarily on revenue and operating income.

The Company has five operating segments. The Diagnostics segment serves the worldwide in vitro diagnostics industry, including users and regulators of their test kits, with quality control products, and test kit components. The BBI Biotech segment pursues third party contracts to help fund the development of products and services for the other segments, primarily with agencies of the United States Government. The Clinical Laboratory Services segment performs specialty infectious disease testing for hospitals, blood banks, doctors and other clinical laboratories, primarily in North America. The Laboratory Instrumentation segment sells diagnostic instruments primarily to the worldwide in vitro diagnostic industry on an OEM basis, and also performs in-house instrument servicing. Finally, "Other" consists of research and development in two areas: pressure cycling technology ("PCT") and drug discovery. The Company performs research in the development of PCT, with particular focus in the areas of nucleic acid purification and pathogen inactivation. The Company also conducts active research, together with Dr. K. H. Lee and collaborators at the School of Pharmacy, University of North Carolina at Chapel Hill ("UNC"), in the area of anti-HIV drug discovery, with exclusive focus on natural products and their synthetic derivatives.

The Company's underlying accounting records are maintained on a legal entity basis for government and public reporting requirements, as well as for segment performance and internal management reporting. Inter-segment sales are recorded on a "third party best price" basis and are significant in measuring segment operating results. Throughout 1999, the cost of most corporate functions

are included in the Diagnostic Products segment as the senior management group has dual responsibility to this segment as well as the Company. Pursuant to the August 1999 reorganization, many of the senior managers and a few other employees were segregated from the Diagnostics segment to form a Corporate operating unit, effective January 2000. The following segment

(6) Segment Reporting and Related Information (Continued)

information has been prepared in accordance with the internal accounting policies of the Company, as described above.

Operating segment revenue for the years ended December 31, 1999, 1998 and 1997 were as follows:

<TABLE>
<CAPTION>

	1999	1998	1997
<S>	<C>	<C>	<C>
Diagnostics	$ 11,837	$ 11,277	$ 10,655
BBI Biotech	6,297	5,355	4,188
Clinical Laboratory Services	9,842	7,187	6,024
Laboratory Instrumentation	2,923	3,929	2,608
Other	434	--	--
Eliminations	(2,062)	(1,667)	(1,176)
Total Revenue	$ 29,271	$ 26,081	$ 22,299

</TABLE>

Operating segment (loss) income for the years ended December 31, 1999, 1998 and 1997 were as follows:

<TABLE>
<CAPTION>

	1999	1998	1997
<S>	<C>	<C>	<C>
Diagnostics	$ 784	$ 559	$ 1,357
BBI Biotech	(152)	67	(95)
Clinical Laboratory Services	656	134	403
Laboratory Instrumentation	(832)	(906)	(189)
Other	(1,345)	(525)	(84)
Acquired research & development	--	(4,231)	--
Total (Loss) Income from Operations	$ (889)	$ (4,902)	$ 1,392

</TABLE>

Operating segment depreciation and amortization expense for the years ended December 31, 1999, 1998 and 1997 were as follows:

<TABLE>
<CAPTION>

	1999	1998	1997
<S>	<C>	<C>	<C>
Diagnostics	$ 537	$ 408	$ 338
BBI Biotech	419	346	182
Clinical Laboratory Services	240	217	175
Laboratory Instrumentation	299	292	163
Other	84	17	--
Total Depreciation and Amortization	$ 1,579	$ 1,280	$ 858

</TABLE>

Identifiable operating segment assets are all located in the United States, and as of December 31, 1999, 1998 and 1997 were as follows:

<TABLE>
<CAPTION>

	1999	1998	1997
<S>	<C>	<C>	<C>
Diagnostics	$ 13,375	$ 12,122	$ 14,152
BBI Biotech	4,643	4,242	2,806
Clinical Laboratory Services	3,188	2,348	1,948
Laboratory Instrumentation	3,789	4,427	4,744
Other	1,167	943	--
Total Assets	$ 26,162	$ 24,082	$ 23,650

</TABLE>

(6) Segment Reporting and Related Information (Continued)

Operating segment capital expenditures for the years ended December 31, 1999, 1998 and 1997 were as follows:

<TABLE>
<CAPTION>

	1999	1998	1997
<S>	<C>	<C>	<C>
Diagnostics	$ 1,315	$ 1,468	$ 1,271
BBI Biotech	944	1,234	877
Clinical Laboratory Services	307	202	196
Laboratory Instrumentation	128	22	269
Other	34	4	--
Total Capital Expenditures	$ 2,728	$ 2,930	$ 2,613

</TABLE>

Revenue by geographic area for the years ended December 31, 1999, 1998 and 1997 are as follows:

<TABLE>
<CAPTION>

	1999	1998	1997
<S>	<C>	<C>	<C>
United States	$ 25,231	$ 21,978	$ 17,706
Europe	2,509	2,453	2,614
Pacific Rim	818	1,063	1,285
Total all others	713	587	694
Total	$ 29,271	$ 26,081	$ 22,299

</TABLE>

Revenue of Product and Service classes in excess of 10% of consolidated revenue (excludes inter-segment sales) for the years ended December 31, 1999, 1998 and 1997 were as follows:

<TABLE>
<CAPTION>

	1999	1998	1997
<S>	<C>	<C>	<C>
Quality Control Products	$ 9,445	$ 9,369	$ 8,220

Clinical Laboratory Testing	9,472	6,806	5,695
Government Contracts	4,530	3,535	2,638

</TABLE>

The government contract revenues are from United States government agencies, primarily the National Institutes of Health (NIH) and represent the only customer with revenue in excess of 10% of consolidated revenue.

(7) Debt

Effective June 30, 1999, the Company entered into an amended revolving line of credit agreement (the "Amended Line") with its bank, increasing the facility to $10 million from $7.5 million. The Amended Line matures June 30, 2001; bears interest at the Company's option based on either the base rate plus 1/4% or LIBOR plus 2.75%; carries a facility fee of 1/4% per annum, payable quarterly; and is collateralized by substantially all of the assets of the Company, excluding real property. Borrowings under the Amended Line are limited to commercially standard percentages of accounts receivable, inventory and equipment. The Company had approximately $456,000 available under the Amended Line as of December 31, 1999.

The Amended Line contains covenants regarding the Company's total liabilities to tangible net worth ratio, minimum debt service coverage ratio, and maximum net loss. The Amended Line further provides for restrictions on the payment of dividends, incurring additional debt, and the amount of capital expenditures.

As of December 31, 1999 the Company's debt payment requirements under its revolving line of credit were $0, $7,145,651, $0, $0 and $0 for the years ended December 31, 2000, 2001, 2002, 2003, and 2004, respectively.

(7) Debt (Continued)

The Company's outstanding debt includes an installment note payable with an interest rate of 9.75%, due August 2001. The note is collateralized by office furniture and laboratory equipment. The Company also acquired two additional notes for automobile loans, which are both being carried at 0% financing and come due October 2002. The amounts outstanding, including the current portion, at December 31, 1999 and 1998 were $22,414 and $26,820, respectively.

(8) Other Liabilities

The Company's California and Maryland facility's leases include scheduled base rent increases over the term of the lease. The amount of base rent payments is charged to expense using the straight-line method over the term of the lease. As of December 31, 1999 and 1998, the Company has recorded a long-term liability of $326,184 and $273,290, respectively ($361,413 and $308,519 including the current portion) 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 California and Maryland facilities.

Included in long-term liabilities at December 31, 1999 and 1998 are the present value of future minimum royalty payments of approximately $139,000 and $424,000 payable to the former owners of BioSeq, Inc. (See Note 2).

(9) Accrued Compensation

Accrued compensation consists of the following:

<TABLE>
<CAPTION>

	Year Ended December 31	
	1999	1998
	---	---

Accrued payroll	$ 253,594	$ 598,937
Accrued vacation	447,534	360,509
Accrued commissions	305,423	177,691
Other accrued compensation	182,589	147,025
	1,189,140	1,284,162

(10) Income Taxes

The components of the (benefit) provision for income taxes are as follows:

	1999	1998	1997
Current (benefit) provision: federal	$(226,368)	$ (63,868)	$ 567,373
Current provision: state	$ 85,575	$ 28,145	$ 100,125
Total current (benefit) provision	(140,793)	(35,723)	667,498
Deferred (benefit) provision: federal	(236,040)	(417,315)	(5,078)
Deferred (benefit) provision: state	(122,139)	(111,361)	7,469
Total deferred (benefit) provision	(358,179)	(528,676)	2,391
Total (benefit) provision for income taxes	$(498,972)	$(564,399)	$ 669,889

(10) Income Taxes (Continued)

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

	1999	1998
Current deferred taxes:		
Inventory	$ 174,338	$ 169,796
Accounts receivable allowance	298,271	224,240
Technology licensed	299,883	322,516
Other accruals	162,298	130,716
Total current deferred tax assets	934,790	847,268
Long term deferred taxes:		
Accelerated tax depreciation	(335,880)	(279,358)
Goodwill and intangibles	19,961	17,729
Tax credits	252,589	60,000
Operating loss carryforwards	1,082,665	861,066
Less: valuation allowance	(798,800)	(798,800)
Total long term deferred tax assets (liabilities), net	220,535	(139,363)
Total net deferred tax assets	$ 1,155,325	$ 707,905

On December 31, 1999 and 1998, operating loss carryforwards were partially offset by a valuation allowance of $798,800. This allowance is to

reserve for the entire loss carryforward obtained through the acquisition of BioSeq, Inc. The Company establishes valuation allowances in accordance with the provisions of SFAS 109 "Accounting for Income Taxes". The Company continually reviews the adequacy of the valuation allowance. The state net operating loss carryforwards expire at various dates beginning in 2002 through 2019. As of December 31, 1999, the Company had approximately $47,000 of alternative minimum tax credits, which do not expire and approximately $205,000 of federal research credits, which expire from 2012 through 2020. The Company has determined that no additional valuation allowance is required. This conclusion is based on its ability and intent to discontinue its operating loss position, not only for the consolidated entity, but also for each of its operating segments. If circumstances occur that change managements view about its ability to return to profitability, and utilize the net operating losses and deferred tax assets, it will re-evaluate its position with respect to valuation allowances.

The Company's effective income tax rate differs from the statutory federal income tax rate as follows:

<TABLE>
<CAPTION>

	1999	1998	1997
<S>	<C>	<C>	<C>
Federal tax (benefit) provision rate	(34%)	(34%)	34%
State tax (benefit) provision, net of federal benefit	(6%)	(1%)	6%
Nondeductable writeoff of acquired research and development	23%	--	
Other items, net	2%	1%	--
Effective income tax (benefit) provision rate	(38%)	(11%)	40%

</TABLE>

(11) Commitments and Contingencies

The Company leases certain office space, laboratory, research and manufacturing facilities under operating leases with various terms through October 2007. All of the real estate leases include renewal options at either market or increasing levels of rent.

Rent expense for the years ended December 31, 1999, 1998 and 1997 was approximately $1,218,000, $914,000, and $506,000, respectively. At December 31, 1999, the remaining fixed lease commitment was as follows:

<TABLE>
<CAPTION>

Year Ended	Amount
<S>	<C>
2000	1,168,617
2001	1,106,646
2002	846,256
2003	864,470
2004	889,687
2005 and thereafter	2,372,466
	$7,248,142

</TABLE>

In April 1999, the Company increased it's commitment to directly support a drug discovery program at UNC, in which a full-time post-doctoral research scientist and two doctoral students are working to develop synthetic derivatives of anti-HIV compounds that have been discovered pursuant to the Company's joint collaboration with UNC. The Company is committed to pay approximately $44,000 per quarter for three years. These costs are being charged to research and development expense. Under this agreement , the Company will also have the rights to any new anti-HIV compounds and derivatives developed in

the course of this sponsored research, provided the Company obtains certain regulatory approvals from the FDA. Effective January 2000, all rights and obligations under this agreement were transferred to Panacos Pharmaceuticals, Inc.

(12) 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 Internal Revenue 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. Company contributions are made at the discretion of management. To date, no such contributions have been made. During 1999, 1998 and 1997 the Company recognized administrative expense of approximately $30,000, $32,000, and $23,000, respectively in connection with the plan.

(13) Stockholders' Equity

Common Stock

In July 1999, the Company's Board of Directors approved the 1999 Employee Stock Purchase Plan. The Company adopted this plan, which allows eligible employees to purchase shares of the Company's stock at 85% of market value as determined at the beginning and the end of the offering period. A total of 250,000 shares have been reserved for this plan. As of December 31, 1999 no shares were issued under this plan.

Options and Warrants

The Company has a nonqualified stock option plan and an incentive stock option plan (1996 Employee Stock Option Plan) both of which are administered by a committee of the Board of Directors. In July 1999 the Company's Board of Directors approved the designation of an additional 1,250,000 shares to become available for distribution under the 1996 Employee Stock Option Plan. The Board of Directors also approved the 1999 Non-

(13) Stockholders' Equity-(Continued)

Qualified Stock Option Plan, and designated 500,000 shares for distribution under this plan. The exercise price of an option generally equals the fair market value of the stock at grant date. 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 expire ten years from the date of grant, or 30 days from the date the grantee's affiliation with the Company terminates.

At December 31, 1999, 1,999,500 shares were reserved for incentive stock options, of which 1,328,624 are available for future grants. At December 31, 1998, 749,500 shares have been reserved for incentive stock options, of which 179,887 are available for future grants. At December 31, 1999, 1,098,680 shares were reserved under the nonqualified stock option plan of which 489,951 were available for future grants. As of December 31, 1998, 605,929 shares were reserved for the non-qualified stock option plan of which no shares were available for future grants.

In August 1999, the Company sold 500,000 warrants to purchase the Company's stock to Paradigm Group, a private investment company. The private placement consisted of 400,000 common stock purchase warrants with a exercise price of $4.25 and 100,000 common stock purchase warrants with an exercise price of $5.25. Paradigm Group paid the Company $50,000 for the warrants. In addition, National Securities received 40,000 common stock purchase warrants with an exercise price of $4.25, 10,000 common stock purchase warrants with an exercise price of $5.25, and 25,000 common stock purchase warrants with an exercise price of $8.00, as transaction fee.

In November 1999, the Company sold 29,153 equity units to MDBio, Inc., a Maryland not-for-profit corporation. Each equity unit consists of one share of

common stock and one common stock purchase warrant with an exercise price of $10.00. MDBio paid the Company $175,000 for the equity units and has until September 2003 to exercise the warrants.

On December 11, 1998, the Company's Board of Directors authorized the Company to offer a reduction of the stock option exercise price to $3.25 per share, which represented a premium over the market price of $2.56 on that day. Any option holder with outstanding stock options with an exercise price higher than $3.25 was eligible to participate in the repricing. A total of 411,417 options were repriced, which represents substantially all eligible options. The original vesting schedule, generally four years from date of grant, remained unchanged. However, all optionees accepting the offer agreed not to exercise vested, repriced options for a period of one year from the date of amendment. The previous weighted average exercise price of the options repriced was $6.72.

The Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) and related interpretations in accounting for its employee stock options. Under APB 25, because the exercise price of employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recorded. The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS 123). Pro forma information regarding net income and earnings per share is required by SFAS 123 and has been determined as if the Company had accounted for its employee stock options under the fair value method of that statement. The fair value of these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions for 1999, 1998 and 1997. The minimum value option pricing model was used for all grants during, and prior to, 1996 as they were granted prior to the Company's IPO.

<TABLE>
<CAPTION>

	1999	1998	1997
<S>	<C>	<C>	<C>
Risk-free interest rate	5.26%	4.69%	5.72%
Volatility factor	76.68%	75.57%	55.00%
Weighted average expected life	5.1 years	5.0 years	5.0 years
Expected dividend yield	0	0	0

</TABLE>

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion,

(13) Stockholders' Equity-(Continued)

the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro forma net income and pro forma net income per share is as follows:

<TABLE>
<CAPTION>

	1999	1998	1997
<S>	<C>	<C>	<C>
Net (loss) income-as reported	$(814,112)	$(4,388,719)	$1,004,834

Net (loss) income-pro forma	$(1,394,564)	$(4,776,812)	851,408
Net (loss) income per share-as reported, basic	(.17)	(.94)	.23
Net (loss) income per share-as reported, diluted	(.17)	(.94)	.21
Net (loss) income per share-pro forma, basic	(.30)	(1.03)	.19
Net (loss) income per share-pro forma, diluted	(.30)	(1.03)	.18

Because SFAS 123 provides for pro forma expense for options granted beginning in 1995, the pro forma expense will likely increase in future years as new option grants become subject to the pricing model. The average fair value of options granted during 1999, 1998 and 1997 is estimated as $2.63, $1.77 and $4.44, respectively.

(13) Stockholders' Equity-(Continued)

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

	Stock Options		Warrants			
	Shares	Weighted Average price per share	Shares	Weighted Average price per share	Total Shares	Exercisable
Balance outstanding, December 31, 1996	917,887	3.10	280,000	7.63	1,197,887	839,272
Granted	263,050	7.42	--	--	263,050	
Exercised	(124,409)	1.44	(120,000)	2.50	(244,409)	
Expired	(30,435)	7.36	--	--	(30,435)	
Balance outstanding, December 31, 1997	1,026,093	4.28	160,000	11.48	1,186,093	832,231
Granted	358,836	3.80 *	100,000	2.50	458,836	
Exercised	(45,250)	1.97	--	--	(45,250)	
Expired	(165,013)	6.05	--	--	(165,013)	
Balance outstanding, December 31, 1998	1,174,666	2.75 **	260,000	8.34	1,434,666	829,434
Granted	260,500	3.91	579,153	4.73	839,653	
Exercised	(47,249)	0.52	(5,000)	2.50	(52,249)	
Expired	(107,688)	3.56	--	--	(107,688)	
Balance outstanding, December 31, 1999	1,280,229	3.00	834,153	5.80	2,114,382	1,591,795

* Includes 46,623 shares at $2.74 granted in connection with the BioSeq, Inc. acquisition.

* Includes the effect of 411,417 options repriced in December 1998 from a weighted average price of $6.72 to $3.25 per share.

The following table summarizes information concerning options outstanding and exercisable as of December 31, 1999:

	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
0.00-1.70	1.20	184,334	$ 1.5062	184,334	$ 1.5062
1.71-2.55	2.80	189,767	$ 2.5000	189,767	$ 2.5000

2.56-3.25	6.80	746,378	$ 3.2054	380,541	$ 3.1925
3.26-4.25	9.60	131,750	$ 4.2500	--	$ 0.0000
4.26-5.10	9.00	28,000	$ 4.6563	3,000	$ 4.5000
		1,280,229		757,642	

</TABLE>

BOSTON BIOMEDICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(14) Computation of Net Income per Share

The following illustrates the computation of basic and diluted net income per share.

<TABLE>
<CAPTION>

	Year Ended December 31,		
	1999	1998	1997
<S>	<C>	<C>	<C>
Shares, basic	4,669,717	4,654,609	4,437,801
Net effect of dilutive common stock equivalents-based on treasury stock method using average market price *			342,269
Shares, diluted	4,669,717	4,654,609	4,780,070
Net (loss) income, basic and diluted	$ (814,112)	$(4,388,719)	$ 1,004,834
Net (loss) income per share-basic	(0.17)	(0.94)	0.23
Net (loss) income per share-diluted	(0.17)	(0.94)	0.21

</TABLE>

* Potentially dilutive securities of 68,023 and 192,826 were not included in the computation of diluted earnings per share because to do so would have been antidilutive for twelve months ended December 31, 1999 and 1998.

(15) Selected Quarterly Financial Data (Unaudited)

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

<TABLE>
<CAPTION>

1999	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
<S>	<C>	<C>	<C>	<C>
Total revenue	$ 6,845	$ 7,139	$ 7,480	$ 7,807
Gross profit	2,566	2,675	2,905	2,689
Net (loss)	(237)	(225)	(257)	(96)
Net (loss) per share, basic	(0.05)	(0.05)	(0.05)	(0.02)
Net (loss) per share, diluted	(0.05)	(0.05)	(0.05)	(0.02)

<CAPTION>

1998	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
<S>	<C>	<C>	<C>	<C>
Total revenue	$ 6,273	$ 6,383	$ 6,181	$ 7,244
Gross profit	2,178	2,709	2,448	2,669
Net (loss) income	(645)	134	(3,377)	(502)
Net (loss) income per share, basic	(0.14)	0.03	(0.72)	(0.11)
Net (loss) income per share, diluted	(0.14)	0.03	(0.72)	(0.11)

</TABLE>

Report of Independent Accountants

To the Board of Directors and Stockholders
of Boston Biomedica, Inc.:

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Boston Biomedica, Inc. and its subsidiaries (the "Company") at December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999 in conformity with accounting principles generally accepted in the United States. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/ PricewaterhouseCoopers LLP

Boston, Massachusetts
February 29, 2000

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 hereby incorporated by reference to the information under Part I, Item 1 - Business under the heading "Executive Officers of the Registrant" at page [18] 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 following summary compensation table sets forth the compensation of the Company's Chief Executive Officer and each of the Company's four most highly compensated other executive officers who were serving as executive officers of the Company at the end of fiscal year 1999 (collectively, the "Named Executive Officers").

Summary Compensation Table

<TABLE>
<CAPTION>

	Annual Compensation			Long Term Compensation

	---	---	---	

Name and Principal Position	Fiscal Year Ended	Salary ($)	Bonus ($)	Other Annual Compensation $	Stock Options (#)	All Other Compensation ($)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Richard T. Schumacher,	12/31/99	$229,010	--	$1,520(1)	25,000	$184,450(2)(4)
Chief Executive Officer	12/31/98	200,002	$5,000	370(1)	15,000	420(2)
and Chairman of the Board	12/31/97	194,616	--	1,588(1)	--	420(2)
Kevin W. Quinlan,	12/31/99	$168,075	--	--	17,500	--
President , Chief	12/31/98	143,347	$4,000	--	10,000	--
Operating Officer and Director	12/31/97	139,927	--	--	--	--
Barry M. Warren	12/31/99	$147,547	--	--	10,000	--
Senior Vice President and	12/31/98	137,601	$3,000	--	6,000	--
General Manager	12/31/97	129,367	--	--	--	--
Richard C. Tilton, Ph.D.	12/31/99	$135,203	--	$6,000(3)	--	--
Senior Vice President,	12/31/98	127,019	$3,000	6,000(3)	6,000	--
Science and Technology	12/31/97	121,164	--	6,000(3)	--	--
Mark M. Manak, Ph.D.	12/31/99	$129,894	--	--	--	--
Senior Vice President and	12/31/98	118,510	$3,000	--	6,000	--
General Manager	12/31/97	116,388	--	--	--	--

</TABLE>

- ----------

(1) Consists of personal usage of Company vehicle
(2) Includes the value of premiums paid for a term life insurance policy.
(3) Consists of automobile allowance
(4) Consists of exercise of options

The following table shows stock options granted to the Named Executive Officers in fiscal 1999:

Options Granted in Fiscal Year 1999

<TABLE>
<CAPTION>

	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term at Year End	
Name	Number of Securities Underlying Options Granted	% of Total Options Granted to Employees in 1999	Exercise Price ($/Sh.)	Expiration Date	5%	10%
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Richard T. Schumacher	25,000	9.60%	4.675	07/27/09	56,195	158,710
Kevin W. Quinlan	17,500	6.72%	4.25	07/27/09	46,774	118,535
Barry M. Warren	10,000	3.84%	4.25	07/27/09	26,728	67,734
Richard C. Tilton, Ph.D.	--	--	--	--	--	--
Mark M. Manak, Ph.D.	--	--	--	--	--	--

</TABLE>

The following table shows stock options exercised by the Named Executive Officers during fiscal 1999, including the aggregate value realized upon exercise. This represents the excess of the fair market value over the purchase price at the time of purchase. In addition, this table includes the number of shares underlying both "exerciseable" (i.e. vested) and "unexerciseable" (i.e. unvested) stock options as of December 31, 1999. Also reported are the values of "in-the-money" options, which reflect the positive spread between the exercise price of any such existing stock options and the closing year end per share price of the Common Stock of $2.875.

Aggregated Option Exercises in Last
Fiscal Year and Fiscal Year End Option Values

<TABLE>
<CAPTION>

Name	Shares Acquired on Exercise	Value (1) Realized	Number of Securities Underlying Unexercised Options at Year End		Value of Unexercised In-the-Money Options at Year End	
			Exercisable	Unexercisable	Exercisable	Unexercisable
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Richard T. Schumacher	40,000	$180,000	98,690	38,690	$103,827	$164
Kevin W. Quinlan,	--	--	71,250	26,250	$44,375	--
Barry M. Warren	--	--	33,375	20,125	--	--
Richard C. Tilton, Ph.D.	--	--	38,375	5,125	--	--
Mark M. Manak, Ph.D.	--	--	38,375	10,125	--	--

</TABLE>

- ----------

(1) Based upon the closing price of the Common Stock on the Nasdaq National Market on the date of exercise, minus the respective option exercise price.

Compensation of Directors

Directors of the Company do not receive cash compensation for their services. Each Director has been eligible to receive options to purchase Common Stock under the Company's 1987 Non-Qualified Stock Option Plan, which expired in December 1997, and the Company's 1999 Nonqualified Stock Option Plan.

Compensation Committee Interlocks and Insider Participation

Decisions regarding executive compensation are made by the Board of Directors based on the recommendations of the Compensation Committee. The Compensation Committee of the Board of Directors is comprised of Richard T. Schumacher and Calvin A. Saravis, each of whom has received

options to purchase Common Stock. Mr. Schumacher serves as the Chief Executive Officer of the Company. Mr. Saravis is neither a former nor current officer or employee of the Company.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information called for by Item 12 is hereby incorporated by reference to the information in the registrant's definitive proxy statement under the heading "Security Ownership of Directors, Officers and Certain Beneficial Owners," 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 hereby incorporated by reference to the information in the registrant's definitive proxy statement under the heading "Certain Relationships and Related Transactions," 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>
<S> <C>

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:

Exhibit No.		Reference
3.1	Amended and Restated Articles of Organization of the Company	A**
3.2	Amended and Restated Bylaws of the Company	A**
4.1	Specimen Certificate for Shares of the Company's Common Stock	A**
4.2	Description of Capital Stock (contained in the Restated Articles of Organization of the Company filed as Exhibit 3.1)	A**
4.3	Form of warrants issued in connection with Paradigm Group	H**
10.1	Agreement, dated January 17, 1994, between Roche Molecular Systems, Inc. and the Company	A**
10.2	Exclusive License Agreement, dated April 28, 1999, between the University of North Carolina at Chapel Hill and the Company	Filed herewith
10.3	Agreement, dated October 1, 1995, between Ajinomoto Co., Inc. and the Company	A**
10.4	Lease Agreement, dated July 28, 1995, for New Britain, Connecticut Facility between MB Associates and the Company	A**
10.5	1987 Non-Qualified Stock Option Plan*	A**
10.6	Employee Stock Option Plan*	A**
10.7	1999 Non-Qualified Stock Option Plan*	I**
10.8	1999 Employee Stock Purchase Plan*	I**
10.9	Underwriters Warrants, each dated November 4, 1996, between the Company and each of Oscar Gruss & Son Incorporated and Kaufman Bros., L.P.	B**

Exhibit No.		Reference
10.10	Commercial Loan Agreement, as of dated March 28, 1997, between The First National Bank of Boston and the Company	C**
10.11	Contract, dated March 1, 1997, between National Cancer Institute and the Company	D**
10.12	Lease Agreement, dated May 16, 1997, for Gaithersburg, Maryland facility between B.F. Saul Real Estate Investment Trust and the Company	E**
10.13	Lease Agreement dated January 30, 1995 for Garden Grove, California facility between TR Brell, Cal Corp. and Source Scientific, Inc., and Assignment of Lease, dated July 2, 1997, for Garden Grove, California facility between Source Scientific, Inc. and BBI Source Scientific	F**
10.14	Contract, dated July 1, 1998, between the National Institutes of Health and the Company (NO1-A1-85341)	G**

10.15	Contract, dated July 1, 1998, between the National Heart Lung and Blood Institute and the Company (NO1-HB-87144)	G**
10.16	Line of Credit Agreement with BankBoston dated June 30, 1999	H**
10.17	Agreement with Paradigm Group for the purchase of warrants dated August 18, 1999	H**
10.18	Agreement with MDBio for the purchase of common stock and common stock warrants, dated September 30, 1999	Filed herewith
10.19	Lease Agreement dated September 30, 1999, for Frederick, Maryland facility, between MIE Properties, Inc., and the Company.	Filed herewith
10.20	Sponsored Research Agreement with the University of North Carolina, Chapel Hill and the Company, dated, April 28, 1999 and the Company.	Filed herewith
10.21	Repository Contract with National Institute of Allergy and Infectious Disease, Division of AIDS (NO1-A1-95381), dated August 16, 1999.	Filed herewith
21.1	Subsidiaries of the registrant	Filed herewith
23	Consent of PricewaterhouseCoopers LLP	Filed herewith
27	Financial Data Schedule	Filed herewith
99	Audited Financial Statements of BioSeq, Inc., for the years ended December 31, 1997, 1996 and for the period October 17, 1994 (Date of Inception) to December 31, 1997.	Filed herewith

</TABLE>

A Incorporated by reference to the registrant'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 Exhibit No. 10.17 of the Registration Statement.
C Incorporated by reference to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.
D Incorporated by reference to the registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 1997.
E Incorporated by reference to the registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 1997.

F Incorporated by reference to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1997.
G Incorporated by reference to the registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 1998.
H Incorporated by reference to the registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 1999.
I Incorporated by reference to the registrant's proxy statement, filed with the Securities and Exchange Commission on June 14, 1999.

* 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, 1999.

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 15, 2000 Boston Biomedica, Inc.

By: _____
Richard T. Schumacher
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>
Richard T. Schumacher	Director and Principal Executive Officer	March 28, 2000
Kevin W. Quinlan	Director and Principal Accounting and Financial Officer	March 28, 2000
Francis E. Capitanio	Director	March 28, 2000
Dr. William R. Prather, MD.	Director and Treasurer	March 28, 2000
Calvin A. Saravis, Ph.D.	Director	March 28, 2000

</TABLE>

EXHIBIT INDEX

<TABLE>
<CAPTION>

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**
4.2	Description of Capital Stock (contained in the Restated Articles of Organization of the Company filed as Exhibit 3.1)	A**
4.3	Form of warrants issued in connection with Paradigm Group	H**
10.1	Agreement, dated January 17, 1994, between Roche Molecular Systems, Inc. and the Company	A**
10.2	Exclusive License Agreement, dated April 28, 1999, between the University of North Carolina at Chapel Hill and the Company	Filed herewith
10.3	Agreement, dated October 1, 1995, between Ajinomoto Co., Inc. and the Company	A**
10.4	Lease Agreement, dated July 28, 1995, for New Britain, Connecticut Facility between MB Associates and the Company	A**

10.5	1987 Non-Qualified Stock Option Plan*	A**
10.6	Employee Stock Option Plan*	A**
10.7	1999 Non-Qualified Stock Option Plan*	I**
10.8	1999 Employee Stock Purchase Plan*	I**
10.9	Underwriters Warrants, each dated November 4, 1996, between the Company and each of Oscar Gruss & Son Incorporated and Kaufman Bros., L.P.	B**
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* Management contract or compensatory plan or arrangement.

** In accordance with Rule 12b-32 under the Securities Exchange Act of 1934, as amended, reference is made to the documents previously filed with the Securities and Exchange Commission, which documents are hereby incorporated by reference.

SCHEDULE II

BOSTON BIOMEDICA, INC. AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS

<TABLE>
<CAPTION>

Allowance for Doubtful Accounts	Balance at Beginning of Period	Additions	Recoveries	Deductions	Balance at End of Period
<S>	<C>	<C>	<C>	<C>	<C>
1999	$ 623,710	$ 419,524	$ 203,448	$ (499,885)	$ 746,797
1998	446,517	429,036	126,658	(378,501)	623,710
1997	352,058	395,272	194,154	(494,967)	446,517
Inventory Reserve					
1999	$1,279,570	$ 644,174	$ --	$ (524,938)	$1,398,806
1998	1,357,971	515,251	--	(593,652)	1,279,570
1997	513,524	953,740	--	(109,293)	1,357,971

</TABLE>

Exhibit 10.2

LICENSE AGREEMENT

THIS LICENSE AGREEMENT, effective on the date of last signature below is between THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL having an address at CB #4105, 308 Bynum Hall, Chapel Hill, NC (hereinafter referred to as "University") and Boston Biomedica, Inc., a corporation organized and existing under the laws of Massachusetts and having an address at 375 West Street, West Bridgewater, MA 02379, (hereinafter referred to as "Licensee").

WITNESSETH

WHEREAS, University owns and controls its share of the ownership interest in the inventions listed in Appendix A (hereinafter "Inventions", developed by the persons also listed in Appendix A [hereinafter "Inventors"] of the University; and

WHEREAS, Licensee is desirous of producing, using and selling products which include the use of Inventions and is willing to expend its best efforts and resources to do so if it can obtain a license to use the Invention under the terms and conditions set forth herein; and

WHEREAS, University and Licensee have already entered into a previous license agreement, effective 14 December 1994, and wish for the present Agreement to supersede the prior agreement in its entirety; and

WHEREAS, University desires to facilitate a timely transfer of its information and technology concerning the Invention for the ultimate benefit of the public and this transfer is best accomplished by the grant of this license; and

WHEREAS, in the opinion of the University, this transfer can best be accomplished consistent with its mission by affiliation with Licensee;

NOW, THEREFORE, for and in consideration of the covenants, conditions, and undertakings hereinafter set forth, it is agreed by and between the parties as follows:

I. DEFINITIONS

a. "University Technology" means any unpublished research and development information, unpatented inventions, and technical data in the possession of the University prior to the effective date of the attached Sponsored Research Agreement or which comes into the possession of University during the term of this Agreement, is not covered under the Sponsored Research Agreement, and which relates to and is necessary for the practice of the Invention and which University has the right to provide to Licensee.

b. "Inventions" mean any process, machine, manufacture, composition of matter or improvement thereof, which comes within the scope of any unexpired claim of any of the Patents.

c. "Licensed Products" means any method, procedure, or component part thereof whose manufacture, use, or sale includes any University Technology, Patents, or Licensed Compounds in an individual Licensed Field.

d. "Licensed Compounds" means any individual compounds included in Inventions, University Technology, or Patents, or whose method, procedure, or uses included in Licensed Products.

e. "Patents" means any US patents and/or patent applications covering Inventions owned or controlled in whole or in part by University prior to or during the term of this Agreement and which University has the right to provide its share to Licensee, as well as ay continuations, continuations in part, divisionals, provisionals, continued prosecution applications, extensions, or reissues thereof, and any foreign counterpart of any of the foregoing. A summary of current Patents is included as Appendix A herein.

f. "New Sales Price" means the invoiced sales price, less any charges for (a) sales taxes or other taxes separately stated on the invoice and (b) shipping and insurance charges.

g. "Net Sales" means the total New Sales Price of Licensed Products, after deduction actual allowances for returned or defective goods, less trade discounts, but before cash discounts. Licensed Products will be considered sold when billed out, or when delivered or paid for before delivery, whichever first occurs.

h. "Licensed Territory" means any countries which Licensee, Affiliate, or Sublicensee practice or otherwise utilize the Invention(s), University Technology, Licensed Products, or Patents in a Licensed Field.

i. "Licensed Field" means, and is limited to, the practice of the Inventions, University Technology, and Patents for the inhibition of Human Immunodeficiency Virus (HIV) or other human exogenous retroviruses, and one (1) additional virus or disease to be selected by Licensee within two years after the effective date of the Agreement. Additional Licensed Fields may be acquired by Licensee pursuant to Article 3.3.

j. "Sublicensee" means an organization, which is not an Affiliate of Licensee, to which Licensee has granted a sublicense to the Inventions(s), University Technology, Licensed Products, or Patents for the purpose of commercialization in an individual Licensed Field.

k. "Affiliate" means any corporation or other business entity which directly or indirectly controls, or is under common control of Licensee. Control shall mean ownership or other beneficial interest in 40% or more of the voting stock or other voting interest of a corporation or other business entity.

l. "Patent Counsel" shall mean the patent law firm of Sterne, Kessler, Goldstein, and Fox, LLC.

m. "Confidential Information" shall mean information considered proprietary to the Party disclosing the information, and may include information relating to: research, development, patent prosecution and maintenance, manufacturing, purchasing, accounting, engineering, marketing, merchandising or selling.

n. "Sublicense Income" shall mean all royalties, other payments, and equity Licensee receives from Sublicensees, of which University is owed a percentage. Sublicense Income shall specifically exclude research funding.

o. "IND" shall mean in Investigational New Drug Application when in the United States, or any foreign equivalent document that allows the initiation of human clinical trials.

II. GRANT OF LICENSE AND TERM

a. University grants to Licensee, to the extent of the Licensed Territory, a non-exclusive right and license to use University Technology in each individual Licensed Field, subject to all the terms and conditions of this Agreement.

b. University grants to Licensee, to the extent of the Licensed Territory, an exclusive license under the Patents to make, have made, use and sell Licensed Products and Licensed Compounds embodying the Inventions thereof in the Licensed Field, upon the terms and conditions set forth herein.

c. University grants to Licensee, to the extent of the Licensed Territory, the right to sublicense. Sublicensees shall be subject to all the terms and conditions of this Agreement.

d. Any license granted herein excluding the grant in Article 2/1

above, is exclusive for a term beginning on the date of execution of this Agreement and, unless terminated sooner as herein provided, for the lives of such Patents.

e. Licensee shall not disclose any unpublished University Technology furnished by University pursuant to Article 2.1 above to third parties during the term of this agreement or any time thereafter; provided, however, that disclosure may be made of any such University Technology at any time; (1) with the prior written consent of University, or (2) pursuant to Article 6.3 herein.

f. Licensee is further granted the right to disclose and use any information pertaining to Inventions, University Technology, Patents, Licensed Products, or Licensed Compounds in any submission to local, state, federal or foreign governmental agency, including, but not limited to, the US Food and Drug Administration and the US Patent and Trademark Office.

g. Affiliate(s) shall, for the purposes of this Agreement, have the same rights and responsibility to University Technology, Patents, Licensed Compounds and Licensed Products as the Licensee. Use of Licensed Products or sales of Licensed Compounds by Affiliates and subsequent payments due University pursuant to Article III herein shall be treated as if they were made by Licensee.

h. Notwithstanding the foregoing, any and all licenses granted hereunder are subject to the rights of the United States Government which arise out of its sponsorship of the research which led to the Invention.

III. LICENSE FEE AND ROYALTIES

a. Licensee will pay a license fee in the form of payment of the costs (including attorney's fees) arising out of the patenting of the Inventions pursuant to Article XI of this Agreement. Payment of Patenting costs shall be non-refundable and shall not be a credit against any other amounts due hereunder.

b. Beginning on the effective date of this Agreement and continuing for the life of this Agreement, Licensee will pay University a running royalty on all of Licensee's Net Sales of the Licensed Compound(s) or use of Licensed Products in each Licensed Field in accordance with the chart below:

NET SALES OF LICENSED COMPOUND(S)	ROYALTY RATE
Less Than $50 million	4.0%
$50 million - $100 million	4.5%
Greater Than $100 million	5.0%

a. Licensee may also select additional Licensed Fields in which to practice University Technology, Licensed Products, Licensed Compounds, or Patents. Selection of such Licensed Field must be requested in writing and agreed upon by University. Licensee will pay University a one-time fee of $20,000 for each additional Licensed Field. For each new Licensed Field that Licensee funds under Article 4.1 of the Sponsored Research Agreement, Licensee shall instead pay University a one-time fee of $3,000. Such payments shall be non-refundable and shall not be a credit against any other amounts due hereunder.

b. (i) In the event any Licensed Compound in an individual Licensed Field is sold as a component of a combination of two or more active ingredients, where a license hereunder was not required for all said active ingredients, Net Sales Price for purposes of determining royalty payments on such combination shall be calculated by multiplying the net sales price of the combination by the fraction A/(A+B) in which "A" is the total of the gross

selling prices of the licensed active ingredients when sold separately and "B" is the total of the gross selling prices of the unlicensed active ingredients.

(ii) In the event that it is not possible to determine the gross selling price for each ingredient, Net Sales Price shall be calculated by multiplying the net sales price of the combination by the fraction C/(C+D), in which "C" is the total of the direct costs plus the direct overhead of the licensed active ingredients and "D" that of the unlicensed active ingredients. The direct costs plus the direct overhead of a component shall be determined in accordance with generally acceptable cost accounting principles.

(iii) Notwithstanding the above, in no event shall the New Sales Price be adjusted to be less than forty percent (40%) of the net sales price of any combination product prior to adjustment pursuant to (i) and (ii) above, unless mutually agreed upon in writing.

c. Beginning with the date of first commercial use of Licensed Products or sales of Licensed Compounds in a Licensed Field, Licensee agrees to make quarterly written reports to University within 30 days after the first days of each January, April, July, and October during the life of this Agreement and as of such dates, stating in each such report the number, description, and aggregate net Selling Prices of Licensed Compounds or use of Licensed Products sold, used, or otherwise disposed of during the preceding three calendar months and upon which royalty is payable as provided in Article 3.2 or 4.2 hereof, as appropriate. The first such report shall include all such use of Licensed Products or sales of Licensed Compounds so sold, used, or otherwise disposed of prior to the date of such report. Until Licensee has achieved a first commercial use of Licensed Products or sales of Licensed Compounds a report shall be submitted by Licensee at the end of each January after the effective date of this Agreement and will include a full written report describing Licensee's technical and other efforts made towards such first commercial use of Licensed Products or sales of Licensed Compounds under development.

d. Concurrently with the making of each such report, Licensee shall pay to the University royalties at the rate specified in Article 3.2 or 4.2, as appropriate, and any milestone payments as specified in Article 3.7 or 4.2, as appropriate, of this Agreement on each use of Licensed Products or sales of Licensed Compounds in each individual Licensed Field included therein.

<TABLE>
<CAPTION>

STAGE OF DEVELOPMENT	MINIMUM PAYMENT DUE
<S>	<C>
Upon filing the first IND for each Licensed Product in an individual Licensed Field	$15,000
Completion of a Phase II clinical trial for each Licensed Product in an individual Licensed Field	$15,000
Upon filing an NDA (but not an ANDA) for each Licensed Product in an individual Licensed Field	$50,000
Upon the first commercial sale for each Licensed Product based on an approved NDA (but not an ANDA) in an individual Licensed Field	$50,000

</TABLE>

a. Licensee will make milestone payments upon reaching the designated

sages of development listed in the table below. Payment shall be the greater of the compensation due University pursuant to Article 4.2, or the amount listed in the table below.

b. In the event of default in payment of any payment owing to University under the terms of this Agreement, and if it becomes necessary for University to undertake legal action to collect said payment, Licensee shall pay all legal fees and costs incurred by University in connection therewith.

c. University may, by written notice to Licensee, terminate this agreement during any April subsequent to the year 2002, if Licensee has not performed good-faith development efforts towards commercializing the Invention, and met the first Performance Milestone as listed in Appendix B.

d. The Parties recognize that different Licensed Compounds may contain the same active ingredients. A milestone payment is due for a Licensed Compounds or Licensed Products in an individual Licensed Field only if it contains an active ingredient which is the subject of a separate independent claim in any patent application in the Patents. For example, substitution of halogens, chalcogens, or differing lengths of a hydrocarbon backbone shall not be considered differentiated products.

e. Nothing in this Agreement shall be construed to require the payment of more than one royalty with regard to the manufacture, use, or sale of an individual Licensed Compounds or Licensed Products in an individual Licensed Field.

IV. SUBLICENSES

a. Sublicensee may not further sublicense any rights it obtains herein.

b. In the case of income derived by licensee from Sublinensee, Licensee shall pay University a share of such sublicensing income, whose share shall be in accordance with the following table:

<TABLE>
<CAPTION>

STAGE OF DEVELOPMENT AT THE TIME OF SUBLICENSING	% OF SUBLICENSING INCOME TO UNIVERSITY
<S>	<C>
IND not filed on Licensed Product in an individual Licensed Field	50%
IND filed on Licensed Product in an individual Licensed Field, but Phase II clinical trials are incomplete	40%
Phase II clinical trials completed, but before filing an NDA in an individual Licensed Field	30%
NDA filed in an individual Licensed Field	25%

</TABLE>

V. BEST EFFORTS

a. Licensee shall use its best efforts to proceed diligently with the development, manufacture and sale of Licensed Compounds and use of Licensed Products either directly or through a Sublicensee and shall earnestly and diligently offer and continue to offer for sale such use of Licensed Products or sales of Licensed Compounds, both under reasonable conditions, during the period of this Agreement.

b. In particular, Licensee will use its best efforts to meet the performance milestones set forth in Appendix B, which is attached

hereto. In the event that Licensee fails to meet these Performance Milestones for a Licensed Product or Licensed Compound, Licensee shall, following written notice from the University, have six months to designate a related Licensed Product or Licensed Compound for development. Development of this related Licensed Product or Licensed Compound will be subject to the original time constraints and performance Milestones of the original Licensed Product or Licensed Compound.

Example: A Licensed Product or Licensed Compound is being developed by Licensee who, according to Appendix B, is required to file an IND by January 1, 2002. IF the original Licensed Product or Licensed Compound is replaced during the development cycle by a related Licensed Product or Licensed Compound, that related compound must be the subject of an IND filed by January 1, 2002 to meet the Performance Milestone.

If Licensee does not so designate, this Agreement shall terminate in accordance with Article VII herein only for that Licensed Compound or Licensed Product which is no longer being developed by Licensee.

c. After two years have elapsed from the effective date of this Agreement, University may notify Licensee, in writing, that it desires an IND to be filed for a Licensed Product or Licensed Compound which University has provided to Licensee for testing. Licensee will have six months from such notice to file an IND or have its license terminated as to the designated Licensed Product or Licensed Compound. University cannot designate more than three Licensed Products or Licensed Compounds for IND filing within a six month period. When the Licensed Products or Licensed Compounds are in the Licensed Field of "an additional virus or disease" or a new Licensed Field as defined under Article 1.9 herein, such notification may be no earlier than two years after the date of written selection of the new Licensed Field(s) by Licensee.

d. In the event that the Performance Milestones in Appendix B are not met in one or more countries or if Licensee does not proceed diligently with the development, manufacture, and sale of Licensed Compounds and Licensed Products, Licensee may extend any individual deadline for a period of six months upon payment of $20,000 to University. Up to two (2) extensions, each requiring payment, may be obtained for any individual milestone, however, only three (3) total extensions may be obtained under Appendix B in its entirety.

e. If Licensee exhausts all extensions as set forth in Article 5.4 above, and still cannot meet the obligations outlined in Appendix B, University may terminate this agreement pursuant to Article VII of this Agreement.

VI. DISCLOSURE AND CONFIDENTIALITY

a. Information disclosed by one Party ("Disclosing Party") to the other Party ("Receiving Party") to be considered Confidential Information shall be clearly marked "CONFIDENTIAL" on the first page of such written disclosure.

b. Receiving Party agrees that all Confidential Information received under this Agreement shall be maintained in confidence for a period of five (5) years from the termination date of this Agreement, and further agrees not to use such Confidential Information for any purpose other than upholding the obligations of this Agreement without the prior written consent of Disclosing Party. Receiving Party shall use the same standard of care to protect the confidentiality of information received under this Agreement as it uses to protect its own Confidential Information, and shall limit disclosure of such information to those of its employees who have an actual need to know and who have a written obligation, or are subject to applicable University policies, to

protect the confidentiality of such information which is substantially the same as the agreement contained herein.

c. Notwithstanding Article 6.2, the obligations of the Receiving Party regarding confidentiality and use of Confidential Information disclosed hereunder shall not include:

XXVIII. information which, at the time of disclosure, was published, known publicly, or otherwise in the public domain;

XXIX. information which, after disclosure, is published, becomes known publicly, or otherwise becomes part of the public domain through no fault of the Receiving Party of Affiliates;

XXX. information which the Receiving Party can establish was in its possession prior to the time of disclosure;

XXXI. information which, after disclosure, is made available to Receiving Party in good faith by a third party under no obligation in confidentiality to university; or;

XXXII. information which either party is required by law to disclose.

VII. CANCELLATION OR TERMINATION BY UNIVERSITY

a. It is expressly agreed that, notwithstanding the provisions of any other Article of this contract, if Licensee should fail to deliver to University ay payment, royalty, or equity at the time or times that the same should be due to University or if Licensee should in any material respect violate of fail to keep or perform any covenant, condition, or undertaking of this Agreement on its part to be kept or performed hereunder, then the University, by written notice to Licensee, shall have the right to cancel and terminate the license granted to Licensee under Article II herein. Licensee shall have the opportunity to cure any such breach described in University's written notice with 30 days of receipt. Licensee's right to cure a breach will apply only to the first two breaches properly noticed under terms of this Agreement,

regardless of the nature of those breaches. Any subsequent breach by Licensee will entitle University to terminate this Agreement upon proper notice at University's sole discretion.

b. Alternatively, should Licensee be in breach or default as set forth above, and should University be in a position where it could rightfully terminate this Agreement, then in its sole discretion, University may convert this exclusive license to a non-exclusive license upon giving notice of such decision to Licensee.

c. If Licensee should be adjudged bankrupt or enter into a composition with or assignment to its creditors, then in such event University shall have the right to cancel and terminate this Agreement, and the license herein provided for, by written notice to Licensee.

d. Any termination or cancellation under any provision of this Agreement shall not relieve Licensee of its obligation to pay any royalty or other fees (including attorney's fees pursuant to Article 3.1 hereof) due or owing at the time of such cancellation or termination.

VIII. DISPOSITION OF LICENSED PRODUCTS ON HAND UPON CANCELLATION OR TERMINATION

Upon cancellation of this Agreement or upon termination in whole or in part, Licensee shall provide University with a written inventory of all University Technology and Licensed Products in process of manufacture, in use or in stock. Except with respect to

termination pursuant to Article 5.1, Licensee shall have the privilege of disposing of the inventory of such Licensed Products within a period of one hundred and eighty (180) days of such termination upon conditions most favorable to University that Licensee can reasonable obtain. Licensee will also have the right to complete performance of all contracts requiring use of the University Technology, Patents (except in the case of termination pursuant to Article 5.1) or Licensed Products within and beyond said 180-day period provided that the remaining term of any such contract does not exceed one year. All Licensed Products which are not disposed of as provided above shall be delivered to University or otherwise disposed of, in University's sole discretion, and at Licensee's sole expense.

VIII. USE OF UNIVERSITY'S NAME

The use of the name of University, or any contraction thereof, in any manner in connection with the exercise of this license is expressly prohibited except with prior written consent of University.

IX. UNIVERSITY USE

It is expressly agreed that, notwithstanding any provisions herein, University is free to use University Technology, Patents, Licensed Compounds and Licensed Products for its own research, public service, clinical, teaching and educational purposes without payment of royalties. Furthermore, University shall be free to publish University Technology, as it sees fit.

X. PATENTS AND INFRINGEMENTS

a. Patent Counsel may be changed by University or Licensee at any time at the sole discretion of either Party. If a party suggests changing Patent Counsel, the other Party shall have thirty (30) days to accept or reject this change. In the event that a party disagrees with a decision by the other party to change Patent Counsel, the Parties agree to search for new, mutually acceptable counsel.

b. Licensee shall bear the cost of filing, prosecuting, and maintaining all United States and foreign patent applications and issued patents included within the Patents, and any interferences related to the Patents. Such filings and prosecution shall be by mutually agreed upon counsel. Where they are based on joint inventions, the filings shall be in the name of the University and Licensee. In the case of joint ownership, Licensee shall obtain a letter from Patent Counsel stating the University is the assignee of its share in such Patents, and such letter will state that both University and Licensee have equal ownership rights in the Patents. Patent Counsel will keep University and Licensee advised of the prosecution of such applications by forwarding copies of all official correspondence, (including, but not limited to, Applications, Office Actions, responses, etc.) relating thereto. University shall have the right to have all draft applications and responses to Office Actions reviewed by patent counsel of the University's choosing any may make reasonable requests and suggestions as to the conduct of such prosecution.

c. As regards filing of foreign patent applications corresponding to the US applications described in Article 11.2 above, Licensee shall designate that country or those countries, if any, in which Licensee shall pay all costs and legal fees associated with the preparation, filing, and maintenance of such designated foreign patent applications and, where they are based on joint inventions, such applications shall be in the name of both the University and Licensee. University may elect to file corresponding patent applications in countries other than those designated by Licensee, but in that event University shall be responsible for all costs associated with such non-designated filings. In such event, Licensee shall forfeit its rights under this license, and assign all rights in joint inventions to the University, in the country(ies) (hereinafter "Alternate Country") where University

exercises its option to file such corresponding patent applications.

Royalty income University receives from use of Licensed Products or sales of Licensed Compounds in Alternate Countries shall be shared with Licensee in accordance with the table in Article 4.2 herein. Licensee may regain its rights in Alternate Countries by reimbursing University for all costs and legal fees associated with patent prosecution in said countries. In addition, Licensee must pay University compensation as described below, to regain its rights in any Alternate Country provided University has not exclusively licensed its rights in these countries to a third party.

COUNTRY	COMPENSATION
United States	$50,000
EPO member countries, Canada, Japan	$20,000
Any other country	$10,000

a. University will provide Licensee, in a timely manner, all information in its possession or control which might effect the Inventions, University Technology, or Patents. University will promptly provide Patent Counsel with a copy of any legal opinion it receives or has received regarding the patentability of any Invention, University Technology, or Patents, and agrees to cooperate with Licensee and patent Counsel to whatever extent is reasonable and necessary to obtain patent protection of any rights, including agreeing to execute any and all documents to provide licensee the benefits of the licenses granted herein.

b. If the production, sale or use of Licensed Products under this Agreement by Licensee results in any claim for patent infringement against Licensee, Licensee shall promptly notify the University thereof in writing, setting forth the facts of such claim in reasonable detail. As between the parties to this Agreement, Licensee shall have the first and primary right and responsibility at its own expense to defend and control the defense of any such claim against Licensee, by counsel of its own choice. It is understood that any settlement of such actions must be approved by University. Such approval shall not be unreasonably withheld. University agrees to cooperate with Licensee in any reasonable manner deemed by Licensee to be necessary in defending any such action. Licensee shall reimburse University for any out of pocket expenses incurred in providing such assistance.

c. In the event that any Patents licensed to Licensee are infringed by a third party, Licensee shall have the primary right, but not the obligation, to institute, prosecute and control any action or proceeding with respect to such infringement, by counsel of its choice, including any declaratory judgment action arising from such infringement. Proceeds from any settlement, after deduction for Licensee's or University's legal fees actually incurred, shall be treated as sales of Licensed Compounds.

d. Notwithstanding the foregoing, and in University's sold discretion, University shall be entitled to participate through counsel of its own choosing in any legal action involving the Invention. Nothing in the foregoing sections shall be construed in any way which would limit the authority of the Attorney General of North Carolina.

XII. WAIVER

e. The University represents, and covenants, as follows:

i. It has the full right, power, and authority to enter into this Agreement and to perform all of its obligations hereunder.

ii. The execution and delivery of this Agreement and the consummation of the transaction contemplated by this Agreement do not violate, conflict with, or constitute a default under the University's Charter or the terms and provisions of any material or other instrument to which the University is a party or by which it is bound, or any material order, award, judgment or decree to which the University is a party or by which it is bound, or any state or federal law governing University activities.

iii. Upon execution and delivery, this Agreement will constitute the legal, valid and binding obligation of the University enforceable against the University in accordance with its terms.

iv. To the best of the knowledge and belief of the University and Dr. Kuo-Hsiung Lee, no employee o the University who has performed any work in connection with the University Technology, Patents, Licensed Compounds, and Licensed Products is in violation of any term of any employment or consulting contract or agreement, non-disclosure or confidentiality agreement, non-competitive agreement, or any other common law obligation to a former or preformed hereunder.

v. Subject to the rights held by the U.S. Government under Public Law 96-517, as amended, and the implementing regulations, and to such rights as may be held by Licensee, the University is the owner of all rights to the University Technology, and its share of the title and interest in Patents, Licensed Compounds, and Licensed Products. Also subject to the aforementioned rights of the U.S. Government, the University has the sole and complete authority to issue and grant to Licensee the exclusive license granted

hereunder, free and clear of any claims, liens, encumbrances or charges of any third party.

vi. The University has no knowledge of any potential infringement action or claim relating to the University Technology, Patents, Licensed Compounds and Licensed Products and has no knowledge of any infringement, or breach of any agreement or of any facts that might reasonably lead to any claim of infringement or breach of any agreement relating to any patent, patent right, patentable invention, patent application, trade secret or other proprietary right of any third party relating to the University's use or ownership of the University Technology, Patents, Licensed Compounds, and Licensed Products or Licensee's license to the University Technology, Patents, Licensed Compounds, and Licensed Products. However, University has done no searching regarding possible pr potential infringement actions or claims.

vii. The University has taken all steps within its power which under Public Law96-517, as amended, were necessary as of the date of execution of this Agreement, for the University to retain title to the fullest extent permitted by law in any of University Technology, Patents, Licensed Compounds and Licensed Products.

f. To the extent that rights granted by the University to Licensee

under this Agreement, are subject to the requirements of Public Law 96-517, as amended, and its implementing regulations, the University agrees that it will take all steps within its power to retain title, to the fullest extent permitted by law, to the University Technology, Patents, Licensed Compounds, and Licensed Products in the United States and in any foreign country designated by licensee for the duration of this license.

g. The University and its Inventor(s) will promptly disclose to the designated Patent Counsel of Licensee all information which is or could be material to the patentability, enforceability or validity of any application of patent included in University Technology, Patents, Licensed Compounds, and Licensed Products.

h. In the event that the University discovers that an interesting an Invention is not held by either the University or by Licensee (or its employees), it shall promptly notify the Licensee. The University may, at its option, acquire such interest at its own expense, or invite the Licensee to acquire said interest. In the latter case, the cost to the Licensee of acquiring said interest may be applied as a credit.

i. It is agreed that no waiver by either Party hereto of any breach or default of any of the covenants or agreements herein set forth shall be deemed a waiver as to any subsequent and/or similar breach or default.

XIII. LICENSE RESTRICTIONS

It is agreed that the rights and privileges granted to Licensee are each and all expressly conditioned upon the faithful performance on the part of the Licensee of every requirement herein contained, and that each of such conditions and requirements may be and the same are specific license restrictions.

XIV. ASSIGNMENTS

This Agreement is binding upon and shall inure to the benefit of the University, its successors and assigns. This Agreement may be assigned by the Licensee to a company formed by the Licensee in part for the purpose of developing products within the Licensed Field(s) of this Agreement (hereinafter, "New Company" and in which the licensee has at least 40%

ownership at the time of assignment or another percent ownership interest agreed upon in writing by the Parties. However, this Agreement shall not be assignable by Licensee to any entity other than the new Company without the written consent of University, which consent shall not be withheld unreasonably.

XV. INDEMNITY

Licensee agrees to indemnify, hold harmless and defend University, its officers, employees, and agents, against any and all claims, suits, losses, damage, costs, fees, and expenses asserted by third parties, both government and private, resulting from or arising out of the exercise of this license.

XVI. INSURANCE

Licensee is required to maintain in force at its sole cost and expense, with reputable insurance companies, general liability insurance and products liability insurance coverage in an amount reasonably sufficient to protect against liability under Article XV, above. The University shall have the right to ascertain from time to time that such coverage exists, such right to be exercised in a reasonable manner.

XVII. INDEPENDENT CONTRACTOR STATUS

Neither Party hereto is an agent of the other for any purpose.

XVIII. LATE PAYMENTS

In the event that any payment due hereunder is not made when due, the payment shall accrue interest beginning on the tenth day following the due date thereof, calculated at the annual rate of the sum of (a) five percent (5%) plus (b) the prime interest rate quoted by The Wall Street Journal [Midwest Edition] on the date said payment was due. The interest shall be compounded on the last day of each calendar quarter provided, however, that in no event shall said annual interest rate exceed the maximum legal interest rate for corporations. Each such royalty payment, when paid, shall be accompanied by all accrued interest.

XIX. WARRANTIES

University makes no warranties that any patent will issue on University Technology or Inventions. University Further makes no warranties, express or implied as to any matter whatsoever, including, without limitation, the condition of any Inventions, Patents, Licensed Compounds or Licensed Products that are the subject of this Agreement; or the merchantability or fitness for a particular purpose of any such Inventions, Licensed Compounds or Licensed Products. University shall not be liable for any direct, consequential, or other damages suffered by Licensee or any others resulting from the use of the Inventions, Licensed Compounds, Licensed Products, or Patents.

XX. ACCOUNTING AND RECORDS

j. Licensee will keep complete, true and accurate books of account and records for the purpose of showing the derivation of amounts payable to University under this Agreement. Such books and records will be kept at Licensee's principal place of business for at least three (3) years following the end of the calendar quarter to which they pertain, and will be open at all reasonable times for inspection by a representative of University for the purpose of verifying Licensee's royalty statements, or Licensee's compliance in other respects with this Agreement. The representative will be obliged to treat as confidential all relevant matters.

k. Such inspections shall be at the expense of University, unless a variation or error resulting from an underpayment to University and exceeding US $1,000, or the equivalent, is discovered in the course of any such inspection, whereupon all costs relating thereto would be paid by Licensee.

l. Licensee will promptly pay to University the full amount of any underpayment, along with interest calculated at the annual rate of the sum of (a) five percent (5%) plus (b) the prime interest rate quoted by The Wall State Journal [Midwest Edition] on the date said payment was due. The interest shall be compounded on the last day of each calendar quarter provided, however, that in no event shall said annual interest rate exceed the maximum legal interest rate for corporations.

XXI. COMPLIANCE WITH LAWS

In exercising its rights under this license, Licensee shall fully comply with the requirements of any and all applicable laws, regulations, rules and orders of any governmental body having jurisdiction over the exercise of rights under this license. Licensee further agrees to indemnify and hold University harmless from and against any costs, expenses, attorney's fees, citation, fine, penalty and liability of every kind and nature which might be imposed by reason of any asserted or established violation of any such laws, order, rules and/or regulations.

XXII. US MANUFACTURE

It is agreed that any Licensed Products sold in the United Sates shall be substantially manufactured in the United States.

XXIII. NOTICES

Any notice required or permitted to be given to the parties hereto shall be deemed to have been properly given if delivered in person or mailed by first class certified mail to the other Party at the appropriate address as set forth below or to such other addresses as may be designated in writing by the parties from time to time during the term of this Agreement.

<TABLE>
<CAPTION>

UNIVERSITY	LICENSEE
<S>	<C>
Francis J. Meyer, Ph.D	Richard T. Schumacher
Associate Vice Provost	President and CEO
Office of Technology Development	Boston Biomedica, Inc.
The University of North Carolina at Chapel Hill	375 West Street
CB #4105, 308 Bynum Hall	West Bridgewater, MA 02379
Chapel Hill, NC 27599-4105	

</TABLE>

XXIV. SEVERABILITY

In the event that a court of competent jurisdiction holds any provision of this Agreement to be invalid, such holding shall have o effect on the remaining provisions of this Agreement, and they shall continue in full force and effect.

XXVII. SURVIVAL OF TERMS

The provisions of Articles 6,7,8,9,13,14,17,18,19,21,22, and 23 shall survive the expiration or termination of this Agreement.

IN WITNESS WHEREOF, both University and Licensee have executed this Agreement, in duplicate originals, by their respective officers hereunto duly authorized, the day and year of last signature below. Inventor has likewise indicated his acceptance of the terms hereof by signing below.

THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL

Francis J. Meyer, Ph.D.
Associate Vice Provost
Technology Development

Date: _____

BOSTON BIOMEDICA, INC.

Richard T. Schumacher
President and CEO

Date: _____

INVENTOR

Dr. Kuo-Hsiung Lee

Date: _____

Appendix A

Inventions, Inventors, and Patent Rights

Status of Patent Portfolio for BBI/K.H. Lee Collaboration

April 1999

<TABLE>
<CAPTION>

SKG7F Ref. / UNC Ref.	Serial No./ Patent No.	Filing Date/ Issue Date	Continuation Date	Named Inventors [affiliation]	Subject Matter / Status
1589.0030000 ORS 93-16	Appl. No. 08-142,992	10/29/93		Lee, Kuo-Hsiung [UNC] Cosentino, Mark [BBI] Manak, Mark [BBI Snider, Jim [BBI] Li, Huang [UNC] Thomas, Lee [UNC] Kashiwada, Yoshiki [UNC]	SUKSDORFIN ANALOGS, COMPOSITIONS THEREOF AND METHODS FOR MAKING AND USING THEREOF INCLUDING TREATMENT OF RETRO VIRAL RELATED PATHOLOGIES * Abandoned in favor of 1589.0030001
1589.0030001 ORS 93-16	Appl. No. 08/235,852	4/24/94	CIP of 08/142,992	Same as the .0030000	SUKSDORGIN ANALOGS, COMPOSITIONS THEREOF AND METHODS FOR MAKING AND USING THEREOF INCLUDING TREATMENT OF RETRO VIRAL RELATED PATHOLOGIES * Abandoned (claims prosecuted in 1589.0030003) * Stat. Bar 11/21/95 missed. (Response to Restriction Requirement)
1589-003PC01 ORS 93-16	Appl. No. PCT/US94/12630 WO 95/29920	11/1/94	Related to 08/235,852	Same as the .0030000	KHELLACTONE DERIVATIVES AND RELATED COMPOUNDS, PROCESS FOR THEIR PREPARATION AND THEIR USE AS ANTIVIRAL AND IMMUNOSTIMULATING AGENTS * Abandoned, did enter national Phase

</TABLE>

Appendix A

Inventions, Inventors, and Patent Rights

Status of Patent Portfolio for BBI/K.H. Lee Collaboration
April 1999

<TABLE>
<CAPTION>

SKG7F Ref. / UNC Ref.	Serial No./ Patent No.	Filing Date/ Issue Date	Continuation Date	Named Inventors [affiliation]	Subject Matter / Status
1589.0030002 ORS 93-16	Appl. No. 08/392,558 Patent No. 5,637,589	02/21/95 06/10/97	CIP of 08/235,852; which is a CIP of 08/142,992	Lee, Kuo-Hsiung Cosentino, Mark Snider, Jim Li, Huang Thomas, Lee Kashiwada, Yoshiki	SUKSDORFIN ANALOGS, COMPOSITIONS THEREOF AND METHODS FOR MAKING AND USING THEREOF * Claims to lactam derivatives, Formula III, where X is NH. * Maintenance Fees Due: 1st - 12/10/00 2nd - 12/10/04 3rd - 12/10/08
1589-0030003 ORS 93-16	Appl. No. 08/462,280 Patent No. 5,726,204.	06/05/95 03/10/98	CON of 08/392,558; which is a CIP of 08/235,852; which is a CIP of 08/142,992	Xie, Lan [UNC] Snider, Jim Li, Huang Thomas, Lee Kashiwada, Yoshiki Lee, Kuo-Hsiung Cosentino, Mark	SUKSDORGIN ANALOGS, COMPOSITIONS THEREOF AND METHODS FOR MAKING AND USING THEREOF * Claims to lactone derivatives, Formula I and Formula III, where X is NH. * Maintenance Fees Due:

1st - 09/10/01
2nd - 09/10/05
3rd - 09/10/09

</TABLE>

Appendix A

Inventions, Inventors, and Patent Rights

Status of Patent Portfolio for BBI/K.H. Lee Collaboration
April 1999

<TABLE>
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SKG7F Ref. UNC Ref.	Serial No./ Patent No.	Filing Date/ Issue Date	Continuation Date	Named Inventors [affiliation]	Subject Matter / Status
1589.0030004 ORS 93-16	Appl. No. 08/604,305	02/21/96 12/08/98	CON of 08/462,280 which is CON of 08/392,558	Lee, Kuo-Hsiung Cosentino, Mark Xie, Lan Manak, Mark	SUKSDORFIN ANALOGS, COMPOSITIONS THEREOF AND METHODS FOR MAKING AND USING THEREOF * Claims to asymmetric synthesis of suksdorfin analogs. * Maintenance Fees Due: 1st - 12/10/01 2nd - 12/08/05 3rd - 12/08/09
1589.0030005 ORS 93-16	Appl. No. 09/207,500	12/08/98	CON of 08/604,305, which is CON of 08/462,280, which is CON of 08/392,558	Lee, Kuo-Hsiung Cosentino, Mark Xie, Lan Manak, Mark Snider, Jim Li, Huang Thomas, Lee Kashiwada, Yoshiki	SUKSDORGIN ANALOGS, COMPOSITIONS THEREOF AND METHODS FOR MAKING AND USING THEREOF * Declaration Filed 02/28/99 * Notice to File Missing Parts filed 02/28/99 * Information Disclosure Statement 03/08/99 * Stat bar 7/30/99

</TABLE>

Appendix A

Inventions, Inventors, and Patent Rights

Status of Patent Portfolio for BBI/K.H. Lee Collaboration
April 1999

<TABLE>
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SKG7F Ref. UNC Ref.	Serial No./ Patent No.	Filing Date/ Issue Date	Continuation Date	Named Inventors [affiliation]	Subject Matter / Status
1589.003PC04 OTD 93-16	Appl. No. PCT/US96/02441	02/21/96	Claims benefit of Appl. No. 08/392,558	Same as the .0030005	SUKSDORFIN ANALOGS, COMPOSITIONS THEREOF, AND METHODS FOR MAKING AND USING THEREOF * National Phase entered in Canada and Europe * Petition for examination due 02/21/03
1589-003CA04 ORS 93-16	Appl. No. 2,213,519 PCT/US96/2441	02/21/96	National Phase of		SUKSDORFIN ANALOGS, COMPOSITIONS THEREOF, AND METHODS FOR MAKING AND USING THEROF * national application filed 08/21/97

* petition for examination due 2/21/03

1589.003EP04 Appl. No. 02/21/96 National Phase SUKSDORFIN ANALOGS, COMPOSITIONS
ORS 93-16 96906599.4 of THEREOF, AND METHODS FOR MAKING AND
PCT/US96/02441 USING THEREOF

* National application filed and
examination requested 09/19/97

</TABLE>

Appendix A

Inventions, Inventors, and Patent Rights

Status of Patent Portfolio for BBI/K.H. Lee Collaboration
April 1999

<TABLE>
<CAPTION>

SKG7F Ref. Serial No./ Filing Date/ Continuation Named Inventors Subject Matter / Status
UNC Ref. Patent No. Issue Date Date [affiliation]

<S> <C> <C> <C> <C> <C>
1589.0040000 Appl. No. 06/05/95 Cosentino, Louis BETULINIC ACID AND DIHYDROBETULINIC
ORS 95-25 08/463,071 10/21/97 Lee,Kuo-Hsiung ACID DERIVATIVES AND USES THEREFOR
Patent No. Manak, Mark
5,679,828 Kashiwada, Yoshiki * Maintenance Fees Due:
Fumio, Hashimoto 1st - 04/21/01
[UNC] 2nd - 04/21/05
3rd - 04/21/09

1589.004PC00 Appl. No. 06/05/96 Priority to Same as the .0040000 BETULINIC ACID AND DIHYDROBETULINIC
ORS 95-25 PCT/US96/09485 U.S. ACID DERIVATIVES AND USES THEREFOR
08/463,071

* national Phase entered in Canada
and EPO

1589.004CA00 Appl. No. 06/05/96 National Phase Same as the .0040000 BETULINIC ACID AND DIHYDROBETULINIC
ORS 95-25 2,223,513 of ACID DERIVATIVES AND USES THEREFOR
PCT/US96/09485

* National application filed 11/20/97
* Petition for examination due 06/05/03

</TABLE>

Appendix A

Inventions, Inventors, and Patent Rights

Status of Patent Portfolio for BBI/K.H. Lee Collaboration
April 1999

<TABLE>
<CAPTION>

SKG7F Ref. Serial No./ Filing Date/ Continuation Named Inventors Subject Matter / Status
UNC Ref. Patent No. Issue Date Date [affiliation]

<S> <C> <C> <C> <C> <C>
1589-004EP00 Appl. No. 06/05/96 National Phase Same as the .0040000 BETULINIC ACID AND DIHYDROBETULINIC
OTD 95-25 96922408.8 of ACID DERIVATIVES AND USES THEREFOR
PCT/US96/09485

* national application filed and
examination requested - 12/08/97
* Not filing in Hong Kong - 02/12/99

1589-0050000 Appl. No. 06/0795 Claims Manak, Mark BROMINATED HEXAHYDROXYBIPHENYL

ORS 92-34	08/477,939 Patent No. 5,612,341	03/18/97	Priority to U.S. 08/477,939	Kashiwada, Yoshiki Cosentino. Louis Lee, Kuo-Hsiung Xie, Lan Yung-Chi, Cheng [UNC] Xie, Jing-Xi [UNC] Kilkulskie, Robert [UNC]	DERIVATIVES * Maintenance Fees Due: 1st - 09/18/00 2nd - 09/18/04 3rd - 09/18/08
1589-005PC01	Appl. No. PCT/US96/10080	06/07/96	National Phase of PCT/US96/10080	Same as the .0050000	BROMINATED DEXAHYDROXYBIPHENYL DERIVATIVES * National Phase entered in Canada and Europe
1589.05CA01	Appl. No. 2,223,898	06/07/96	National Phase of PCT/US96/10080	Same as the .0050000	BROMINATED HEXAHYDROXYBIPHENYL DERIVATIVES * National application filed 11/21/97 * petition for examination due 6/7/03

Appendix A

Inventions, Inventors, and Patent Rights

Status of Patent Portfolio for BBI/K.H. Lee Collaboration
April 1999

SKG7F Ref. UNC Ref.	Serial No./ Patent No.	Filing Date/ Issue Date	Continuation Date	Named Inventors [affiliation]	Subject Matter / Status
1589.005EP00	Appl. No. 96921528.4	06/07/96		Same as the .0050000	BROMINATED HEXAHYDROXYBIPHENYL DERIVATIVES * national application filed and examination requested - 12/05/97
1589.0110000 OTD 99-95	Appl. No. 60/076,449	03/02/98	Provisional Application	Cosentino, Louis Lee, Kuo-Hsiung Sun, I-Chen [UNC] Wang, Hui-Kang [UNC]	ACYLATED BETULIN AND DIHYDROBETULIN DERIVATIVES, PREPARATION THEREOF AND USE THEREOF * filed non-provisional and foreign (PCT) on 03/02/99
1589.0110001	TBA	03/02/99 Priority to Appl. No. 60/076,449	Claims	Same as the .0110000	ACYLATED BETULIN AND DIHYDROBETULIN DERIVATIVES, PREPARATION THEREOF AND USE THEREOF
1589.011PC01	TBA	03/02/99 Priority to Appl. No. 60/076,449	Claims	Same as the .0110000	ACYLATED BETULIN AND DIHYDROBETULIN DERIVATIVES, PREPARATION THEREOF AND USE THEREOF

Appendix B

PERFORMANCE MILESTONES FOR EACH LICENSED COMOUNDS
BEING DEVELOPED IN AN INDIVIDUAL LICENSED FIELD

<TABLE>
<CAPTION>

MILESTONE	TIMEFRAME
<S>	<C>
IND	Filed Two years after the Effective Date of this Agreement, or designation by Licensee in accordance with Article 1.9 herein
NDA filed	Seven years after filing an IND
NDA approval	Two years after filing an NDA
First sale of Licensed Product	One year after NDA approval

</TABLE>

Exhibit 10.18

MdBio
GMP Manufacturing Incentive Program

AWARD, STOCK PURCHASE AND WARRANT AGREEMENT

This GMP MANUFACTURING AWARD, STOCK PURCHASE AND WARRANT AGREEMENT is made as of this 30th day of September, 1999, by and between MdBio, Inc., a Maryland non-stock, not-for-profit corporation ("MdBio") and Boston Biomedica, Inc., a Massachusetts corporation with its headquarters located in West Bridgewater, Massachusetts ("BBI").

BACKGROUND OF AGREEMENT

MdBio is a not-for-profit corporation qualified under the Internal Revenue Code Section 501(c)(3). One of its missions is to encourage the expansion of bioscience manufacturing in the State of Maryland. Consistent with this mission, MdBio has instituted its GMP Manufacturing Incentive Program (the "Program"), whereby MdBio invests in bioscience enterprises for the specific purpose of having the proceeds of such investment used for the manufacture, under GMP-compliant conditions, of bioscience products within the state of Maryland.

BBI would like to participate in the Program by having the proceeds derived from an investment by MdBio in BBI used for supporting the improvement of the GMP manufacturing capabilities at BBI Biotech Research Laboratories located in Gaithersburg, Maryland. These improvements will allow BBI to serve a greater variety of commercial clients, and will include the purchase of equipment to automate sample processing and quality control, as well as instrumentation for the measurement of buffer preparations and nucleic acid samples.

In consideration of the covenants contained herein, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Purchase and Sale of Shares.

1.1 Closing. The Closing on the transactions contemplated by this Agreement shall take place simultaneous with the execution and delivery of this Agreement (the "Closing").

1.2 Payment. At Closing, MdBio shall agree to pay to BBI the sum of One Hundred Seventy-five Thousand Dollars ($175,000) (the "Award").

1.3 Share Price. For the purposes of this Agreement, the "Share Price" of BBI common stock shall be defined as the average of the stock's closing price on the five trading days immediately preceding the Closing.

1.4 Stock Units/Unit Price. A "Stock Unit" shall be defined as consisting of one share of BBI common stock plus a warrant to purchase an additional share of BBI common stock under the conditions described in Section 1.5 below. The "Unit Price" shall be defined as the "Share Price" defined in Section 1.3 above plus One Dollar and Eighty-four Cents ($1.84).

1.5 Warrant. The warrant described in Section 1.4 shall be exercisable, in whole or in part, and from time to time over a four year period, commencing on the Closing date and bear customary terms and conditions concerning stock splits, dividends, etc. The exercise price of this warrant will be Ten Dollars ($10.00) per share.

1.6 Issuance of Units. In consideration for the Award, BBI shall deliver to MdBio at Closing the number of Stock Units equal to the quotient resulting from the division of One Hundred Seventy-five Thousand Dollars ($175,000) by the Unit Price, with the quotient rounded to the nearest whole number.

3. Representations and Warranties of BBI. BBI hereby represents and warrants as follows:

3.1 Organization. BBI is a corporation duly organized, validly existing and in good standing under the laws of the State of Massachusetts.

3.2 Authority Relative to this Agreement. BBI has the corporate power and authority to execute and deliver this Agreement. The execution and delivery by BBI of the Agreement, and the consummation of the transactions contemplated thereby, have been duly authorized by the Board of Directors of BBI. This Agreement, when executed and delivered by BBI, will constitute a valid and binding obligation of BBI, enforceable against BBI in accordance with its terms except as may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally or general principles of equity.

3.3 No Violation. The execution and delivery of this Agreement will not (a) violate any provisions of BBI's Amended and Restated Articles of Organization or Amended and Restated Bylaws, (b) result in a default or give rise to any right of termination, modification or acceleration under the provisions of any agreement or other instrument or obligation to which BBI is a party or by which BBI or its assets are bound, or (c) violate any law or regulation, or any judgment, order or decree of any court, governmental body, commission or agency applicable to BBI.

3.4 Informational Schedules. BBI agrees to provide MdBio with the following documents, either at the Closing or at its earliest convenience thereafter: 1) BBI's Amended and Restated Articles of Organization; 2) BBI's Amended and Restated Bylaws; 3) a list of all current BBI officers and members of its Board of Directors; and 4) BBI's most current Balance Sheet and Statement of Income at the time of Closing.

3.5 Litigation. There are no actions, suits, claims, investigations or proceedings pending or, to the knowledge of BBI, threatened against BBI which have or can reasonably be expected to have adverse effect on BBI or its assets.

3.6 Project Costs. The projected total cost of the improvements to BBI Biotech Research Lab's manufacturing capabilities contemplated under this agreement is $350,000. The Award therefore represents fifty percent (50%) of this cost.

4. Representations and Warranties of MdBio. MdBio hereby represents and warrants as follows:

4.1 Organization. MdBio is a corporation duly organized, validly existing and in good standing under the laws of the State of Maryland.

4.2 Authority Relative to this Agreement. MdBio has the corporate power and authority to execute and deliver this Agreement. The execution and delivery by MdBio of the Agreement, and the consummation of the transactions contemplated thereby, have been duly authorized by the Board of Directors of MdBio. This Agreement, when executed and delivered by MdBio, will constitute a valid and binding obligation of MdBio, enforceable against MdBio in accordance with its terms except as may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally or general principles of equity.

4.3 No Violation. The execution and delivery of this Agreement will not (a) violate any provisions of MdBio's Certificate of Incorporation or Bylaws, (b) result in a default or give rise to any right of termination, modification or acceleration under the provisions of any agreement or other instrument or obligation to which MdBio is a party or by which MdBio or its assets are bound, or (c) violate any law or regulation, or any judgment, order or decree of any court, governmental body, commission or agency applicable to MdBio.

4.4 Investment Intent; Accredited Investor; Legends. MdBio is purchasing or acquiring the Stock Units, and the shares of common stock and Warrants constituting the Stock Units, for its own account for investment and not with a present view to, or for sale in connection with, any distribution thereof in violation of the Securities Act of 1933, as amended (the "Act"), MdBio represents and warrants that MdBio: (a) is experienced in the evaluation of

businesses similar to BBI, (b) has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in BBI, (c) has the ability to bear the economic risks of an investment in BBI, (d) has been furnished with or has had access to such information as is specified in subparagraph (b)(2) of Rule 502 promulgated under the Act and has carefully reviewed and understood such information, (c) has been afforded the opportunity to ask questions of and to receive answers from BBI and to obtain any additional information necessary to make an informed investment decision with respect to an investment in BBI, and (f) is an "Accredited lnvestor~', as such term is defined in subparagraph (a) of Rule 501 promulgated under the Act. MdBio hereby consents to the imposition of a legend substantially similar to the following on each certificate representing the shares of common stock and Warrants constituting Stock Units and , unless registered under the Act pursuant to Section 5.2, below, each certificate for shares of common stock issued upon exercise of the Warrants, and MdBio agrees to abide by the restrictions contained therein:

> "[This Warrant has] (The shares represented by this certificate have) not been registered under the Securities Act of 1933, as amended (the "Act") and may not be sold, transferred, pledged, hypothecated or assigned unless registered under the Act or an opinion of counsel, satisfactory to the corporation, is obtained to the effect that such sale, transfer or assignment is exempt from the registration requirements of the Act."

MdBio acknowledges that unless the shares of common stock issuable upon exercise of the Warrants have been registered under the Act pursuant to Section 5.2, below, each representation and warranty made by MdBio in this Section 4.4 must be made by MdBio again at the time of each exercise of the Warrants, and the exercise of the Warrants shall be conditioned and subject to such representation and warranty.

4.5 Restricted Securities. MdBio understands that the Stock Units, and the shares of common stock and Warrants constituting the Stock Units, have not been registered under the Act by reason of a specific exemption from the registration provisions of the Act which depends upon, among other things, the bona fide nature of MdBio's investment intent as expressed herein. MdBio acknowledges that the Stock Units, and the shares of common stock and Warrants constituting the Stock Units and, unless registered under the Act pursuant to Section 5.2.1 below, the shares of common stock issuable upon exercise of the Warrants, when received, must be held indefinitely unless they are subsequently registered under the Act or an exemption from such registration is available. MdBio has been advised of or is aware of the provisions of Rule 144 promulgated under the Act, which rule permits limited resale of securities purchased in a private placement subject to the satisfaction of certain conditions contained therein.

5. Additional Covenants.

5.1 Maryland Manufacturing. For a period commencing from the date hereof until the fifth (5th) anniversary of the Closing (the "Commitment Period"), BBI (or its successors) shall cause the manufacturing activities of BBI Biotech Research Labs to take place in the State of Maryland (for the purposes of this agreement, "manufacturing activities" shall mean production of virus and bacteria for use in BBI's controls and panels, as well as quality control testing for human pathogens using nucleic acid methodology).

BBI shall promptly notify MdBio in writing of its election to perform any of these manufacturing activities outside Maryland during the Commitment Period (the "Election Notice"). The Election Notice shall be provided to MdBio from time to time and shall provide BBI's good faith estimate of the cost of out-of-state manufacturing as compared to manufacturing conducted in Maryland during the same period. Should BBI elect to incur more than 50% of its costs for these activities outside the State of Maryland during the Commitment Period, then MdBio shall have an option to sell the Stock Units defined in Section 1.4 back to BBI for a purchase price equal to $175,000 plus compound interest at the rate of 15% per annum from the Closing.

5.2 "Piggy-Back" Rights. In the event of a public offering or other registration of BBI's stock, MdBio shall enjoy and be entitled to standard piggyback registration rights granted by BBI to any other shareholder holding shares as of the date of this agreement and on terms no less favorable than

granted to any such shareholder.

6. Miscellaneous.

6.1 Integration. This Agreement constitutes the entire understanding of the parties as to the subject matter and supersedes all prior understandings and agreements between the parties and their representatives.

6.2 Amendment and Waiver. This Agreement may be amended, modified, supplemented or changed in whole or in part only by a written agreement making express reference to this Agreement that is executed by all parties hereto. Any of the terms and conditions of this Agreement may be waived in whole or in part, but only by a written agreement making express reference to this Agreement and executed by the party against whom the waiver is asserted.

6.3 Binding Agreement and Successors. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and upon each of their respective successors and permitted assigns.

6.4 No Assignment. This Agreement may not be assigned, nor any obligations delegated, in whole or in part, without the express prior written consent of the parties hereto, with such consent in all cases to be conditioned upon assignee's agreement to be bound by the terms and conditions of this Agreement.

6.5 Notices. Any notice, request, instruction or other document or communication required or permitted to be given under this Agreement shall be in writing and shall be deemed to be given upon (I) delivery in person, (ii) three (3) business days after being deposited in the mail, first class postage prepaid, for mailing by certified or registered mail, (iii) one day after being deposited within an overnight courier, charges prepaid for next day delivery, or (iv) when transmitted by facsimile, upon receipt of a facsimile confirmation by the intended recipient, with a copy simultaneously sent as provided in clauses (ii) or (iii), in every case addressed as follows (or at such other persons or addresses as may be specified from time to time pursuant to a notice sent in accordance with this section):

Notice to MdBio should be delivered or mailed to:
MdBio, Inc.
Attention: Executive Director
1003 W. 7th Street, Suite 202
Frederick, Maryland 21701
Facsimile: 800-863-5994

Notices to BBI should be delivered or mailed to:
BBI, Inc.
Attention: President
375 West Street
West Bridgewater, MA 02379-1040
Facsimile: 508-580-1110

6.6 Section Headings. The section headings contained in this Agreement and the exhibits are for convenience of reference only and shall not limit or otherwise affect the meaning or interpretation of this Agreement or exhibits or any of their terms or conditions.

6.7 Governing Law. This Agreement shall be governed by and construed under the laws of the State of Maryland, excluding its choice of law provisions.

6.8 Courts. Any dispute arising from the interpretation or operation of this Agreement shall be resolved in the courts of the State of Maryland, and the parties hereby consent to and elect, and waive any objection to, the jurisdiction of courts within the State of Maryland, waiving all objections as to venue or forum non conveniens or similar objections in the event of litigation.

6.9 Counterparts. This Agreement may be signed in any number of duplicate originals with the same effect as if the signature to each original were on the

same instrument.

IN WITNESS WHEREOF, the parties have executed this Agreement, effective as of the year and day first above written.

MdBio, Inc.	BBI, Inc.
By: _____	By: _____
C. Robert Eaton	Richard T. Schumacher
Executive Director	Chairman & CEO

TNL6-99

THIS LEASE, Made this 30th day of September, 1999, by and between MIE Properties, Inc., as agent for owner, herein called "Landlord", and BBI BIOTECH RESEARCH LABORATORIES, INC., herein called "Tenant".

WITNESSETH, that in consideration of the rental hereinafter agreed upon and the performance of all the conditions and covenants hereinafter set forth on the part of the Tenant to be performed, the Landlord does hereby lease unto the said Tenant, and the latter does lease from the former approximately 35,560 square feet at the following premises: 5107 PEGASUS COURT, SUITE A - M , FREDERICK, MD 21704 or the term of SEVEN (7) years beginning on the 1ST day of DECEMBER, 1999, and ending on the 30TH day NOVEMBER, 2006 at and for the annual rental of $257,810.00, payable in advance on the FIRST day of each and every month during the term of this lease in equal monthly installments of $21,484.17. Said rental shall be paid to MIE PROPERTIES, INC., 5104 PEGASUS COURT, FREDERICK, MARYLAND 21704 or at such other place or to such appointee of the Landlord, as the Landlord may from time to time designate in writing.

THE TENANT COVENANTS AND AGREES WITH THE LANDLORD AS FOLLOWS:

1. To pay said rent and each installment thereof as and when due without setoff or deduction.

RENTAL ESCALATION

2. Beginning with the first anniversary of the commencement date of the lease term and each annual anniversary hereafter throughout the remainder of the lease and renewal term if any, the annual rent shall be increased by an amount equal to three percent (3%) of the previous year's rent, which sum shall be payable in equal monthly installments in advance as hereinafter set forth.

USE

3. To use and occupy the leased premises solely for the following purposes: A BIOLOGICAL SPECIMEN REPOSITORY, REAGENT REPOSITORY, BIOTECHNOLOGY REPOSITORY, AND BIOTECHNOLOGY LABORATORY MANUFACTURING FACILITY WITH ANCILLARY OFFICES.

ADDITIONAL RENT

4. A. UTILITIES

Tenant shall apply for and pay all costs of electricity, gas, telephone and other utilities used or consumed on the premises, together with all taxes, levies or other charges on such utilities. Tenant agrees to pay as additional rent, Tenant's prorata share of the water and sewer service charges, chargeable to the total building in which the premises are located. However, if in Landlord's sole judgement, the water and sewer charges for the premises are substantially higher than normal due to Tenant's water usage, then Tenant agrees that it will,

upon written notice from Landlord, install a water meter at Tenant's expense and thereafter pay all water charges for the premises based on such meter readings.

B. TAXES

The premises covered by this lease form approximately 100% of the total premises owned by the Landlord at this location. The Tenant shall pay to the Landlord, as additional rent, 100% of the Real Estate taxes that may be levied or assessed by lawful taxing authorities against the land, buildings and improvements on the property. If this lease shall be in effect for less than a full fiscal year, the Tenant shall pay a pro rata share of the increased taxes based upon the number of months that this lease is in effect. If any refund attributable to the Lease term is received after Lease termination, Landlord will forward the refund to Tenant. This obligation

shall survive termination of the lease. Said taxes shall include, but not by way of limitation, all paving taxes, and any and all benefits or assessments which may be levied on the premises hereby leased but shall not include the United States Income Tax, or any State or other income tax upon the income or rent payable hereunder. Landlord agrees to appeal the taxes upon Tenant's written request and Landlord's reasonable tax appeal costs would be paid by Tenant.

C. COMMON AREA

For each full or partial calendar year during the lease Term, Tenant shall pay to Landlord as Additional Rent "Tenant's Proportionate Share" of the Common Area Expenses (Tenant's proportionate share will be 100%. For the purposes of this section, Common Area Expenses shall be defined as one hundred percent (100%) of the total cost and expense incurred by or on behalf of Landlord in each calendar year in operating, maintaining, and repairing (which includes replacements, additions, and alterations) of Common Areas of the building. These include, without limitation, a) the cost of maintaining and repairing, all service pipes, electric, gas and water lines and sewer mains leading to and from the premises, b) all costs incurred in painting, resurfacing, and landscaping; c) all costs for repairs and improvements, line painting and striping, lighting, removal of snow, grass cutting, cleaning of parking areas; d) all costs incurred in maintaining, repairing and replacing the paving, parking areas, curbs, gutters, sidewalks, and steps; e) all costs for repairs and improvements to roof and exterior walls; and f) management fees (management fees shall not exceed those customarily charged by building managers of similarly sized and located industrial parks), overhead (directly attributable to management to this particular building) and reasonable expenses. Landlord shall cap increases on all controllable expenses with the exception of snow removal at five percent (5%) per year cumulative.

Exclusions to the above: a) commissions or advertising costs; b) costs of sale, financing, and refinancing; c) legal expenses not specifically for Tenant; d) costs of enforcement of Leases; e) ground rents; f) fines or penalties of

any kind or nature, unless directly resulting from a default by Lease; g) costs of any services provided to any Tenant in the project, and not made available to you on the same basis; h) damage and repairs necessitated by the negligence or willful misconduct of the Landlord; i)any amount paid to the Landlord, the management agent or any affiliate of either of them, to the extent in excess of that negotiable on an arm's length basis; j) any expense which under generally accepted accounting principals, should be capitalized, except as specifically permitted.)

Not later than March of each year, Landlord shall provide a line-item statement (the "Expense Statement") of the costs and expenses actually paid by Landlord to operate and maintain the Property during the immediately preceding calendar year and Tenant's pro rata share thereof . Within 60 days after Tenant's receipt of any Expense Statement, Tenant may notify Landlord that it desires to audit such Expense Statement (the "Audit Notice"). Such audit shall be conducted at Tenant's sole cost and expense within a reasonable time after delivery to Landlord of the Audit Notice. If such audit discloses an error, Landlord shall credit against the next installment(s) of Basic Monthly Rent due and payable, any overpayment by Tenant, or Tenant shall pay to Landlord, with the next installment of Basic Monthly Rent due and payable, any deficiency, as the case may be; provided, however, that if an overpayment by Tenant occurs with respect to the last Lease Year, the overpayment (and hereinafter described audit reimbursement, if applicable) shall be refunded to tenant within 30 days after same is determined (and this obligation shall survive termination of the Lease) and , provided further, that if such audit discloses an error which varies by more than ten percent from Landlord's calculation, Landlord shall reimburse Tenant for its reasonable costs incurred in conducting the audit.

MUNICIPAL REGULATING

5. To observe, comply with and execute at its expense, all laws, orders, rules, requirements, and regulations of the United States, State, City or County of the said State, in which the lease premises are located, and of any and all governmental authorities or agencies and of any board of

fire underwriters or other similar organization, respecting the premises hereby leased and the manner in which said premises are or should be used by the Tenant.

Tenant shall have the right to, in good faith, contest its obligation to comply with any law, rule, order, ordinance or regulation of any municipality, county, state or federal government, or of any department or bureau of any of them, or of any other governmental authority having jurisdiction over the Premises and /or the Property, by appropriate legal proceedings, and Tenant may postpone compliance with such law, rule, order, ordinance or regulation so long as such postponement does not subject Landlord, Tenant, the Property or the Premises to the imposition of any penalty, fine, charge, interest, cost or the like, or to civil or criminal prosecution, or expose Landlord or Tenant to a claim of negligence or willful misconduct because of such non-compliance, or cause the Premises or any other portion of the Property to be condemned or vacated, and if such

legal proceedings do not operate to postpone enforcement of the law, rule, order, ordinance or regulation in question, Tenant shall take whatever steps are necessary to comply with such law, rule, order, ordinance or regulation during the pendency of the contest and to prevent the imposition of any penalty, fine, charge, interest, cost or the like against Landlord, Tenant, the property and /or the Premises because of Tenant's failure to comply with the law, rule, order, ordinance or regulation in question during the pendency of such contest; in addition, if required by Landlord, Tenant shall furnish to Landlord a surety company bond, cash deposit or other security reasonably satisfactory to Landlord as security for cost of complying with the law, rule, order, ordinance or regulation in question and /or the payment of any post-contest penalties, fines, charges, interest, costs and the like which may arise or be imposed or assessed against Landlord, Tenant, the Property and /or the Premises because of Tenant's commencement of the contest and /or failure to comply with the requirement in question promptly after the conclusion of such contest; and provided, further, that upon the termination of any such legal proceedings, Tenant shall comply with the determination arising therefrom within the period of time necessary to prevent the imposition of any penalty, fine, charge, interest, cost or the like against Landlord, Tenant, the Property and/or the Premises because of any post-contest non-compliance.

ASSIGNMENT AND SUBLET

6. Not to assign this lease, in whole or in part, or sublet the leased premises, or any part or portion thereof, or grant any license or concession for any part of the premises, without the prior written consent of the Landlord which consent shall not be unreasonably withheld, delayed or conditioned. If such assignment or subletting is permitted, Tenant shall not be relieved from any liability whatsoever under this lease. The Landlord shall be entitled to fifty percent (50%) of any additional considerations over and above those stated in this lease, which are obtained in or for the sublease and/or assignment. No option rights can be assigned or transferred by the Tenant to an assignee or subtenant without the prior written consent of the Landlord. Landlord's permission shall not be required for any assignment or sublet to any of Tenant's successors, partners, affiliates or subsidiaries resulting from a merger, acquisition or consolidation. Tenant shall have the right to retain one hundred percent (100%) of all profits from any sublease or assignment to a related successor, partner, affiliate or subsidiary.

INSURANCE

7. That the Tenant will not do anything in or about said premises that will contravene or affect any policy of insurance against loss by fire or other hazards, including, but not limited to, public liability now existing or which the Landlord may hereafter place thereon, or that will prevent Landlord from procuring such policies in companies acceptable to Landlord. Tenant will do everything reasonably possible, and consistent

with the conduct of Tenant's business to obtain the greatest possible reduction in the insurance rates on the premises hereby leased, or for the building of which the premises hereby leased are a part. The Tenant further agrees to pay, as part of and in addition to the next due monthly rental:

a) its prorata share (100%) of the premium of any insurance on the premises hereby leased or for the building of which the premises hereby leased are apart;

b) any increase in premium on the amount of such insurance that may be carried by Landlord on all or any part of the premises or the property resulting from the activities carried on by Tenant in or at the Premises or property resulting from the activities carried on by Tenant in or at the Premise, regardless of whether Landlord has consented to the same.

c) all insurance policies obtained by either Landlord or Tenant pursuant to the terms of this Lease shall provide that the insurer(s) issuing such insurance policy(s) waive(s) all right of recovery by way of subrogation against Landlord or Tenant, as the case may be, in connection with any loss or damage covered by such policy; provided, however, that said waiver shall not be required if it has the effect of invalidating any insurance coverage of Landlord or Tenant, as the case may be, in which event, the party whose insurance policy would otherwise be invalidated by reason of such waiver shall name the other as an additional insured, as its interest may appear, under the policy in question (and the cost of any additional premium arising as a result thereof shall be paid to the policyholder by the party named as the additional insured.)

ALTERATIONS

8. (a) That the Tenant will not make any alterations in addition to original improvements to the premises without the prior written consent of the Landlord, which consent will not be unreasonably withheld. Landlord's consent shall not be required for any interior non-structural cosmetic alterations. If the Tenant shall desire to make any such alterations, plans for the same shall first be submitted to the Landlord for approval, and the same shall be performed by the Tenant at its own expense, Tenant agrees that all such work shall be done in a good and workmanlike manner, that the structural integrity of the building shall not be impaired, that no liens shall attach to the building by reason thereof, and that all alterations shall be in accordance with all applicable codes.

(b) The Tenant agrees to obtain at the Tenant's expense all permits pertaining to the alterations. The Tenant also agrees to obtain, prior to commencing to make such alterations, and to keep in full force and effect at all time while such alterations are being made, all at the Tenant's sole cost and expense, such policies of insurance pertaining to such alterations and/or to the making thereof as the Landlord reasonably may

request or require the Tenant to obtain, including, but not limited to, public liability and property damage insurance, and to furnish the Landlord evidence satisfactory to the Landlord of the existence of such insurance prior to the Tenant's beginning to make such alterations.

(c) Any such alterations shall become the property of the Landlord as soon as they are affixed to the premises and all rights, title and interest therein of the Tenant shall immediately cease, unless otherwise agreed to by Landlord in writing. The Landlord shall have the sole right to collect any insurance for any damage of any kind caused by any alterations or improvements placed upon the said premises by the Tenant. If the making of any such alterations, or the obtaining of any permits therefore shall directly or indirectly result in a franchise, minor privilege or any other tax or increase in tax, assessment or increase in assessment, such tax or assessment shall be paid, immediately upon its levy and subsequent levy, by the Tenant. Notwithstanding the foregoing, the following are excluded: Tenant's freezers, generators, flammable storage tanks, bulk tanks and fuel tanks.

(d) Landlord shall elect in writing, at the time of consent, that all or part of any alterations installed by Tenant shall remain, or be removed by the Tenant, at its own expense, before the expiration of its tenancy.

MAINTENANCE

9. The Tenant will, during the term of this lease, keep said demised premises and appurtenances (including interior and exterior windows, interior

and exterior doors, interior plumbing, heating, ventilating and air conditioning (HVAC), interior electrical or replacement works thereof) in good order and condition and will make all necessary repairs or replacement thereof. The Landlord does, however, give a 90 day warranty on all of the above mentioned items. Tenant will be responsible for all exterminating services, except termites, required in the premises. If the Tenant does not make necessary repairs 15 days after receiving written notice from the Landlord of the need to make a repair, the Landlord may proceed to make said repair and the reasonable cost of said repair will become part of and in addition to the next due monthly rental. The Tenant agrees to furnish to the Landlord, at the expense of the Tenant, within 30 days of occupancy, a copy of an executed and paid for annual maintenance contract on all heating and air conditioning equipment with a reputable company acceptable to the Landlord, which acceptance shall not be unreasonable withheld or delayed, and said contract will be kept in effect during the term of the lease at the expense of the Tenant. The Landlord will make all necessary structural repairs to the exterior masonry walls and roof of the demised premises, after being notified in writing of the need for such repairs, provided the necessity for such repairs was not caused by the negligence or misuse

of Tenant, its employees, agents or customers. The Tenant will, at the expiration of the term or at the sooner termination thereof by forfeiture or otherwise, deliver up the demised premises in the same good order and condition as they were at the beginning of the tenancy, reasonable wear and tear excepted.

DEFAULT

10. If the Tenant shall fail to pay said rental or any other sum required by this lease to be paid by Tenant and such failure shall continue for 5 days after written notice thereof to Tenant, the Landlord shall have along with any and all other legal remedies the immediate right to make distress therefore, and upon such distress, in the Landlord's discretion, this tenancy shall terminate. In case the Tenant shall fail to comply with any of the other provisions, covenants, or conditions of this lease, on its part to be kept and performed, and such default shall continue for a period of twenty (20) days after written notice, (which period shall be extended if Tenant is diligently pursuing cure but the same is impractical in sixty (60) days) thereof shall have been given to the Tenant by the Landlord, and/or if the Tenant shall fail to pay said rental or any other sum required by the terms of this lease to be paid by the Tenant, then, upon the happening of any such event, and in addition to any and all other remedies that may thereby accrue to the Landlord, the Landlord may do the following:

1. LANDLORD'S ELECTION TO RETAKE POSSESSION WITHOUT TERMINATION OF LEASE. Landlord may retake possession of the leased premises without being deemed to have accepted a surrender thereof, and without terminating this Lease.

If Landlord retakes possession of the Leased Premises or if this Lease is terminated as a result of Tenant's default and vacated by Tenant, Landlord shall take commercially reasonable action to relet the Premises in order to mitigate its damages provided, however, that in attempting to mitigate its damages, as aforesaid, (I) Landlord may, in its sole, absolute and subjective discretion, relet the Premises for a shorter or longer period of time than the Term of this Lease and may subdivide same into smaller leasable space units, make any necessary repairs or alterations, (ii) the terms of any reletting may include a reasonable amount of free rent, and (iii) if other space in buildings owned by Landlord in the Complex in which the Building is located is vacant at the time of the termination of the Lease as a result of Tenant's default, or subsequently becomes vacant before Landlord has relet the Premises, Landlord shall not be obligated to relet the Premises before letting such other vacant space. If the rent received from such reletting does not at least equal the rent and other sums payable by Tenant hereunder, Tenant shall pay and satisfy the deficiency between the amount of rent and other sums so provided in this Lease and the rent received through reletting the leased premises; and, in addition, Tenant shall pay reasonable expenses in connection with any such reletting, including, but not limited to, the cost of renovating, altering, and

decorating for any occupant, leasing commissions paid to any real estate

broker or agent, and reasonable attorney's fees incurred.

2. LANDLORD'S ELECTION TO TERMINATE LEASE. Landlord may terminate the Lease and forthwith repossess the leased premises and be entitled to recover as damages a sum of money equal to the total of the following amounts:

a. any unpaid rent or any other outstanding monetary obligation of Tenant to Landlord under the Lease;

b. the balance of the rent and other sums payable by Tenant for the remainder of the lease term to be determined as of the date of Landlord's re-entry;

c. damages for the wrongful withholding of the leased premises by Tenant;

d. all reasonable legal expenses, including attorney's fees, expert and witness fees, court costs and other costs incurred in exercising its rights under the Lease;

e. all reasonable costs incurred in recovering the leased premises, restoring the leased premises to good order and condition, and all commissions incurred by Landlord in reletting the leased premises; and

f. any other reasonable amount necessary to compensate Landlord for all detriment caused by Tenant's default.

DAMAGE

11. a) If the Premises are damaged, in part or whole, from any cause and can be substantially repaired and restored within 60 days from the date of the damage using standard working methods and procedures, Landlord shall, at its expense, promptly and diligently repair and restore the premises to substantially the same condition as existed before the damage. Such repair and restoration shall be made within 60 days from the date of the damage unless a delay is due to causes beyond Landlord's control, due allowance being made for the time for settlement of fire insurance claims.

If the Premises cannot be repaired and restored within the 60-day period, then either party may, within 10 days after determining that the repairs and restoration cannot be made within 60 days (as prescribed in paragraph (b) below, terminate this Lease by giving notice to the other party. In any event, if the Premises are not repaired and restored within 60 days from the date of the damage, then Tenant may terminate the Lease at any time after the sixtieth day until the Premises are, in fact, repaired and restored.

b) If the parties cannot agree in writing whether the repairs and restoration described in paragraph (a) above will take more than 60 days to accomplish, then the determination will be submitted to binding arbitration in the State of Maryland under the construction rules of the American Arbitration Association.

BANKRUPTCY

12. In the event of the appointment of a receiver or trustee for the Tenant by any court, Federal and State, in any legal proceedings under any provisions of the Bankruptcy Act, if the appointment of such receiver or such trustee is not vacated within 60 days, or if said Tenant be adjudicated bankrupt or insolvent, or shall make an assignment for the benefit of its creditors, then and in any of said events, the Landlord may, at its option, terminate this tenancy by ten days written notice, and re-enter upon said premises.

POSSESSION/BENEFICIAL OCCUPANCY

13. The Landlord covenants and agrees that possession of said premises shall be given to the Tenant as soon as said premises are ready for occupancy. In case possession, in whole or in part, cannot be given to the Tenant on or before the commencement date of this lease, the Landlord agrees

to abate the rent proportionately until possession is given to said Tenant and Tenant agrees to accept such pro rata abatement as liquidated damages for the failure to obtain possession.

If Tenant occupies any portion of the premises prior to tender of possession thereof by Landlord, such partial occupancy shall be deemed to be beneficial occupancy and a pro rata rent shall be due and payable as to that portion of the premises so occupied, immediately upon Tenant's occupancy. Such occupancy by Tenant and rent thereby due shall not depend on official governmental approval of such occupancy, state of completion of building, availability or connection of utilities and services as but not limited to sewer, water, gas, oil, or electric. No rent credit shall be given because of lack of utilities or services unless caused by the gross negligence of the Landlord.

SIGNS, ETC.

14. The Tenant covenants and agrees that:

a. Subject to paragraph 14 (d) below, it will not place or permit any signs, lights, awnings or poles on or about the exterior of said premises without the prior permission, in writing, of the Landlord and in the event such consent is given, the Tenant agrees to pay any minor privileges or other tax therefore;

b. The Landlord, at Landlord's option, may immediately remove and dispose of any of the unauthorized aforementioned items at the expense of the Tenant and said cost shall become part of and in addition to the next due monthly rental. Tenant further covenants and agrees that it will not paint or make any changes in or on the outside of said premises without permission of the Landlord in writing. The Tenant agrees

that it will not do anything on the outside of said premises to change the uniform architecture, paint or appearance of said building, without the consent of the Landlord in writing.

c. The Landlord shall have the right to place a "For Rent" sign on any portion of said premises for ninety (90) days prior to termination of this lease and to place a "For Sale" sign thereon at any time.

d. Landlord shall allow Tenant to install an exterior monument sign in front of the building. Tenant shall use Landlord standards and specifications for construction of sign and location to be approved by Landlord.

EXTERIOR OF PREMISES

15. The Tenant further covenants and agrees not to put any items on the sidewalk or parking lot in the front, rear, or sides of said building or block said sidewalk, and not to do anything that directly or indirectly will take away any of the rights of ingress or egress or of light from any other tenant of the Landlord or do anything which will, in any way, change the uniform and general design of any property of the Landlord of which the premises hereby leased shall constitute a part of unit. Tenant will also keep steps free and clear of ice, snow and debris. Notwithstanding the foregoing, Tenant shall be allowed to place outdoor generators and the like on the concrete pad behind Tenant's space and this pad must be fenced and screened.

WATER DAMAGE

16. The Tenant covenants and agrees that the Landlord, except during the 90 day warranty period, shall not be held responsible for and the Landlord is hereby released and relieved from any liability by reason of or resulting from damage or injury to person or property of the Tenant or of anyone else, directly or indirectly caused by (a) dampness or water in any part of said premises or in any part of any other property of the Landlord or of others and/or (b) any leak or break in any part of said premises or in any part of any other property of the Landlord or of others or in the pipes of the plumbing or heating works thereof, unless the damage is due to Landlord's negligence.

LIABILITY

17. Landlord shall not be liable to the Tenant for any loss or damage to the Tenant or to any other person or to the property of the Tenant or of any other person unless such loss or damage shall be caused by or result from negligent act of omission or commission on the part of the Landlord or any of its agents, servants, or employees. The said Tenant shall indemnify and save harmless the Landlord, its successors or assigns, from all claims and demands of every kind, that may be brought against it, them or any of them for or on account of any damage, loss or injury to persons or property in or about the leased premises during the continuance of this tenancy, or during the time of any alterations, repairs, improvements or restorations to said property by the

Tenant and arising in connection therewith, and from any and all costs, expenses and other charges, including reasonable attorney's fees, which may be imposed upon the Landlord, its successors or assigns, or which it or they may be obligated to incur in consequence thereof. Tenant shall also carry and pay for a general liability policy naming Landlord as an additional insured, with combined single limits of not less than $2,000,000, and will furnish Landlord with certificate of same showing a 10 day notice of cancellation clause.

RIGHT OF ENTRY

18. It is understood and agreed that the Landlord, and its agents, servants, and employees, including any builder or contractor employed by the Landlord, shall have, and the Tenant hereby gives them and each of them, the absolute, and unconditional right, license and permission, at any and all reasonable times, and for any reasonable purpose whatsoever, to enter through, across or upon the premises hereby leased or any part thereof, and, at the option of the Landlord, to make such reasonable repairs to or changes (said changes shall not materially, adversely affect Tenant's use, occupancy or employment of the premises) in said premises as the Landlord may deem necessary or proper. Landlord shall notify Tenant 24 hours before entering premises except in the case of an emergency.

EXPIRATION

19. It is agreed that the term of this lease expires on NOVEMBER 30, 2006 without the necessity of any notice by or to any of the parties hereto. If the Tenant shall occupy said premises after such expiration, it is understood that, in the absence of any written agreement to the contrary, said Tenant shall hold premises as a Tenant from month to month, subject to all the other terms and conditions of this lease, at 150% the highest monthly rental installments reserved in this lease; provided that the Landlord shall, upon such expiration, be entitled to the benefit of all public general or public local laws relating to the speedy recovery of the possession of lands and tenements held over by Tenant that may be now in force or may hereafter be enacted.

Prior to lease expiration, Tenant agrees to schedule an inspection with Landlord to confirm that the leased premises will be in proper order at expiration, including but not limited to lighting, mechanical, electrical and plumbing systems.

CONDEMNATION

20. If the entire Premises, or any portion of the Building required for reasonable access to, or the reasonable use of, the Premises, are taken by eminent domain, this Lease shall automatically end on the earlier of:

(i) The date title vests; or

(ii) The date Tenant is dispossessed by the condemning authority.

If the taking of a part of the Premises materially interferes with Tenant's ability to continue its business operations in substantially the same manner and space, then Tenant may end this Lease on the earlier of:

(i) The date when title vests;

(ii) the date Tenant is dispossessed by the condemning authority; or

(iii) 30 days following notice to Tenant of the date when vesting or dispossesion is to occur.

If there is a partial taking and this Lease continues, then the Lease shall end as to the part taken and Basic Annual Rent and Additional Rent shall abate in proportion to the part of the Premises taken and Tenant's pro rata share shall be equitably reduced.

If this Lease is not terminated, then Landlord, at its expense, shall promptly repair and restore the Premises to the condition that existed immediately before the taking, except for the part taken, in order to render the Premises a complete architectural unit, but only to the extent of the:

(i) Condemnation award received for the damage; and

(ii) the Initial Leasehold Improvements.

If part or all of the Premises are condemned for 60 days or less (a "Temporary Condemnation"), this Lease shall remain in effect. If part or all of the Premises are condemned for a period of time exceeding 60 days Tenant shall have the right, at its sole election, to terminate this Lease. If Tenant elects to terminate this Lease, notice of its election shall be given to Landlord within 15 days following the sixtieth day after such condemnation and this Lease shall end on the date specified in the termination notice, which date shall be at least 30, but not more than 45, days after the date notice is given. In the event of a Temporary Condemnation, or in the event Tenant does not elect to terminate this Lease following a condemnation for a period of time exceeding 60 days, Rent and Tenant's obligations for the part of the Premises taken shall abate in proportion to the part of the Premises that Tenant is unable to use in the conduct of its business, such abatement to begin on the date the Tenant determines it is unable to use the portion of the Premises so taken in the conduct of its business until the date Tenant determines it is again able to use the portion of the Premises so taken in the conduct of its business, and Landlord shall receive the entire award attributable to such condemnation.

SUBORDINATION

21. It is agreed that Landlord shall have the right to place a mortgage or deed of trust on the premises and this lease shall be subordinate to any such mortgage or deed of trust whether presently existing or hereafter placed on the premises, and Tenant agrees to execute any and all documents assisting the effectuating of said subordination. Furthermore, if any person or entity shall succeed to all or part of Landlord's interest in the leased

premises, whether by purchase, foreclosure, deed in lieu of foreclosure, power of sale, termination of lease, or otherwise, Tenant shall automatically attorn to such successor in interest, which attornment shall be self operative and effective upon the signing of this lease, and Tenant shall execute such other agreement in confirmation of such attornment as such successor in interest shall reasonably request. Landlord will use best efforts to obtain a non-disturbance agreement from its Construction Loan Lender. Upon the replacement of the construction loan with a permanent mortgage lender, Landlord shall provide Tenant with a non-disturbance agreement.

NOTICE

22. Any written notices required by this lease shall be deemed sufficiently given, if hand delivered, or sent via first class U.S. mail or by nationally recognized overnight courier service.

Any notice required by this lease is to be sent to the Landlord at:

5104 PEGASUS COURT, SUITE A
FREDERICK, MARYLAND 21704

Any notice required by this is to be sent to the Tenant at:

ATTN: PAUL DERITO
217 PERRY PARKWAY
GAITHERSBURG, MD 20877

REMEDIES NOT EXCLUSIVE

23. No remedy conferred upon Landlord shall be considered exclusive of any other remedy, but shall be in addition to every other remedy available to Landlord under this Lease or as a matter of law. Every remedy available to Landlord may be exercised concurrently or from time to time, as often as the occasion may arise. Tenant hereby waives any and all rights which it may have to request a jury trial in any proceeding at law or in equity in any court of competent jurisdiction.

SECURITY DEPOSIT AND FINANCIAL STATEMENTS

24. A security deposit of $21,484.17 is required to accompany this lease, when submitted for approval by Landlord, subject to all the conditions of the security deposit agreement attached. If this lease is not approved by the Landlord within 30 days of its submission to the Landlord, the security deposit will be refunded in full. The security deposit shall be held in an interest bearing account at 3% per annum. If requested by Landlord's mortgagee, Landlord shall have the right to require annual financial statements for the Tenant and/or any Guarantor of this Lease. Tenant or Guarantor shall provide written answers to any questions from Landlord which are related to Tenant's financial statements or provide written projections on Tenant's business, if the

financials are unacceptable to Landlord. Landlord agrees not to disclose Tenant's financial statement to any other party except mortgagee without first obtaining written consent.

FINAL AGREEMENT

25. This lease contains the final and entire agreement between the parties hereto, and neither they nor their agents shall be bound by any terms, conditions or representations not herein written.

LEGAL EXPENSE

26. In the event, to enforce the terms of this lease, either party files legal action against the other, and is successful in said action, the losing party agrees to pay all reasonable expenses to the prevailing party, including the reasonable attorney's fee incident to said legal action. In the event that the Landlord is successful in any legal action filed against the Tenant, the Landlord's reasonable attorney fees incident to said legal action shall become part of and in addition to the then due monthly rent.

LAND

27. It is agreed that the demised premises is the building area occupied by the Tenant and only the land under that area.

RELOCATION

28. (Intentionally deleted)

ENVIRONMENTAL REQUIREMENTS

29. Tenant hereby represents and warrants to Landlord that no materials will be located on the premises which, under federal, state, or local law, statute, ordinance or regulations; or court or administrative order or decree; or private agreement (hereinafter collectively known as, "Environmental Requirements"), require special handling in collection, storage, treatment, or disposal.

Notwithstanding the foregoing, or anything else to the contrary elsewhere contained in this Lease, Landlord acknowledges and agrees that the use of the Premises will entail a biological specimen repository, reagent repository, biotechnology repository and laboratory, and reagent manufacturing and that the repository will, from time to time, contain material that is biohazardous and infectious to humans. Tenant covenants to

comply with all applicable Environmental Requirements.

In addition, Landlord acknowledges and agrees that Tenant may store and use hazardous materials used in the ordinary course of business (e.g., cleaning fluids, photocopier toner and the like), provided same are stored, used and disposed of in accordance with all applicable Environmental Requirements.

Tenant hereby covenants and agrees that if at any time it is determined that there are materials located on the premises which, under any Environmental Requirements, require special handling in collection, storage, treatment, or disposal, Tenant shall, within thirty (30) days after written notice thereof, take or cause to be taken, at its sole expense, such actions as may be necessary to comply with all Environmental Requirements. If Tenant shall fail to take such action, Landlord may make advances or payments towards performance or satisfaction of the same but shall be under no obligation to do so; and all sums so advanced or paid, including all sums advanced or paid in connection with any judicial or administrative investigation or proceeding relating thereto, including, without limitation, reasonable attorney's fees, fines, or other penalty payments, shall be at once repayable by Tenant and shall bear interest at the rate of four percent (4%) per annum above the Prime rate from time to time as published by the Wall Street Journal, from the date the same shall become due and payable until the date paid. Failure of Tenant to comply with all Environmental Requirements shall constitute and be a default under this Lease Agreement.

Tenant will remain totally liable hereunder regardless of any other provisions which may limit recourse.

SEVERABILITY

30. In case any one or more the provisions contained in this Lease shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Lease, but this Lease shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

LATE CHARGE

31. If the Tenant shall fail to pay when due, the said rental or any other sum required by the terms of this lease to be paid by the Tenant, then, upon the happening of any such event, and in addition to any and all other remedies that may thereby accrue to the Landlord, the Tenant agrees to pay to the Landlord a late charge of 5% of the monthly account balance. The late charge on the base rent accrues after 10 days of the due date and said late charges shall be collectible as additional rent.

In the event Tenant's rent is received fifteen days after due date, Landlord shall have option to require the rental payment be made with a certified or cashier's check.

QUIET ENJOYMENT

32. Tenant, upon paying the minimum rent, additional rent and other charges herein provided and observing and keeping all of its covenants, agreements and conditions in this Lease, shall quietly have and enjoy

the Premises during the Term of this Lease without hindrance or molestation by anyone claiming by or through Landlord; subject, however, to all exceptions, reservations and conditions of this Lease.

LANDLORD'S WORK

33. The leased premises shall contain only the following items at the expense of the Landlord:

a. Landlord shall deliver the Leased premises as two demised areas, phase I and phase II. Phase I shall be 16,560 square feet and delivered in a "warm, lit conditioned shell" as more fully outlined on Exhibit "B" attached hereto. Landlord shall contribute $210,000.00 toward the phase I improvement, and

Tenant shall pay all cost above the initial $210,000.00. Landlord shall be required to cap its general contractor's fees for general conditions at nine percent (9%), overhead fee to five percent (5%) and a supervisory fee of five percent (5%).

b. Phase II shall be 19,000 square feet of cold dark shell with temporary heat.

WINDOW COVERINGS

34. The Tenant covenants and agrees not to install any window covering other than a one-inch horizontal mini-blind of an off-white color unless approved in writing by the Landlord.

OPTIONS

35. Provided Tenant is not then in default hereunder, Tenant may extend the term of this lease and as it may be amended from time to time, for ONE (1) further successive period of FIVE (5) years each, by notifying Lessor in writing of its intention to do so at least six (6) months prior to the expiration of the then current term. The annual rental for each succeeding extension shall be at a Lease rate equal to the then prevailing fair market rental rate for Tenants in comparable industrial buildings in the Frederick sub-market using the "three-broker" method.

a. If the option to extend the term of this Lease is not timely exercised, the unexercised option to extend shall automatically become null and void.

b. The right to extend the term of this Lease may be exercised only by the undersigned Tenant for its continued use and occupancy of the Leased Premises and only if it is in possession of the Leased Premises and operating a permitted use when it exercises the right. No such right shall be assignible even though Landlord may have approved an assignment of this Lease. However, if Tenant assigns this Lease, with Landlord's consent, to any corporation into which or with which Tenant merges or consolidates and/or to any parent, subsidiary, or affiliated corporation, the assignee may exercise such right to renew.

c. If Tenant shall default under the Lease, all unexercised rights to extend the term of the Lease shall automatically be extinguished and become null and void.

RULES AND REGULATIONS

36. The Tenant shall at all times comply with the Rules and Regulations attached hereto. The Landlord shall make a reasonable effort to enforce the Rules and Regulations equitably against all tenants of the Property. Landlord shall not discriminate against Tenant in the enforcement of rules and regulations.

ESTOPPEL CERTIFICATE

37. Tenant and Landlord shall, at any time during the term of this Lease or any renewal thereof, upon request of either party, execute, acknowledge, and deliver to the other party or its designee, a statement in writing, certifying that this lease is unmodified and in full force and effect if such is the fact that the same is in full force.

ADDITIONAL RENT

38. All sums of money required to be paid by Tenant to Landlord pursuant to the terms of this Lease, unless otherwise specified herein, shall be considered additional rent and shall be collectible by Landlord as additional rent, in accordance with the terms of this Lease.

EXCULPATION CLAUSE

39. Neither Landlord nor any principal, partner, member, officer, director, trustee or affiliate of Landlord (collectively, "Landlord Affiliates") shall have any personal liability under any provision of this Lease. If Landlord defaults in performing any of its obligations hereunder,

Tenant shall look solely to Landlord's equity in the Property to satisfy Tenant's remedies on account therefore. If Tenant obtains a money judgment against Landlord, Tenant shall be entitled to have execution upon such judgment only upon Landlord's equity in the Property, and not on Landlord or Landlord Affiliates.

INDUSTRIAL USER SURVEY

40. Tenant agrees to complete the attached Exhibit "A" known as the Frederick County Bureau of Water and Sewer Industrial User Waste and Slug Potential Survey.

RIGHT OF FIRST OFFERING

41. Tenant shall have an on going right of first offer throughout the primary Lease term for any relet space that comes available in 5108, 5103 and/or 5111 Pegasus Court. Landlord shall notify Tenant in writing when space becomes available and Tenant will have seven (7) business days to accept or decline the space. If Landlord does not receive written notice from Tenant of acceptance or declining then Landlord will

assume Tenant has declined the offer. The rate for the expansion space shall be at fair market value for comparable industrial buildings in the Frederick sub-market by using the "three broker" method.

PARKING

42. The parking for the building is common parking with a 4.00 per 1000 sq.ft. ratio. If Tenant requires additional parking then Tenant may pay the Landlord to stripe an area behind the lease premise and designate it for the Tenant.

AS WITNESS THE HANDS AND SEALS OF THE PARTIES HERETO THE DAY AND YEAR FIRST ABOVE WRITTEN:

WITNESS: TENANT:

By: (Seal)
- ---------- ----------
Printed Name:

Title:

Date:

WITNESS: LANDLORD: MIE Properties, Inc.

By: (Seal)
- ---------- ----------
Printed Name:

Title:

Date:

SECURITY DEPOSIT AGREEMENT

This is NOT a rent receipt.

Date:_____

Received from BBI BIOTECH RESEARCH LABORATORIES, INC., the amount of $21,484.17, as security deposit for premises 5107 PEGASUS COURT, SUITES A - M, FREDERICK, MD 21704.

Landlord agrees that, subject to the conditions listed below, this security deposit (with interest @ 3% per annum) will be returned in full

within thirty (30) days of vacancy.

Tenant agrees that this security deposit may not be applied by Tenant as rent and that the full monthly rent will be paid on or before the first day of every month, including the last month of occupancy. Tenant further agrees that a mortgagee of the property demised by the lease to which this Security Deposit Agreement is appended and/or a mortgagee thereof in possession of said property and/or a purchaser of said property at a foreclosure sale shall not have any liability to the Tenant for this security deposit.

SECURITY DEPOSIT RELEASE PREREQUISITES:

1. Full term of lease has expired.
2. No damage to property beyond fair wear and tear.
3. Entire leased premises clean and in order.
4. No unpaid late charges or delinquent rents, or other delinquent sums payable by Tenant.
5. All keys returned.
6. All debris and rubbish and discards placed in proper rubbish containers.
7. Forwarding address left with Landlord.

AS WITNESS THE HANDS AND SEALS OF THE PARTIES HERETO THE DAY AND YEAR FIRST ABOVE WRITTEN:

WITNESS: TENANT:

By: (Seal)
- ---------- ----------

WITNESS: LANDLORD: MIE Properties, Inc.

By: (Seal)
- ---------- ----------

RULES AND REGULATIONS

1. The Common Facilities, and the sidewalks, driveways, and other public portion of the Property (herein "Public Areas") shall not be obstructed or encumbered by Tenant or used for any purpose other than ingress or egress to and from its premises, and Tenant shall not permit any of its employees, agents, licensees or invitees to congregate or loiter in any of the Public Area. Tenant shall not invite to, or permit to visit its premises, persons in such numbers or under such conditions as may interfere with the use and enjoyment by others of the Public Areas. Landlord reserves the right to control and operate, and to restrict and regulate the use of, the Public Areas and the public facilities, as well as facilities furnished for the common use of the tenants, in such manner as it deems best for the benefit of the tenants generally.

2. No bicycles, animals (except seeing eye dogs) fish or birds of any kind shall be brought into, or kept in or about any premises within the Building.

3. No noise, including, but not limited to, music, the playing of musical instruments, recordings, radio or television, which, in the judgment of Landlord, might disturb other tenants in the Building, shall be made or permitted by any tenant.

4. Tenant's premises shall not be used for lodging or sleeping or for any immoral or illegal purpose.

5. Tenant shall not cause or permit any odors of cooking or other processes, or any unusual or objectionable odors, to emanate from its premises which would annoy other tenants or create a public or private nuisance.

6. Plumbing facilities shall not be used for any purpose other

than those for which they were constructed; and no sweepings, rubbish, ashes, newspapers or other substances of any kind shall be thrown into them.

7. Tenant agrees to keep the Leased Premises in a neat, good and sanitary condition and to place garbage, trash, rubbish and all other disposables only where Landlord directs.

8. Landlord reserves the right to rescind, alter, waive or add, any Rule or Regulation at any time prescribed for the Building when, in the reasonable judgement of Landlord, Landlord deems it necessary or desirable for the reputation, safety, character, security, care, appearance or interests of the Building, or the preservation of good order therein, or the operation or maintenance of the Building, or the equipment thereof, or the comfort of tenants or others in the Building. No recission, alteration, waiver or addition of any Rule or Regulation in respect of one tenant shall operate as a recission, alteration or waiver in respect of any other tenant.

9. Non-compliance with any of the above rules and regulations may, in Landlord's sole judgement, result in a monetary fine not to exceed $25 per day. Landlord will notify Tenant of such violations and Tenant will have five (5) days to rectify, after which, daily fine will be applied.

10. Tenant shall not place storage trailers or other storage containers of any type outside Tenant's premises.

11. Tenant shall not park on a permanent or semi-permanent basis, any trailer behind dock doors or in any other location outside Tenant's premises for the purpose of storage.

Exhibit 10.20

SPONSORED RESEARCH AGREEMENT

RESEARCH AGREEMENT, effective on the date of last signature below, by and between The University of North Carolina at Chapel Hill, having an address at 308 Bynum Hall, Chapel Hill, North Carolina (the "University"), and Boston Biomedica, Inc., a corporation existing under the laws of the State of Massachusetts, and having its principal place of business at 375 West Street, West Bridgewater, MA 02379 (the "Sponsor"),

WITNESSETH:

WHEREAS, in pursuit of its educational purposes, which include research and training, the University undertakes scholarly research and experimental activities in a variety of academic disciplines; and

WHEREAS, the Sponsor has funded, wishes to continue to fund, and desires that the University undertake, a research program in accordance with said research and training mission, which research program is described more fully in Exhibit A, attached hereto and made a part hereof (hereinafter, the "Research"); and

WHEREAS, in furtherance of its scholarly research and instructional interests, the University is willing to undertake the Research upon the terms and conditions set forth below;

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, the parties hereto agree as follows:

1. Scope of Research

During the term of this Agreement, the University shall use its best efforts to perform the Research, as described in Exhibit A, attached hereto and made a part hereof. Notwithstanding the foregoing, the University makes no warranties or representations regarding its ability to achieve, nor shall it be bound hereby to accomplish, any particular research objective or results.

2. Personnel

The Research shall be performed by, and under the supervision and direction of, Dr. Kuo-Hsiung Lee, who shall be designated the Principal Investigator, together with such additional personnel as may be assigned by the University. Sponsor shall be notified as to the identity of the additional personnel and any personnel changes during the course of the contract. If for any reason the Principal Investigator is unable to continue to serve as the Principal Investigator, and a successor acceptable to both the University and the Sponsor is not available, this agreement may be terminated as provided in Article 10.2.

3. University policies and Procedures

All Research conducted hereunder shall be performed in accordance with established University policies and procedures, including, but not limited to, policies and procedures applicable to research involving human subjects, laboratory animals, and hazardous agents and materials.

4. Budget and Payment Schedules

4.1 The Sponsor agrees to pay University, direct and indirect costs, in connection with the Research in accordance with the Budget attached hereto as Exhibit B. This budget covers all work described in Exhibit A, including the discovery and development of novel compounds against HIV and one additional virus or disease selected by Sponsor. In addition to the Research described in Exhibit A, these funds will allow the Principal Investigator to generate approximately 10 grams of each of four separate compounds, per year. If Sponsor wishes to generate additional quantities or additional compounds, other resources must be committed towards this effort. Sponsor, at its sole discretion, may choose to expand the research scope as follows:

<TABLE>
<CAPTION>

TYPE OF EXTENSION OF RESEARCH SCOPE	Additional Direct Costs Per Year
<S>	<C>
additional disease state (max. of two)	$50,000
additional bulk synthesis of compounds	$5,000-$7,500 (approximate)

</TABLE>

4.2 For the purposes of this Agreement, "disease state" shall mean an individual virus or disease (e.g. HIV, HCV, breast cancer, lymphoma, etc.) for which compounds are being designed, under the Research, to serve as therapeutic agents.

4.3 The University and Sponsor have agreed that the indirect cost rates for the Research shall be added to the direct costs listed above and shall be charged incrementally per year according to the following schedule

Year1: 10% Total Direct Costs
Year 2: 17.5% Total Direct Costs
Year 3: 25% Total Direct Costs
Option Year 1: 35% Total Direct Costs
Option Year 2: Full UNC Negotiated Rate

Any modifications to the above shall be made only upon completion of a written amendment to this Agreement executed by the University, the Sponsor, and the Principal Investigator.

4.4 The University may submit to the Sponsor at any time, and the Sponsor may at its discretion approve in writing, requests for additional funds. However, the Sponsor is not liable for any cost in excess of the amount specified herein, unless this Agreement is modified to indicate such in writing by both parties. All checks shall be made payable to The University of North Carolina at Chapel Hill, shall include reference to the University, Principal Investigator and his department, and shall be sent to: S. Kent Walker, 440 W. Franklin St., CB#1350, UNC-CH, Chapel Hill, NC 27599-1350. Payments shall be made in accordance with the following schedule: one-quarter (1/4) of the annual budget on the date of signing of the agreement, and equal quarterly payments thereafter for each funding year of the agreement.

5. Research Reports

The Principal Investigator shall furnish to the Sponsor during the term of his Agreement informal written reports at least twice per year regarding the progress of the Research. A final report setting forth the significant research findings shall be prepared by the Principal Investigator and submitted to the Sponsor within ninety (90) days following the expiration of the term of this Agreement or the effective date of early termination, as set forth in Article 10.

6. Publication

The University reserves, on behalf of the Principal Investigator and other University employees and / or students, the right to disseminate information, or to publish any material resulting from the Research without need for approval by the Sponsor. However, the University shall provide the Sponsor with a copy of any proposed publication forty-five (45) days in advance of the proposed publication date. The Sponsor may request, and the University shall agree to, a delay of such proposed publication for an additional period, not to exceed forty-five (45) days, in order to protect the potential patentability of any invention described therein. The Sponsor, at its election, shall be entitled to receive in any such publication an acknowledgment of its sponsorship of the Research. It is specifically agreed that nothing contained in this

agreement will interfere with the publication or oral defense of research theses and dissertations of graduate students.

7. Proprietary Information

7.1 University shall disclose any new invention under this Agreement to Licensee:
(a) within two months after the inventor discloses it to the University's Office of Technology Development.
(b) at least two months prior to any intended public disclosure of all or part of the invention; and
(c) at least two weeks prior to submission for publication of any manuscript or abstract which discloses all or part of the invention

7.2 The disclosure under Article 7.1 shall be in writing and shall be sufficiently complete in technical detail to convey a clear understanding, to the extent known at the time of the disclosure, of all attributes associated with the invention, such that a patent application with meaningful claims can be drafted. It should also indicate the earliest expected date of public disclosure of the invention.

7.3 The University will promptly inform Company of the submission of any abstract or manuscript for publication and its acceptance thereof.

7.4 The invention will not be publicly disclosed for 60 days after Company has received a description of the invention. Company shall remove any of its Confidential Information from the proposed public disclosure or file a patent application sufficiently covering the invention within this two month review period. If Company wishes to further delay publication in order to draft a thorough patent application describing the invention it must request such a delay to University in writing, and University's approval shall not be unreasonably withheld. In no way shall the total delay be more than ninety (90) days from the initial disclosure of invention to company except with the written mutual consent of both parties.

7.5 All confidential information of either party disclosed to the other party in connection with the Research hereunder will be treated by the receiving party as confidential and restricted in its use to only those uses contemplated by the terms of this Agreement. Any information which is to be treated as confidential must be clearly marked as confidential prior to transmittal to the other party. If such confidential information is disclosed orally, it shall be identified as being confidential at the time of disclosure, and shall thereafter be reduced to writing within 30 days, marked as confidential, and transmitted to the receiving party. The Sponsor may submit confidential information only to the Principal Investigator, who shall be free to refuse to accept such confidential information. The obligations of this paragraph shall survive and continue for three (3) years after termination of this Agreement. Specifically excluded from such confidential treatment shall be information which:
(a) as of the date of disclosure and / or delivery, is already known to the party receiving such information;

(b) is or becomes part of the public domain, through no fault of the receiving party;
(c) is lawfully disclosed to the receiving party by a third party who is not obligated to retain such information in confidence;
(d) is independently developed at the receiving party by someone not privy to the confidential information, or
(e) either party is required by law to provide.

8. Results of the Research

8.1 "New Invention or Discovery" shall mean any invention or discovery conceived or reduced to practice during and as a part of the Research performed pursuant to this Agreement by Institution's Principal Investigator, faculty, staff, employees, or students or jointly by such an individual or individuals with one or more employees of the Sponsor.

New Inventions or Discoveries made solely by Institution's Principal Investigator, faculty, staff, employees, or students shall be the sole property of the Institution. New Inventions or Discoveries made jointly by Institution's Principal Investigator, faculty, staff, employees, or students with one or more employees of the Sponsor shall be owned jointly by the Institution and the Sponsor. New Inventions or Discoveries made solely by employees of Sponsor shall be the sole property of Sponsor.

8.2 The University shall promptly disclose to the Sponsor in writing any New Invention or Discovery which is subject to this Agreement. To the extent that it has the legal right to do so, the University shall, upon request of the Sponsor, grant the Sponsor the first Option for an exclusive license to the University's right, title, and interest in any such New Invention or Discovery under an Exclusive License Agreement to be negotiated in accordance with the attached License Agreement and under terms no less favorable to the Sponsor than those in the attached License Agreement. Sponsor shall have six months to determine whether to exercise this Option. If Sponsor declines to exercise its option to any New Invention or Discovery University shall, at its own discretion, be free to license the University's right, title, and interest in such New Invention or Discovery to a third party, exclusively or non-exclusively.

9. Ownership of Property

Title to any equipment purchased or manufactured in the performance of the work funded under this agreement shall vest in the University.

10. Term and Termination

10.1 This Agreement shall be effective for three (3) years from the date of last signature below, with two additional one-year option periods that may be exercised by Sponsor by providing written notice to University within sixty (60) days of the termination date above. Notwithstanding the foregoing, this Agreement may be extended thereafter by mutual agreement of the parties in writing.

10.2 Notwithstanding the foregoing, this Agreement may be terminated by either party at any time upon sixty (60) days advance written notice to the other party, however, the provisions of paragraphs 7, 8, 9, 12, 14, 15, and 20 shall survive such termination. Upon receipt of notice of early termination from Sponsor, the University shall use its best efforts promptly to limit or terminate any outstanding commitments and to conclude the work. All costs associated with such termination shall be reimbursable, including, without limitation, all non-reimbursed costs and non-cancelable commitments incurred prior to the receipt of the notice of termination, such reimbursement together with other payments not to exceed the total estimated project cost specified in Article 4.

11. Notices

Any notices given under this Agreement shall be in writing and shall be deemed delivered when sent by first-class mail, postage paid, addressed to the parties as follows (or at such other addresses as the parties may notify each other of in writing):

The University of North Carolina at Chapel Hill:

Dr. Robert P. Lowman
Associate Vice Provost for Research
Office of Research Services
The University of North Carolina at Chapel Hill
CB#4100, 300 Bynum Hall
Chapel Hill, NC 27599-4100

Sponsor:

Richard T. Schumacher
President and CEO

12. Use of University Name

Sponsor shall not employ or use the name of the University in any promotional materials, advertising, or in any other manner without the prior express written permission of the University, except that Sponsor may, during the term of this Agreement, state that it is sponsoring the Research at the University. In no event shall the sponsoring of the Research be considered to be an endorsement by the University of any commercial product which may result, indirectly or directly, from the Research.

13. Relationship of the Parties

The University, for all purposes related to this Agreement, shall be deemed an independent contractor of the Sponsor, and nothing in this Agreement shall be deemed to create a relationship of employment or agency or to constitute the parties as partners or joint ventures.

14. Indemnification

14.1 The Sponsor agrees to defend, indemnify and hold harmless the University, its employees, students and agents from and against any and all liablility claims, lawsuits, losses, demands, damages, costs and expenses, arising directly or indirectly out of the Research as described in Exhibit A, or the design, manufacture, sale or use of any embodiment or manifestation of said Research regardless of whether any and all such liability, claims, lawsuits, losses, demands, damages, costs and expenses arise in whole or in part from the negligence of any of the indemnified parties. Notwithstanding the foregoing, the Sponsor will not be responsible for any liablility, claims, lawsuits, losses, demands, damages, costs, and expenses which arise solely from (a) the gross negligence or intentional misconduct of University or the Principal Investigator; and (b) actions by University or the Principal Investigator in violation of applicable laws or regulations. Notwithstanding any provisions herein to the contrary, and subject to the provisions of the N.C. Tort Claims Act, G.S. 143-291 et seq., the University shall indemnify the Sponsor for any claims for injuries to persons or property damage which occur on the University premises or premises under the exclusive control of the University.

14.2 The Sponsor agrees to provide a diligent defense against any and all liability, claims, lawsuits, losses, demands, damages, costs, and expenses, brought against the indemnified parties with respect to the subject of the indemnity contained in Section 14.1, whether such claims of actions are rightfully or wrongfully brought or filed.

14.3 The University, on behalf of its employees, students and agents wishing collectively to be indemnified as provided in Sections 14.1 and 14.2 shall:

(a) promptly after receipt of notice of any all liability claims, lawsuits, losses, demands, damages, costs and expenses, or after the commencement of any action, suit or proceeding giving rise to the right of idemnification, notify the Sponsor, in writing, of said liability, claims, lawsuits, losses, demands, damages, costs, and expense and send to the Sponsor a copy of all papers served on the indemnified party; the University's failure to notify the Sponsor will not relieve the Sponsor from any liability to the indemnified party; and

(b) permit the Sponsor to retain counsel of its choosing to represent the indemnified party (but in the event that the Sponsor does not select counsel to represent the indemnified party within ten (10) days, the indemnified party may select its own counsel, the fees and all costs of which counsel will be borne by the Sponsor); and

(c) subject to the statutory authority of the Attorney General of the

State of North Carolina, allow the Sponsor to retain exclusive control of any such liability, claims, lawsuits, losses, demands, damages, costs, and expenses, including the right to make any settlement, except that the Sponsor will not have the right to make any settlement or take any other action which would be deemed to confess wrongdoing by any of the indemnified parties or could reasonably be expected to have a negative effect on the reputation of one of the indemnified parties, without the prior written consent of University and the indemnified party involved.

15. No Warranties

The University makes no warranties, either express or implied, as to any matter, including, without limitation, the results of the research or any inventions or product, tangible or intangible, conceived, discovered or developed under this Agreement; or the merchantability or fitness for a particular purpose of the research results of any such invention or product. The University shall not be liable for any direct, consequential or other damages suffered by the Sponsor or by any Licensee or any others resulting from the use of the research results or any such invention or product.

16. Force Major

The University shall not be liable for any failure to perform as required by this Agreement, to the extent such failure to perform is caused by any reason beyond the University's control, or by reason of any of the following: labor disturbances or disputes of any kind, accidents, failure of any required governmental approval, civil disorders, acts of aggression, acts of God, energy or other conservation measures, failure of utilities, mechanical breakdowns, material shortage, disease, or similar occurrences.

17. Severability

In the event that a court of competent jurisdiction holds any provision of this Agreement to be invalid, such holding shall have no effect on the remaining provisions of this Agreement, and they shall continue in full force and effect.

18 Entire Agreement; Amendments

This Agreement and the Exhibits hereto contain the entire agreement between the parties. No amendments or modifications to this Agreement shall be effective unless made in writing and signed by authorized representatives of both parties.

19 Similar Research

Nothing in this Agreement shall be construed to limit the freedom of the University of one of its researchers who are participants under this Agreement, from engaging in similar research made under other grants, contracts or agreements with parties other than the Sponsor.

20. Transfer of Sponsorship

During the course of this agreement, the Sponsor may transfer its rights and obligations as Sponsor to a company formed by the Sponsor and in which the Sponsor has at least 40% ownership at the time of transfer, or another percent ownership interest agreed upon in writing by the Parties. Sponsor will notify the University and Principal Investigator in writing prior to any such transfer.

21. Governing Law

This Agreement shall be governed by and construed in accordance with the law of North Carolina.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement by their duly authorized officers or representatives.

THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL

SPONSOR

By: _____

Robert P. Lowman, Ph.D.
Associate Vice Provost
Office of Research Services

Date: _____

By:_____

Richard T. Schumacher
President and CEO

Date: _____

Consented to by Principal Investigator:

Signature: _____
Dr. Kuo-Hsiung Lee
Kenan Professor of Medicinal Chemistry

Date: _____

Exhibit A

The objectives of this Research shall be to (1) discover and develop novel compounds that have improved anti-HIV activity and activity against one additional virus or disease selected by Sponsor within the first two years of the Agreement; (2) design and synthesize analogs of compounds already discovered as a result of previous research paid for by Sponsor [e.g. compounds disclosed in the US Patent Nos. 5,612,341; 5,637,589; 5,679,828; 5,726,204, and 5,847,165; and in the US Patent Application entitled "Acylated Betulin and Dihydrobetulin Derivatives, Preparation Thereof and Use Thereof", Inventors: K-H Lee, I-C Sun, H-K Wang, and L.M. Cosentino]; and (3) synthesize gram-scale quantities of four compounds per year to undergo extensive testing. During the course of this research, the University will transfer to the Sponsor compounds synthesized under this Research Plan for testing by Sponsor. Sponsor may, at his own cost, have these compounds tested by contract testing organizations or collaborators. These tests may include screening the compounds against a variety of viruses in order to select the additional anti-viral target referred to above.

Sponsor may choose to direct research towards additional viruses and / or disease states (maximum of two) at any point during the Research. However, such research must be agreed upon by Sponsor and University prior to initiation of a new research plan, and the minimum cost for such research will be in accordance with Article 4 above. Sponsor may, at its own discretion, request additional compounds as discussed in research objective #3 (in this Exhibit A) above, provided that Sponsor pays all costs of the synthesis above and beyond the agreed-upon costs herein.

EXHIBIT B

<TABLE>
<CAPTION>

	Year 1	Year 2	Year 3	Combined
<S>	<C>	<C>	<C>	<C>
Salary + fringes for 2 post-docs @ 30,000	60,000	60,000	60,000	180,000
Salary + fringes for 2 graduate students @ 14,834	29,668	29,668	29,668	89,004
Tuition for two graduate students	18,332	18,332	18,332	54,996
Supplies, starting materials for four target compounds / year, miscellaneous expenses	42,000	42,000	42,000	126,000
TOTAL DIRECT COSTS	150,000	150,000	150,000	450,000
Indirect Costs (10% Yr 1, 17.5% Yr 2, 25% Yr 3	15,000	26,250	37,500	78,750
TOTAL COSTS	165,000	176,250	187,500	528,750

</TABLE>

CONTRACT NO. N01-AI-95381
BBI - BIOTECH RESEARCH LABORATORIES, INC.

DETAILED TABLE OF CONTRACT CONTENTS

<TABLE>
<S> <C>

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<S> <C>

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CONTRACT NO1-A1-95381
BBI - BIOTECH RESEARCH LABORATORIES, INC.

SECTION B - SUPPLIES OR SERVICES AND PRICES/COSTS

ARTICLE B.1. BRIEF DESCRIPTION OF SUPPLIES OR SERVICES

The purpose of this contract is to provide a specimen repository for domestic and international HIV epidemiology studies, HIV vaccine trials, and other clinical and prevention research studies supported by the DAIDS in the NIAID.

ARTICLE B.2. ESTIMATED COST AND FIXED FEE

a. The estimated cost of this contract is $9,154,511.

b. The fixed fee for this contract is $452,450. The fixed fee shall be paid in installments based on the percentage of completion of work, as determined by the Contracting Officer, and subject to the withholding provisions of the clauses ALLOWABLE COST AND PAYMENT and FIXED FEE referenced in the General Clause Listing in Part II, ARTICLE I.1. of this contract. Payment of fixed fee shall not be made in less than monthly increments.

c. The Government's obligation, represented by the sum of the estimated cost plus fixed fee, is $9,606,961.

d. Total funds currently available for payment and allotted to this contract are $1,295,817, of which $1,241,460 represents the estimated costs, and of which $54,357 represents the fixed fee. For further provisions on funding, see the LIMITATION OF FUNDS clause referenced in Part II, ARTICLE I.2. Authorized Substitutions of Clauses.

e. It is estimated that the amount currently allotted will cover performance of the contract through August 15, 2000.

f. Increments to be allotted to this contract are estimated as follows:

<TABLE>
<CAPTION>

FY	Period	Estimated Cost	Fixed Fee	Total Estimated Cost Plus Fee
<S>	<C>	<C>	<C>	<C>
1999	8/16/99-8/15/00	$1,241,460	$ 54,357	$1,295,817
2000	8/16/00-8/15/01	$1,027,597	$ 52,767	$1,080,364
2001	8/16/01-8/15/02	$1,242,260	$ 60,496	$1,302,756
2002	8/16/02-8/15/03	$1,280,768	$ 64,427	$1,345,195
2003	8/16/03-8/15/04	$1,340,291	$ 67,626	$1,407,917
2004	8/16/04-8/15/05	$1,399,171	$ 70,776	$1,469,947
2005	8/16/05-8/15/06	$1,622,964	$ 82,001	$1,704,965
	TOTAL	$9,154,511	$452,450	$9,606,961

</TABLE>

g. The Contracting Officer may allot additional funds to the contract without the concurrence of the Contractor.

ARTICLE B.3. PROVISIONS APPLICABLE TO DIRECT COSTS

a. ITEMS UNALLOWABLE UNLESS OTHERWISE PROVIDED

Notwithstanding the clauses, ALLOWABLE COST AND PAYMENT and FIXED FEE, incorporated in this contract, unless authorized in writing by the Contracting Officer, the costs of the following items or activities shall

be unallowable as direct costs:

(1) Acquisition, by purchase or lease, of any interest in real property;

(2) Special rearrangement or alteration of facilities;

(3) Purchase or lease of ANY item of general purpose office furniture or office equipment regardless of dollar value. (General purpose equipment is defined as any items of personal property which are usable for purposes other than research, such as office equipment and furnishings, pocket calculators, etc.);

(4) Travel to attend general scientific meetings;

(5) Foreign travel - See b(2) below ;

(6) Patient care costs;

(7) Accountable Government property (defined as both real and personal property with an acquisition cost of $1,000 or more and a life expectancy of more than two years) and "sensitive items" (defined and listed in the Contractor's Guide for Control of Government Property), 1990, regardless of acquisition value;

(8) Consultants; and

(9) Subcontract(s).

b. TRAVEL COSTS

(1) Domestic Travel

(a) Total expenditures for domestic travel (transportation, lodging, subsistence, and incidental expenses) incurred in direct performance of this contract shall not exceed $22,470 without the prior written approval of the Contracting Officer.

(b) The Contractor shall invoice and be reimbursed for all travel costs in accordance with Federal Acquisition Regulation (FAR) 31.205-46.

(2) Foreign Travel

Requests for foreign travel must be submitted at least six weeks in advance and shall contain the following: (a) meeting(s) and place(s) to be visited, with costs and dates; (b) name(s) and title(s) of Contractor personnel to travel and their functions in the contract project; (C) contract purposes to be served by the travel; (d) how travel of contractor personnel will benefit and contribute to accomplishing the contract project, or will otherwise justify the expenditure of NIH contract funds; (e) how such advantages justify the costs for travel and absence from the project of more than one person if such are suggested; and (f) what additional functions may be performed by the travelers to accomplish other purposes of the contract and thus further benefit the project.

(3) Government Discount Air Travel Rates

(a) To the maximum extent practicable consistent with travel requirements, the Contractor agrees to use the reduced air transportation rates and services provided through available Government discount air fares. These fares are available only for bona-fide employees' travel that is otherwise reimbursable as a direct cost pursuant to this contract. The objective is to achieve the lowest overall cost to the Contractor and, thus, to the Government. The Contractor shall submit written

requests to the Contracting Officer for authorization to use these rates. The request shall provide the full name of the traveler(s), the number of the contract for which the travel is being performed, the contract objective that is to be fulfilled, and the dates during which the travel is to occur. Contracting Officer approval, if given, will be on official agency letterhead so that

the letter can be presented to the airline as confirmation of the authorization.

(b) Nothing in this clause shall authorize transportation or services which are not otherwise reimbursable under this contract. Nothing in this clause requires air carriers to make available to the Contractor any government discount airfares.

ARTICLE B.4. ADVANCE UNDERSTANDINGS

Other provisions of this contract notwithstanding, approval of the following items within the limits set forth is hereby granted without further authorization from the Contracting Officer.

a. PRE-CONTRACT COSTS

Within the dollar limitation set forth under SECTION B, ARTICLE B.2., the Contractor shall be entitled to reimbursement for costs incurred during the period August 16, 1999 through August 31, 1999, in an amount not to exceed $50,000, which if incurred after this contract had been entered into would have been reimbursable under the provisions of this contract.

b. INDIRECT COSTS

Pending the establishment of final indirect cost rates for any period, billing and reimbursement shall be made on the basis of provisional billing rates set forth in the Negotiated Indirect Cost Rate Agreement of April 1, 1998.

c. SUBCONTRACT

To negotiate a cost type subcontract with Information Management Services, Inc. (IMS) for Computerized biological specimen inventory and tracking for an amount not to exceed $275,628. Award of the subcontract shall not proceed without the prior written approval of the Contracting Officer upon review of the supporting documentation as required by the Subcontracts clause of the General Clauses incorporated in this contract. (After written approval of the subcontract by the Contracting Officer, a copy of the signed, approved subcontract shall be provided to the Contracting Officer.)

d. USE OF SAMPLES/PRODUCTS RECEIVED UNDER THIS CONTRACT

The contractor agrees that samples/products received from/through the Government for utilization under this contract shall be used only for purposes required to fulfill the Statement of Work and for no other purpose, specifically not for manufacturing or selling in conjunction with its parent company.

e. CORRESPONDENCE PROCEDURES

To promote timely and effective administration, correspondence (except for invoices, technical progress reports/other deliverables) submitted under this contract shall be subject to the following procedures:

(1) Technical correspondence shall be addressed to the Project Officer with an information copy of the basic correspondence to the Contracting Officer. (As used herein, technical correspondence EXCLUDES correspondence which proposes deviations from or

modifications of contract requirements, terms or conditions)

(2) Other correspondence shall be addressed to the Contracting Officer, with an information copy of the basic correspondence to the Project Officer.

(3) Subject Line(s). All correspondence shall contain a subject line commencing with the contract number as illustrated below:

SUBJECT: Contract No. NO1-AI-95381
Request for Approval of

g. CONFIDENTIAL TREATMENT OF SENSITIVE INFORMATION

The Contractor shall guarantee strict confidentiality of the information/data that is provided by the Government during the performance of the contract. The Government has determined that the information/data that the Contractor will be provided during the performance of the contract is of a sensitive nature and can not be disclosed in any matter.

Disclosure of the information/data, in whole or in part, by the Contractor can only be made after the Contractor receives prior written approval from the Contracting Officer. Whenever the Contractor is uncertain with regard to the proper handling of information/data under the contract, the Contractor shall obtain a written determination from the Contracting Officer.

SECTION C - STATEMENT OF WORK

ARTICLE C.1. STATEMENT OF WORK

a. Independently and not as an agent of the Government, the Contractor shall furnish all the necessary services, qualified personnel, material, equipment, and facilities, not otherwise provided by the Government as needed to perform the Statement of Work SECTION J, ATTACHMENT 1 , dated August 16, 1999, attached hereto and made a part of this contract.

ARTICLE C.2. REPORTING REQUIREMENTS

a. TECHNICAL REPORTS

In addition to those reports required by the other terms of this contract, the Contractor shall prepare and submit the following reports in the manner stated below and in accordance with ARTICLE F.1. DELIVERIES of this contract:

1) Quarterly Progress Reports

By the fifteenth day of the month following the end of each quarter, the Contractor shall submit two (2) copies of a quarterly progress report as described below. The first reporting period shall consist of the first full three months of performance including any fractional part of the initial month (August 16, 1999 through November 30, 1999). One (1) copy shall be submitted to the Project Officer and one (1) copy to the Contracting Officer. A quarterly report is not due when an annual report is due. The quarterly report should be factual, concise, and consist of the following:

a) Title page containing:

(1) Contract number and title

(2) Sequence of report; (e.g., "Year 1, 2nd Quarterly Report")

(3) Period of performance being reported

(4) Contractor's name and address

(5) Date of submission

b) Reports shall include, but are not limited to the following information:

(1) A brief introduction covering the objective and scope of the contract effort.

(2) A description of the overall work accomplished during the quarter plus brief descriptions of shipping activity both into and out of the Repository, including specimen disbursement requests.

(3) A description of any technical or performance problems encountered and corrective actions planned or taken.

(4) An explanation of any differences between planned and actual progress.

(5) Selected other information as may be required by the Project Officer.

2) Annual Progress Report

Thirty (30) days after each anniversary date of the contract, the Contractor shall submit two (2) copies of an annual report. One (1) copy shall be submitted to the Project Officer and one (1) copy to the Contracting Officer. The annual report shall be factual and concise and summarize progress for the entire contract year, following the same format as for the Quarterly Progress Reports and shall take the place of the fourth Quarterly Progress Report each year. An annual report is not required when the final report is due.

3) Interim Reports

Upon request by the Project Officer, and within five working days of such a request, the Contractor shall provide an interim report to cover the period of the current week or latest 1 - 4 weeks, and describing:

a) the specific work accomplished and in progress
b) a summary of all shipping activity into and out of the Repository
c) a description of any technical or performance problems encountered and corrective actions planned or taken
d) estimated time taken to complete the work described
e) selected other items as required by the Project Officer

4) Final Report

The contractor shall submit two (2) copies of the final report, which will summarize the results of the entire contract work for the complete performance period. One (1) copy shall be submitted to the Project Officer and one (1) copy to the Contracting Officer. This report will follow the same format as for the Annual Progress Report and shall take the place of the last Annual Progress Report. It shall be in sufficient detail to explain comprehensively the results achieved and shall be submitted no later than the completion date of the contract.

5) Other Deliverables

a) The Contractor shall prepare a transition plan within 30

calendar days of award date.

b) The Contractor shall prepare a User Manual of SOPs, subject to Project Officer approval, for all aspects of specimen handling within 45 calendar days of award date.

c) By February 1, 2000, the Contractor shall prepare (in coordination with the Project Officer and other DAIDS cohorts) a Repository Management Plan, subject to Project Officer approval, which addresses issues of a proposed maximum capacity that the DAIDS Specimen Repository should maintain; criteria for determining which specimens are collected, stored, or discarded for each research study; availability/accessibility of specimens to the scientific community; quality control; and specific steps to institute the plan's targeted goals.

d) The Contractor, subject to Project Officer approval, shall deliver to the Government or its designee the following items by the completion date of the Contract:

(1) Stored specimens including those received by the Contractor from the Project Officer or designated investigators.
(2) A computer-generated listing of accurate and updated information on specimen inventory, including activities of the contractor, computerized data files, original data, and any necessary information related thereto;
(3) Labeled and inventoried paper files; and
(4) Government-owned equipment and specimen property.

b. Delivery of Reports

If the Contractor becomes unable to deliver the reports or other deliverables specified hereunder within the period of performance because of unforeseen difficulties, notwithstanding the exercise of good faith and diligent efforts in performance of the work, the Contractor shall give the Contracting Officer immediate written notice of anticipated delays with reasons therefore at the address given below.

1) Project Officer
ETB, VPRP, DAIDS, NIAID, NIH
6700-B Rockledge Drive, Room 4232, MSC 7628
Bethesda, Maryland 20892-7628

2) Contracting Officer
CMB, DEA, NIAID, NIH
6700-B Rockledge Drive, Room 2230, MSC 7612
Bethesda, Maryland 20892-7612

SECTION D - PACKAGING, MARKING AND SHIPPING

All Specimens under this contract shall be packaged, marked and shipped in accordance with Government specifications. Specifically, shipping containers must be used which comply with U.S. DOT or IATA regulations for infectious substances, styrofoam boxes, liquid nitrogen shipping containers, labeling material, shipping forms, and any other IATA requirements.

The contractor shall operate in accordance with the basic references and other modifications by the Public Health Service which include but are not limited to:

(1) Title 49 CFR Part 100-199 Transportation

(2) Title 42 CFR Part 71.54 and 72.3 Etiologic Agents, Hosts and Vectors; Interstate Shipment of Etiologic Agents

(3) Title 39 CFR Part 124 Postal Services

(4) International Air Transport Association (IATA), Dangerous Goods

Regulations 36th Edition 1995, and 1997 changes to the IATA Dangerous Good Regulations

(5) International Civil Aviation Organization (ICAO) Technical Instructions for the Safe Transportation of Dangerous Good by Air 1995-1996

(6) United Nations Recommendations on the Transport of Dangerous Good 8th Edition

All other deliverables required under this contract shall be packaged, marked and shipped in accordance with Government specifications. At a minimum, all deliverables shall be marked with the contract number and name. The Contractor shall guarantee that all required materials shall be delivered in immediate usable and acceptable condition.

SECTION E - INSPECTION AND ACCEPTANCE

a The Contracting Officer or the duly authorized representative will perform inspection and acceptance of materials and services to be provided.

b. For the purpose of this ARTICLE the Project Officer is the authorized representative of the Contracting Officer.

c. Inspection and acceptance will be performed at:

ETB, VPRP, DAIDS, NIAID, NIH

6700-B Rockledge Drive, Room 4232, MSC 7628
Bethesda, Maryland 20892-7628

Acceptance may be presumed unless otherwise indicated in writing by the Contracting Officer or the duly authorized representative within 30 days of receipt.

d. This contract incorporates the following clause by reference, with the same force and effect as if it were given in full text. Upon request, the Contracting Officer will make its full text available.

FAR Clause No. 52.246-5, INSPECTION OF SERVICES-COST REIMBURSEMENT (APRIL 1984).

SECTION F - DELIVERIES OR PERFORMANCE

ARTICLE F.1. DELIVERIES

a. Satisfactory performance of this contract shall be deemed to occur upon delivery and acceptance by the Contracting Officer, or the duly authorized representative, of the items specified in the Delivery Schedule which are described in SECTION C of this contract.

b. Deliveries required by the contractor shall be made f.o.b. destination as set forth in FAR 52.247-35, F.O.B. DESTINATION, WITHIN CONSIGNEES PREMISES (APRIL 1984), and in accordance with and by the dates specified below:

<TABLE>
<CAPTION>

TYPE OF REPORT	NO OF COPIES	ADDRESS	DUE DATES
<S>	<C>	<C>	<C>
Quarterly	1	Project Officer VPRP, ETB, DAIDS NIAID, NIH 6700-B Rockledge Dr. Rm. 4232 Bethesda, MD 20892	Beginning on December 15, 1999, and quarterly thereafter. A quarterly will not be due when submitting an annual or final report.

Quarterly	1 (Original)	Contracting Officer NIH, NIAID, CMB 6700-B Rockledge Dr. Rm. 2230, MSC 7612 Bethesda, MD 20892-7612	Same as above
Annual	1	P.O.'s Address above	Beginning September 15, 2000, and 30 days following each anniversary date of the contract thereafter.
Annual	1 (Original)	C.O.'s Address above	Same as above
Final	1	P.O.'s Address above	On/before August 15, 2006
Final	1 (Original)	C.O.'s Address above	Same as above

</TABLE>

ARTICLE F.2. CLAUSES INCORPORATED BY REFERENCE, FAR 52.252-2 (FEBRUARY 1998)

This contract incorporates the following clause by reference, with the same force and effect as if it were given in full text. Upon request, the Contracting Officer will make its full text available. Also, the full text of a clause may be accessed electronically at this address: http://www.arnet.gov/far/.

FEDERAL ACQUISITION REGULATION (48 CFR CHAPTER 1) CLAUSE:

52.242-15, Stop Work Order (AUGUST 1989) with ALTERNATE I (APRIL 1984).

SECTION G - CONTRACT ADMINISTRATION DATA

ARTICLE G.1. PROJECT OFFICER

The following Project Officer(s) will represent the Government for the purpose of this contract:

Elaine Matzen, R.N., Health Specialist

The Project Officer is responsible for: (1) monitoring the Contractor's technical progress, including the surveillance and assessment of performance and recommending to the Contracting Officer changes in requirements; (2) interpreting the Statement of Work and any other technical performance requirements; (3) performing technical evaluation as required; (4) performing technical inspections and acceptances required by this contract; and (5) assisting in the resolution of technical problems encountered during performance.

The Contracting Officer is the only person with authority to act as agent of the Government under this contract. Only the Contracting Officer has authority to: (1) direct or negotiate any changes in the Statement of Work; (2) modify or extend the period of performance; (3) change the delivery schedule; (4) authorize reimbursement to the Contractor any costs incurred during the performance of this contract; or (5) otherwise change any terms and conditions of this contract.

The Contracting Officer hereby delegates the Project Officer as the Contracting Officer's authorized representative responsible for signing software license agreements issued as a result of this contract.

The Government may unilaterally change its Project Officer designation.

ARTICLE G.2. KEY PERSONNEL

The personnel specified in this contract are considered to be essential to the work to be performed hereunder. Prior to diverting any of the specified individuals to other programs, the Contractor shall notify the Contracting Officer reasonably in advance and shall submit justification (including proposed substitutions) in sufficient detail to permit evaluation of the impact on the program. No diversion shall be made by the Contractor without the written consent of the Contracting Officer; provided, that the Contracting Officer may ratify in writing such diversion and such ratification shall constitute the consent of the Contracting Officer required by this article. The contract may be amended from time to time during the course of the contract to either add or delete personnel, as appropriate.

The following individuals are considered to be essential to the work being performed hereunder:

<TABLE>
<CAPTION>

NAME	TITLE
<S>	<C>
Mark Cosentino, Ph.D., D.P.M.	Principal Investigator
Carla Hanson	Co-Project Manager
Kathi Shea	Co-Project Manager

</TABLE>

<TABLE>
<S> <C>

Jiuping (Jay) Ji, Ph.D.	Co-Investigator
Hanna Weissberger, Ph.D.	Co-Investigator

</TABLE>

ARTICLE G.3. INVOICE SUBMISSION/CONTRACT FINANCING REQUEST AND CONTRACT FINANCIAL REPORT

a. Invoice/Financing Request Instructions and Contract Financial Reporting for NIH Cost-Reimbursement Type Contracts NIH(RC)-4 are attached and made part of this contract. The instructions and the following directions for the submission of invoices/financing request must be followed to meet the requirements of a "proper" payment request pursuant to FAR 32.9.

b. These instructions also provide for the submission of financial and personnel reporting required by HHSAR 342.7002. Unless otherwise stated in that part of the Instructions for Completing Form NIH(RC)-4 (see ATTACHMENT 1), all columns A through H shall be completed for each invoice submitted.

c. The Contracting Officer may require the Contractor to submit detailed support for costs contained in one or more interim financial invoices. This clause does not supersede the record retention requirements of FAR Part 4.7.

d. The contractor agrees to provide a detailed breakdown on invoices of cost and personnel reporting and variances from the negotiated budget in the following cost categories:

1) Direct Labor - List individuals by name, title/position, hourly/annual rate, level of effort, and amount claimed.
2) Fringe Benefits - Cite rate and amount
3) Overhead - Cite rate and amount
4) Materials & Supplies - Include detailed breakdown when total amount is over $1,000.
5) Travel - Identify travelers, dates, destination, purpose of trip, and amount. Cite COA, if appropriate. List separately, domestic travel, general scientific meeting travel, and foreign travel.
6) Consultant Fees - Identify individuals and amounts.
7) Subcontracts - Attach subcontractor invoice(s).

8) Other Direct Costs - Provide breakdown when total amount is over $1,000.
9) Equipment - Cite authorization and amount.
10) G&A - Cite rate and amount.
11) Total Cost
12) Fixed Fee
13) Total Amount Claimed
14) Adjustments
15) Grand Totals

e. Invoices must include the cumulative total expenses to date, adjusted (as applicable) to reflect any amounts suspended by the Government.

e. THE CONTRACTOR AGREES TO IMMEDIATELY NOTIFY THE CONTRACTING OFFICER, IN WRITING, IF THERE IS AN ANTICIPATED OVERRUN (ANY AMOUNT) OR UNEXPENDED BALANCE (GREATER THAN 10 PERCENT) OF THE AMOUNT CURRENTLY ALLOTTED TO THE CONTRACT AND THE REASONS FOR THE VARIANCE. Also, refer to the requirements of FAR 52.232-20, Limitation of Cost, referenced in the contract.

f. Invoices/financing requests shall be submitted in the form of an ORIGINAL AND TWO COPIES to the following designated BILLING office:

Contracting Officer
Contract Management Branch, DEA
National Institute of Allergy and Infectious Diseases, NIH
6700-B Rockledge Drive, Room 2230, MSC 7612

Bethesda, Maryland 20892-7612

g. Inquiries regarding approval of invoices should be directed to the designated BILLING office, (301) 496-0612.

h. The Contractor shall include the following certification on every invoice for reimbursable costs incurred with Fiscal Year funds subject to the salary rate limitation provisions as specified in ARTICLE H.5. of this contract. For billing purposes, certified invoices are required for the billing period during which the applicable Fiscal Year funds were initially charged through the final billing period utilizing the applicable Fiscal Year funds:

"I hereby certify that the salaries charged in this invoice are in compliance with the Public Law (P.L.) cited for the applicable Fiscal Year as stated in ARTICLE H.5. of the above referenced contract."

ARTICLE G.4. INDIRECT COST RATES

In accordance with Federal Acquisition Regulation (FAR) (48 CFR Chapter 1) Clause 52.216-7 (d)(2), Allowable Cost and Payment incorporated by reference in this contract in Part II, Section I, the cognizant Contracting Officer responsible for negotiating provisional and/or final indirect cost rates is identified as follows:

Director, Division of Financial Advisory Services
Office of Contracts Management
National Institutes of Health
6100 Building, Room 6B05
6100 EXECUTIVE BLVD MSC-7540
BETHESDA MD 20892-7540

Please see Article B.4. Advance Understandings, paragraph b., Indirect Costs. These rates are hereby incorporated without further action of the Contracting Officer. The above information notwithstanding, the notification required to be submitted to the Contracting Officer pursuant to FAR 52.232-22, "Limitation of Funds," of this contract shall remain in effect.

ARTICLE G.5. GOVERNMENT PROPERTY

a. In addition to the requirements of the clause, GOVERNMENT PROPERTY, incorporated in Section I of this contract, the Contractor shall comply with the provisions of DHHS Publication, CONTRACTOR'S GUIDE FOR CONTROL OF GOVERNMENT PROPERTY, (1990), which is incorporated into this contract by reference. Among other issues, this publication provides a summary of the Contractor's responsibilities regarding purchasing authorizations and inventory and reporting requirements under the contract. A copy of this publication is available upon request to the Contract Property Administrator.

This contract's Contract Property Administrator is:

Charles Varga
Contracts Property Administrator
Research Contracts Property Administration, NIH
6011Building, Room 641E
6011 EXECUTIVE BLVE MSC 7670
BETHESDA MD 20852-7670
(301) 496-6466

b. CONTRACTOR-ACQUIRED GOVERNMENT PROPERTY - SCHEDULE I-A

Pursuant to the clause, GOVERNMENT PROPERTY, incorporated in this contract, the Contractor is hereby authorized to acquire the property listed in Schedule I-A below for use in direct performance of the contract. Title of this property shall vest in the Government

SCHEDULE I-A - (Year 1)

<TABLE>
<CAPTION>

Item No.	Quantity	Description	Est. Cost
1-15	15	-70 degrees freezers @ $7,550 each	$ 113,250
16-19	4	LN2 freezers (XLC-1830) @ $20,450 each	$ 81,800
17	1	Racking System for LN2	$ 4,740
18	1	Additional LN2 Vacuum Piping	$ 9,500
19-25	7	Racking System for -70c @ $3,388 each	$ 23,716
26-28	3	Bar Coding Scanner @ $1,300 each	$ 3,900
29-32	4	Computers @ $887 each	$ 3,548
33	1	T1 Line for Computer System	$ 1,000
		TOTAL	$ 241,454

</TABLE>

c. CONTRACTOR-ACQUIRED GOVERNMENT PROPERTY - SCHEDULE I-B

Pursuant to the clause, GOVERNMENT PROPERTY, incorporated in this contract, the Contractor will be authorized to acquire the property listed in Schedule I-B for use in direct performance of the contract, following receipt of the Contracting Officer's written approval, based on contractor-furnished prices and evidence of competition.

SCHEDULE I-B -- (Years 2-7)

<TABLE>
<CAPTION>

Description	Yr.2	Yr.3	Yr.4	Yr.5	Yr.6	Yr.7	Total (Yrs. 2-7)
-70(degree)freezer & racking system	8 units $ 90,129	13 units $147,259	13 units $151,677	13 units $156,228	13 units $160,914	13 units $165,741	73 units $871,948

LN2 freezer & racking system	1 unit $25,946	2 units $53,447	1 unit $27,526	1 unit $28,352	1 unit $29,202	2 units $60,157	8 units $224,630
Total	$116,075	$200,706	$179,203	$184,580	$190,116	$225,898	$1,096,578

</TABLE>

d. GOVERNMENT FURNISHED PROPERTY - SCHEDULE II-A

Pursuant to the clause, GOVERNMENT PROPERTY, incorporated in this contract, the Contractor is hereby authorized to retain custody of the property listed in Attachment 5, Schedule II-A for use in direct performance of this contract. Accountability for the items listed in Schedule II-A is hereby transferred to this contract from predecessor Contract No. NO1-AI-45204 , under which these items were provided by the Government. Title to this property shall remain in the Government.

ARTICLE G.6. POST AWARD EVALUATION OF PAST PERFORMANCE

Interim and final evaluations of contractor performance will be prepared on this contract in accordance with FAR 42.15. The final performance evaluation will be prepared at the time of completion of work. In addition to the final evaluation, interim evaluations will be prepared annually to coincide with the anniversary date of the contract.

Interim and final evaluations will be provided to the Contractor as soon as practicable after completion of the evaluation. The Contractor will be permitted thirty days to review the document and to submit additional information or a rebutting statement. Any disagreement between the parties regarding an evaluation will be referred to an individual one level above the Contracting Officer, whose decision will be final.

Copies of the evaluations, contractor responses, and review comments, if any, will be retained as part of the contract file, and may be used to support future award decisions.

SECTION H - SPECIAL CONTRACT REQUIREMENTS

ARTICLE H.1. REIMBURSEMENT OF COSTS FOR INDEPENDENT RESEARCH AND DEVELOPMENT PROJECTS

The primary purpose of the Public Health Service (PHS) is to support and advance independent research within the scientific community. This support is provided in the form of contracts and grants totaling approximately 7 billion dollars annually. PHS has established effective, time tested and well recognized procedures for stimulating and supporting this independent RESEARCH by selecting from multitudes of applications those research projects most worthy of support within the constraints of its appropriations. The reimbursement through the indirect cost mechanism of independent research and development costs not incidental to product improvement would circumvent this competitive process.

To ensure that all research and development projects receive similar and equal consideration, all organizations may compete for direct funding of independent research and development projects they consider worthy of support by submitting those projects to the appropriate Public Health Service grant office for review. Since these projects may be submitted for direct funding, the Contractor agrees that no costs for any independent research and development project, including all applicable indirect costs, will be claimed under this contract.

ARTICLE H.2. HUMAN SUBJECTS

It is hereby understood and agreed that research involving human subjects shall not be conducted under this contract, and that no material developed, modified, or delivered by or to the Government under this contract, or any subsequent modification of such material, will be used by the Contractor or made available by the Contractor for use by anyone other than the Government, for experimental or therapeutic use involving humans without the prior

written approval of the Contracting Officer.

ARTICLE H.3. CONTINUED BAN ON FUNDING OF HUMAN EMBRYO RESEARCH

a. Pursuant to Public Law(s) cited in paragraph b. , below, NIH is prohibited from using appropriated funds to support human embryo research. Contract funds may not be used for (1) the creation of a human embryo or embryos for research purposes; or (2) research in which a human embryo or embryos are destroyed, discarded, or knowingly

subjected to risk of injury or death greater than that allowed for research on fetuses in utero under 45 CFR 46.208(a)(2) and Section 498(b) of the Public Health Service Act (42 U.S.C. 289g(b)). The term "human embryo or embryos" includes any organism, not protected as a human subject under 45 CFR 46 as of the date of the enactment of this Act, that is derived by fertilization, parthenogenesis, cloning, or any other means from one or more human gametes or human diploid cells.

Additionally, in accordance with a March 4, 1997 Presidential Memorandum, Federal funds may not be used for cloning of human beings.

<TABLE>
<CAPTION>
b. PUBLIC LAW AND SECTION NO. FISCAL YEAR PERIOD COVERED
<S> <C> <C>
105-297, Section 511 1999 10/1/98 - 9/30/99
</TABLE>

ARTICLE H.4. NEEDLE EXCHANGE

a. Pursuant to Public Law(s) cited in paragraph b., below, contract funds shall not be used to carry out any program of distributing sterile needles or syringes for the hypodermic injection of any illegal drug.

<TABLE>
<CAPTION>
b. PUBLIC LAW AND SECTION NO. FISCAL YEAR PERIOD COVERED
<S> <C> <C>
105-277, Section 505 1999 10/1/98 - 9/30/99
</TABLE>

ARTICLE H.5. SALARY RATE LIMITATION LEGISLATION PROVISIONS

a. Pursuant to Public Law(s) cited in paragraph b., below, no NIH Fiscal Year funds for the applicable fiscal year(s) and periods cited in paragraph b., below may be used to pay the direct salary of an individual through this contract at a rate in excess of applicable amount shown for the fiscal year and period covered. Direct salary is exclusive of overhead, fringe benefits and general and administrative expenses. The per year salary rate limit also applies to individuals proposed under subcontracts. If this is a multi-year contract, it may be subject to unilateral modifications by the Government if an individual's salary rate exceeds any salary rate ceiling established in future DHHS appropriation acts.

<TABLE>
<CAPTION>
DOLLAR AMOUNT OF
b. PUBLIC LAW NO. FISCAL YEAR PERIOD COVERED SALARY LIMITATION
<S> <C> <C> <C>
105-277 1999 10/1/98 - 9/30/99 $125,900
</TABLE>

ARTICLE H.6. EPA ENERGY STAR REQUIREMENTS

In compliance with Executive Order 12845 (requiring Agencies to purchase energy efficient computer equipment) all microcomputers, including personal computers, monitors, and printers that are deliverables under the procurement or are purchased by the contractor using Government funds in performance of a

contract shall be equipped with or meet the energy efficient low-power standby feature as defined by the EPA Energy Star program unless the equipment always meets EPA Energy Star efficiency levels. The microcomputer, as configured with all components, must be Energy Star compliant.

This low-power feature must already be activated when the computer equipment is delivered to the agency and be of equivalent functionality of similar power managed models. If the equipment will be used on a local area network, the vendor must provide equipment that is fully compatible with the network environment. In addition, the equipment will run commercial off-the-shelf software both before and after recovery from its energy conservation mode.

ARTICLE H.7. PUBLICATION AND PUBLICITY

The contractor shall acknowledge the support of the National Institutes of Health whenever publicizing the work under this contract in any media by including an acknowledgment substantially as follows:

"This project has been funded in whole or in part with Federal funds from the National Institute of Allergy and Infectious Diseases, National Institutes of Health, under Contract No. NO1-AI-95381."

ARTICLE H.8. PRESS RELEASES

a. Pursuant to Public Law(s) cited in paragraph b., below, the contractor shall clearly state, when issuing statements, press releases, requests for proposals, bid solicitations and other documents describing projects or programs funded in whole or in part with Federal money: (1) the percentage of the total costs of the program or project which will be financed with Federal money; (2) the dollar amount of Federal funds for the project or program; and (3) the percentage and dollar amount of the total costs of the project or program that will be financed by nongovernmental sources.

<TABLE>
<CAPTION>
b. PUBLIC LAW AND SECTION NO. FISCAL YEAR PERIOD COVERED
<S> <C> <C>
105-277, Section 507 1999 10/1/98-9/30/99
</TABLE>

ARTICLE H.9. REPORTING MATTERS INVOLVING FRAUD, WASTE AND ABUSE

Anyone who becomes aware of the existence or apparent existence of fraud, waste and abuse in NIH funded programs is encouraged to report such matters to the HHS Inspector General's Office in writing or on the Inspector General's Hotline. The toll free number is 1-800-HHS-TIPS (1-800-447-8477). All telephone calls will be handled confidentially. The e-mail address is HTIPS@OS.DHHS.GOV and the mailing address is:

Office of Inspector General
Department of Health and Human Services
TIPS HOTLINE
P.O. Box 23489
Washington, D.C. 20026

Information regarding procedural matters is contained in the NIH Manual Chapter 1754, which is available on (http://www1.od.nih.gov/oma/oma.htm)

ARTICLE H.10. YEAR 2000 COMPLIANCEARTICLE H.10. YEAR 2000 COMPLIANCE

In accordance with FAR 39.106, Information Technology acquired under this contract must be Year 2000 compliant as set forth in the following clause(s):

1. SERVICE INVOLVING THE USE OF INFORMATION TECHNOLOGY

YEAR 2000 COMPLIANCE--SERVICE INVOLVING THE USE OF INFORMATION TECHNOLOGY

The Contractor agrees that each item of hardware, software, and firmware used under this contract shall be able to accurately process date data (including, but not limited to, calculating, comparing and sequencing) from, into and between the twentieth and twenty-first centuries and the Year 1999 and the Year 2000 and leap year calculations.

(End of Clause)

2. NONCOMMERCIAL SUPPLY ITEMS WARRANTY

YEAR 2000 WARRANTY--NONCOMMERCIAL SUPPLY ITEMS

The contractor warrants that each noncommercial item of hardware, software, and firmware delivered or developed under this contract and listed below shall be able to accurately process date data (including, but not limited to, calculating, comparing and sequencing) from, into and between the twentieth and twenty-first centuries and the Year 1999 and the Year 2000 and leap year calculations, when used in accordance with the item documentation provided by the contractor, provided that all listed or unlisted items (e.g., hardware, software and firmware) used in combination with such listed item properly exchange date data with it. If the contract requires that specific listed items must perform as a system in accordance with the foregoing warranty, then that warranty shall apply to those listed items as a system. The duration of this warranty and the remedies available to the Government for breach of this warranty shall be as defined in, and subject to, the terms and limitations of any general warranty provisions of this contract provided that notwithstanding any provision to the contrary in such warranty provision(s), or in the absence of any such warranty provision(s), the remedies available to the Government under this warranty shall include repair or replacement of any listed item whose noncompliance is discovered and made known to the contractor in writing within ninety (90) days after acceptance. Nothing in this warranty shall be construed to limit any rights or remedies the Government may otherwise have under this contract with respect to defects other than Year 2000 performance.

YEAR 2000 COMPLIANT ITEMS

Any database or software programs developed under this contract.

(end of clause)

3. COMMERCIAL SUPPLY PRODUCTS WARRANTY

YEAR 2000 WARRANTY--COMMERCIAL SUPPLY ITEMS

The contractor warrants that each hardware, software and firmware product delivered under this contract and listed below shall be able to accurately process date data (including, but not limited to, calculating, comparing, and sequencing) from, into, and between the twentieth and twenty-first centuries and the Year 1999 and the Year 2000 and leap year calculations, when used in accordance with the product documentation provided by the contractor, provided that all listed or unlisted products (e.g., hardware, software, firmware) used in combination with such listed product properly exchange date data with it. If the contract requires that specific listed products must perform as a system in accordance with the foregoing warranty, then that warranty shall apply to those listed products as a system. The duration of this warranty and the remedies available to the Government for breach of this warranty shall be as defined in, and subject to, the terms and limitations of the contractor's standard commercial warranty or warranties contained in this contract, provided that notwithstanding any provision to the contrary in such commercial warranty or warranties, the remedies available to the Government under this warranty shall include repair or replacement of any listed product whose non-compliance is discovered and made known to the contractor in writing within ninety (90) days after acceptance. Nothing in this warranty shall be

construed to limit any rights or remedies the Government may otherwise have under this contract with respect to defects other than Year 2000 performance.

YEAR 2000 COMPLIANT ITEMS ANY
Database or software programs developed under this contract.

(end of clause)

PART II - CONTRACT CLAUSES

SECTION I - CONTRACT CLAUSES

ARTICLE I.1. GENERAL CLAUSES FOR A COST-REIMBURSEMENT SERVICE CONTRACT - FAR 52.252-2, CLAUSES INCORPORATED BY REFERENCE (FEBRUARY 1998)

This contract incorporates the following clauses by reference, with the same force and effect as if they were given in full text. Upon request, the Contracting Officer will make their full text available. Also, the full text of a clause may be accessed electronically at this address: http://www.arnet.gov/far/.

a. FEDERAL ACQUISITION REGULATION (FAR) (48 CFR CHAPTER 1) CLAUSES:

<TABLE>
<CAPTION>

FAR CLAUSE NO.	DATE	TITLE
52.202-1	Oct 1995	Definitions
52.203-3	Apr 1984	Gratuities (Over $100,000)
52.203-5	Apr 1984	Covenant Against Contingent Fees (Over $100,000)
52.203-6	Jul 1995	Restrictions on Subcontractor Sales to the Government (Over $100,000)
52.203-7	Jul 1995	Anti-Kickback Procedures(Over $100,000)
52.203-8	Jan 1997	Cancellation, Recission, and Recovery of Funds for Illegal or Improper Activity (Over $100,000)
52.203-10	Jan 1997	Price or Fee Adjustment for Illegal or Improper Activity (Over $100,000)
52.203-12	Jun 1997	Limitation on Payments to Influence Certain Federal Transactions (Over $100,000)
52.204-4	Jun 1996	Printing/Copying Double-Sided on Recycled Paper (Over $100,000)
52.209-6	Jul 1995	Protecting the Government's Interests When Subcontracting With Contractors Debarred, Suspended, or Proposed for Debarment (Over $25,000)
52.215-2	Jun 1999	Audit and Records - Negotiation (Over $100,000)
52.215-8	Oct 1997	Order of Precedence - Uniform Contract Format
52.215-10	Oct 1997	Price Reduction for Defective Cost or Pricing Data
52.215-12	Oct 1997	Subcontractor Cost or Pricing Data (Over $500,000)
52.215-14	Oct 1997	Integrity of Unit Prices (Over $100,000)

</TABLE>

FAR CLAUSE NO.	DATE	TITLE
52.215-15	Dec 1998	Pension Adjustments and Asset Reversions
52.215-18	Oct 1997	Reversion or Adjustment of Plans for Post-Retirement Benefits (PRB) other than Pensions
52.215-19	Oct 1997	Notification of Ownership Changes
52.215-21	Oct 1997	Requirements for Cost or Pricing Data or Information Other Than Cost or Pricing Data - Modifications
52.216-7	Apr 1998	Allowable Cost and Payment
52.216-8	Mar 1997	Fixed Fee
52.219-8	Jun 1999	Utilization of Small Business Concerns (Over $100,000)
52.219-9	Jan 1999	Small Business Subcontracting Plan (Over $500,000)
52.219-16	Jan 1999	Liquidated Damages - Subcontracting Plan (Over $500,000)
52.222-2	Jul 1990	Payment for Overtime Premium (Over $100,000) (Note: The dollar amount in paragraph (a) of this clause is $0 unless otherwise specified in the contract.)
52.222-3	Aug 1996	Convict Labor
52.222-26	Feb 1999	Equal Opportunity
52.222-35	Apr 1998	Affirmative Action for Disabled Veterans and Veterans of the Vietnam Era
52.222-36	Jun 1998	Affirmative Action for Workers with Disabilities
52.222-37	Jan 1999	Employment Reports on Disabled Veterans and Veterans of the Vietnam Era
52.223-2	Apr 1984	Clean Air and Water (Over $100,000)
52.223-6	Jan 1997	Drug-Free Workplace
52.223-14	Oct 1996	Toxic Chemical Release Reporting
52.225-11	Aug 1998	Restrictions on Certain Foreign Purchases
52.227-1	Jul 1995	Authorization and Consent
52.227-2	Aug 1996	Notice and Assistance Regarding Patent and Copyright Infringement (Over $100,000)
52.227-3	Apr 1984	Patent Indemnity
52.227-14	Jun 1987	Rights in Data - General
52.232-9	Apr 1984	Limitation on Withholding of Payments
52.232-17	Jun 1996	Interest (Over $100,000)
52.232-20	Apr 1984	Limitation of Cost
52.232-23	Jan 1986	Assignment of Claims
52.232-25	Jun 1997	Prompt Payment

<TABLE>
<CAPTION>

FAR CLAUSE NO.	DATE	TITLE
52.232-34	May 1999	Payment by Electronic Funds Transfer--Other Than Central Contractor Registration
52.233-1	Dec 1998	Disputes
52.233-3	Aug 1996	Protest After Award, Alternate I (Jun 1985)
52.242-1	Apr 1984	Notice of Intent to Disallow Costs
52.242-3	Oct 1995	Penalties for Unallowable Costs (Over $500,000)
52.242-4	Jan 1997	Certification of Final Indirect Costs
52.242-13	Jul 1995	Bankruptcy (Over $100,000)
52.243-2	Aug 1987	Changes - Cost Reimbursement, Alternate I (Apr 1984)
52.244-2	Aug 1998	Subcontracts, Alternate II (Aug 1998) *If written consent to subcontract is required, the identified subcontracts are listed in ARTICLE B, Advance Understandings.
52.244-5	Dec 1996	Competition in Subcontracting (Over $100,000)
52.245-5	Jan 1986	Government Property (Cost-Reimbursement, Time and Material, or Labor-Hour Contract)
52.246-25	Feb 1997	Limitation of Liability - Services (Over $100,000)
52.249-6	Sep 1996	Termination (Cost-Reimbursement)
52.249-14	Apr 1984	Excusable Delays
52.253-1	Jan 1991	Computer Generated Forms

</TABLE>

b. DEPARTMENT OF HEALTH AND HUMAN SERVICES ACQUISITION REGULATION (HHSAR) (48 CFR CHAPTER 3) CLAUSES:

<TABLE>
<CAPTION>

HHSAR CLAUSE NO.	DATE	TITLE
352.202-1	Apr 1984	Definitions - Alternate I (Apr 1984)
352.228-7	Dec 1991	Insurance - Liability to Third Persons
352.232-9	Apr 1984	Withholding of Contract Payments
352.233-70	Apr 1984	Litigation and Claims
352.242-71	Apr 1984	Final Decisions on Audit Findings
352.270-5	Apr 1984	Key Personnel
352.270-6	Jul 1991	Publication and Publicity
352.270-7	Apr 1984	Paperwork Reduction Act

</TABLE>

[End of GENERAL CLAUSES FOR A COST-REIMBURSEMENT SERVICE CONTRACT - Rev. 7/1999].

ARTICLE I.2 AUTHORIZED SUBSTITUTION OF CLAUSES

ARTICLE I.1. of this SECTION is hereby modified as follows:

FAR Clause 52.219-9, SMALL BUSINESS SUBCONTRACTING PLAN (JANUARY 1999), and FAR Clause 52.219-16, LIQUIDATED DAMAGES--SUBCONTRACTING PLAN (JANUARY 1999) are deleted in their entirety.

FAR Clause 52.225-3, BUY AMERICAN ACT - SUPPLIES (JANUARY 1994) is deleted in its entirety and FAR Clause 52.225-7 BALANCE OF PAYMENTS PROGRAM (APRIL 1984) is substituted therefor.

FAR Clause 52.232-20, LIMITATION OF COST, is deleted in its entirety and FAR Clause 52.232-22, LIMITATION OF FUNDS (APRIL 1984) is substituted therefor.

FAR Clause 52.243-1, CHANGES, FIXED PRICE, ALTERNATE I (AUGUST 1987) is hereby deleted in its entirety and FAR Clause 52.243-1, CHANGES, FIXED PRICE, ALTERNATE II (AUGUST 1987) is substituted therefor.

ARTICLE I.3. ADDITIONAL CONTRACT CLAUSES

This contract incorporates the following clauses by reference, with the same force and effect, as if they were given in full text. Upon request, the contracting officer will make their full text available.

a. FEDERAL ACQUISITION REGULATION (FAR) (48 CFR CHAPTER 1) CLAUSES

(1) FAR 52.215-17, Waiver of Facilities Capital Cost of Money (OCTOBER 1997).
(2) FAR 52.219-6, Notice of Total Small Business Set-Aside (JULY 1996).
(3) FAR 52.219-14, Limitation on Subcontracting (DECEMBER 1996).
(4) FAR 52.223-3, Hazardous Material Identification and Material Safety Data (JANUARY 1997), ALTERNATE I (JULY 1995).
(5) FAR 52.223-11, Ozone-Depleting Substances (JUNE 1996).
(6) FAR 52.223-12, Refrigeration Equipment and Air Conditioners (MAY 1995).
(7) FAR 52.237-3, Continuity of Services (JANUARY 1991).
(8) FAR 52.245-19, Government Property Furnished "As Is" (APRIL 1984).
(9) FAR 52.247-63, Preference for U.S. Flag Air Carriers (JANUARY 1997).
(10) FAR 52.247-64, Preference for Privately Owned U.S. Flag Commercial Vessels (JUNE 1997).
(11) FAR 52.251-1, Government Supply Sources (APRIL 1984).

b. DEPARTMENT OF HEALTH AND HUMAN SERVICES ACQUISITION REGULATION/PUBLIC HEALTH SERVICE ACQUISITION REGULATION (HHSAR)/(PHSAR) (48 CHAPTER 3) CLAUSES:

(1) PHS 352.223-70, Safety and Health (Deviation) (AUGUST 1997).

(2) HHSAR 352.224-70, Confidentiality of Information (APRIL 1984).

c. NATIONAL INSTITUTES OF HEALTH (NIH) RESEARCH CONTRACTING (RC) CLAUSES:

The following clauses are attached and made a part of this contract:

(1) NIH (RC)-7, Procurement of Certain Equipment (APRIL 1984) (OMB Bulletin 81-16).

ARTICLE I.4. ADDITIONAL FAR CONTRACT CLAUSES INCLUDED IN FULL TEXT

This contract incorporates the following clauses in full text.

FEDERAL ACQUISITION REGULATION (FAR)(48 CFR CHAPTER 1) CLAUSES:

a. FAR CLAUSE 52.225-9, TRADE AGREEMENTS ACT (DEVIATION)

(a) This clause implements the Trade Agreements Act of 1979 (19 U.S.C. 2501-2582) by providing a preference for U.S. made end products, North American Free Trade Agreement (NAFTA) country end products, designated country end products, and Caribbean Basin country end products over other products.

"CARIBBEAN BASIN COUNTRY END PRODUCTS," as used in this clause, means an article that: (1) is wholly the growth, product, or manufacture of a Caribbean Basin country (as defined in section 25.401 of the Federal Acquisition Regulation (FAR), or (2) in the case of an article which consists in whole or in part of materials from another country or instrumentality, has been substantially transformed into a new and different article of commerce with a name, character, or use distinct from that of the article or articles from which it was so transformed. The term refers to a product, offered for purchase under a supply contract, but for purposes of calculating the value of the end product includes services (except transportation services) incidental to its supply; provided that the value of those incidental services does not exceed that of the product itself. The term excludes products that are excluded from duty-free treatment for Caribbean countries under the Caribbean Basin Economic Recovery Act (19 U.S.C. 2703(b)). These exclusions presently consist of (I) textiles and apparel articles that are subject to textile agreements; (ii) footwear, handbags, luggage, flat goods, work gloves, and leather wearing apparel not designated as eligible articles for the purpose of the Generalized System of Preferences under title V of the Trade Act of 1974; (iii) tuna, prepared or preserved in any manner in airtight containers; (iv) petroleum; and (v) watches and watch parts (including cases, bracelets and straps) of whatever type including, but not limited to, mechanical, quartz digital or quartz analog, if such watches or watch parts contain any material that is the product of any country to which the Tariff Schedule of the United States (TSUS) column 2 rates of duty apply.

"DESIGNATED COUNTRY END PRODUCT," as used in this clause, means an article that (1) is wholly the growth, product, or manufacture of the designated country (as defined in section 25.401 of the Federal Acquisition Regulation (FAR), or (2) in the case of an article which consists in whole or in part of materials from another country or instrumentality, has been substantially transformed into a new and different article of commerce with a name, character, or use distinct from that of the article or articles from which it was so transformed. The term refers to a product offered for purchase under a supply contract, but for purposes of calculating the value of the end product includes services (except transportation services) incidental to its supply; provided that the value of those incidental services does not exceed that of the product itself.

"ELIGIBLE PRODUCT," as used in this clause, means a designated, North American Free Trade Agreement (NAFTA), or Caribbean Basin country end product.

"END PRODUCTS," as used in this clause, means those articles, materials, and supplies to be acquired under this contract for public use.

"NAFTA COUNTRY END PRODUCT," as used in this clause, means an article that (1) is wholly the growth, product, or manufacture of a NAFTA country, or (2) in the case of an article which consists in whole or in part of materials from another country or instrumentality, has been substantially transformed in a NAFTA country into a new and different article of commerce with a name, character, or use distinct from that of the article or articles from which it was transformed. The term refers to a product offered for purchase under a supply contract, but for purposes of calculating the value of the end product includes services (except transportation services) incidental to its supply; provided, that the value of those incidental services does not exceed that of the

product itself.

"U.S. MADE END PRODUCT" as used in this clause, means an article which (1) is wholly the growth, product or manufacture of the United States, or (2) in the case of an article which consists in whole or in part of materials from another country or instrumentality, has been substantially transformed in the United States into a new and different article of commerce with a name, character, or use distinct from that of the article or articles from which it was so transformed.

"NONDESIGNATED COUNTRY END PRODUCTS," as used in this clause, means any end product which is not a U.S. made end product or a designated country end product.

"UNITED STATES," as used in this clause, means the United States, its possessions, Puerto Rico, and any other place which is subject to its jurisdiction, but does not include leased bases or trust territories.

(b) The Contractor agrees to deliver under this contract only U.S. made end products, designated country end products, Caribbean Basin country end products, or, if a national interest waiver is granted under section 302 of the Trade Agreements Act of 1979, nondesignated country end products. Only if such waiver is granted may a nondesignated country end product be delivered under this contract.

(c) Offers will be evaluated in accordance with the policies and procedures of Part 25 of the FAR except that offers of U.S. made end products shall be evaluated without the restrictions of the Buy American Act or Balance of Payments Program.

b. FAR CLAUSE 52.244-6, SUBCONTRACTS FOR COMMERCIAL ITEMS AND COMMERCIAL COMPONENTS (OCTOBER 1998)

(a) Definition.

Commercial item, as used in this clause, has the meaning contained in the clause at 52.202-1, Definitions.

Subcontract, as used in this clause, includes a transfer of commercial items between divisions, subsidiaries, or affiliates of the Contractor or subcontractor at any tier.

(b) To the maximum extent practicable, the Contractor shall incorporate, and require its subcontractors at all tiers to incorporate, commercial items or nondevelopmental items as components of items to be supplied under this contract.

(c) Notwithstanding any other clause of this contract, the Contractor is not required to include any FAR provision or clause, other than those listed below to the extent they are applicable and as may be required to establish the reasonableness of prices under Part 15, in a subcontract at any tier for commercial items or commercial components:

(1) 52.222-26, Equal Opportunity (E.O. 11246);
(2) 52.222-35, Affirmative Action for Disabled Veterans and Veterans of the Vietnam Era (38 U.S.C.

4212(a));
(3) 52.222-36, Affirmative Action for Workers with Disabilities (29 U.S.C. 793); and
(4) 52.247-64, Preference for Privately Owned U.S.-Flagged Commercial Vessels (46 U.S.C. 1241) (flow down not required for subcontracts awarded beginning May 1, 1996).

(d) The Contractor shall include the terms of this clause, including this paragraph (d), in subcontracts awarded under this contract.

PART III

SECTION J - LIST OF ATTACHMENTS

The following documents are attached and incorporated in this contract:

1) Statement of Work, (8/16/99).
2) Invoice/Financing Request and Financial Reporting Instructions for NIH Cost-Reimbursement Type Contracts, NIH(RC)-4, (5/97).
3) Safety and Health (Deviation), PHSAR Clause 352.223-70, (8/97).
4) Procurement of Certain Equipment, NIH(RC)-7, (4/1/84).
5) Government Property - Schedule II-A, (8/16/99).

PART IV

SECTION K - REPRESENTATIONS AND CERTIFICATIONS

The following documents are incorporated by reference in this contract:

Representations and Certifications, dated November 6, 1998.

END OF THE SCHEDULE
(CONTRACT)

WORK STATEMENT
DIVISION OF AIDS SPECIMEN REPOSITORY

Independently, and not as an agent of the Government, the contractor shall furnish services, qualified professional and technical personnel, material, equipment, and facilities not otherwise provided by the Government under the terms of this contract to perform the work set forth below.

In general, the Contractor shall: (1) secure, receive, catalog, process, store, and disburse clinical specimens from human immunodeficiency virus (HIV)-infected patients, cohort participants, recipients of candidate HIV vaccines and other biomedical interventions in studies sponsored by the National Institute of Allergy and Infectious Diseases (NIAID), Division of AIDS (DAIDS); (2) provide a computerized specimen inventory management system in a format identified and approved by DAIDS; (3) provide adequate cold-storage facilities for clinical specimens, and provide experienced professional personnel (formally trained in dangerous goods biosafety) to support specimen handling and repository management; (4) provide labeling and shipping procedure training and oversight to study sites; (5) report progress to the Project Officer and provide specimen availability summaries as requested by the Project Officer; (6) complete the development and the execution of a DAIDS Repository Management Plan which may include, but is not limited to: systematic effort to discard identified specimens with low research potential, reduce the numbers of duplicate specimens, discard specimens with missing key clinical data, and/or expand the freezer capacity of the repository as requested by the Project Officer; and (7) ensure an orderly and safe transition of the Repository from the incumbent Contractor, and to a successor contractor, if necessary. Transition to a successor contractor shall include all Repository data including all source codes.

Specifically, the Contractor shall:

1. Secure, receive, process as necessary, catalog, store and ship clinical specimens to and from both domestic and international DAIDS study sites, and distribute clinical specimens to other investigators at the request of the Project Officer. Currently the specimen repository supports these DAIDS studies: MACS, WITS, WIHS, HIVNET, AACTG, PACTG, AVEG, DATRI, and maintains specimens from other completed DAIDS studies such as the Jump Start Project, the HATS, and the San Francisco Men's Health Study. These specimens may include, but are not limited to, peripheral blood mononuclear cells, serum, plasma, tissue specimens, and other bodily fluids or substances such as cervical-vaginal lavage (CVL), breast milk,

semen, saliva, urine, feces, mucosal, autopsy and biopsy materials, and specimen spots dried on filter paper.

A. Advise investigators from study sites on procedures required for maintaining proper specimen temperature and ensuring specimen identification in the shipment of samples; provide appropriate packaging material (e.g., shipping containers which comply with U.S. DOT or IATA regulations for infectious substances, styrofoam boxes, liquid nitrogen shipping containers, labeling material, shipping forms, etc.) to maintain appropriate environmental safeguards and desired refrigeration levels for specific specimens in transit; provide concise shipping instructions appropriate to the types of specimens and packaging materials; and cover costs for all shipments to the Repository. (See section 4 for information on training the study sites in the above procedures.) All shipments shall be coordinated by the Contractor to preserve sample integrity and utility. The contractor shall operate in accordance with the basic references and other modifications by the Public Health Service which include but are not limited to:

(1) Title 49 CFR Part 100-199 Transportation
(2) Title 42 CFR Part 71.54 and 72.3 Etiologic Agents, Hosts and Vectors; Interstate Shipment of Etiologic Agents

(3) Title 39 CFR Part 124 Postal Services
(4) International Air Transport Association (IATA), Dangerous Goods Regulations 36th Edition 1995, and 1997 changes to the IATA Dangerous Good Regulations
(5) International Civil Aviation Organization (ICAO) Technical Instructions for the Safe Transportation of Dangerous Good by Air 1995-1996
(6) United Nations Recommendations on the Transport of Dangerous Good 8th Edition

B. Arrange for the shipping of specimens to the repository from all designated Domestic study sites WITHIN 24 HOURS of pickup and by overnight express shipment. Assist the NIAID in efforts to establish SOPs/guidelines for shipping of specimens to the repository from International study sites. This service shall be performed by an established carrier with a proven record for handling medical/clinical specimens on dry ice and in liquid nitrogen shipping container. Obtain appropriate shipping licenses and permits from local, state, Federal and international authorities for the safe import, storage and distribution of biohazardous materials.

C. Provide protective garments, equipment, and supplies to conduct work in Biosafety Level 2 containment facilities under aseptic and/or sterile conditions as appropriate and in accordance with all applicable Federal, state, and local laws, codes, ordinances, and regulations. It is expected that the contractor will operate in accordance with the following basic references and other related modifications by the Public Health Service, which include but are not limited to:

(1) Title 29 CFR 1910.1030 OSHA Bloodborne Pathogen Standard

(2) Health & Safety Guidelines for Grantees and Contractors, NIH Guide, Vol. 24, No. 33, dated September 22, 1995

(3) Biosafety in the Laboratory: Prudent Practices for Handling and Disposal of Infectious Materials; National Academy Press, Wash., D.C.

(4) Biosafety in Microbiological and Biomedical Laboratories, U.S. Department of Health and Human Services, Centers for Disease Control and Prevention and National Institutes of Health, HHS Pub. No. (CDC) 93-8395 published by the U.S. Government Printing Office. (Website: WWW.NIEHS.NIH.GOV/ODHSB/BIOSAFE/BMBL/BMBL-1.HTM)

(5) Recommendations for Prevention of HIV transmission in Health Care Settings, Morbidity and Mortality Weekly Report, Vol. 36, No. 2-S, dated August 21, 1987.

(6) Agent Summary Statement for Human Immunodeficiency Virus and Report on Laboratory-Acquired Infection with Human Immunodeficiency virus, Morbidity and Mortality Weekly Report, Vol. 37, No.S-4, pp. 1-22, dated April 1, 1988.

D. Receive, catalog, process, and store incoming samples according to Standard Operating Procedures approved by the Project Officer, which shall include but not be limited to a 15% random inspection of tubes within each freezer box received, and a detailed quality assurance plan for ascertaining sample and shipment condition, validation of key information, criteria for specimen rejection, and guidelines for handling leaking or broken specimens. All problems and corrective action for each shipment shall be discussed with the Project Officer and study site staff and documented within 3 days of shipment receipt,

and noted in the Quarterly Progress Reports. Pertinent information (such as originating site, specimen number, quantity, shipping date, and/or other information as required) shall be maintained in the Specimen Inventory System. (See number 2 in this attachment for details.) The contractor shall support NIAID's efforts in the design, certification, and subsequent periodic re-certification of government-sponsored and owned DOD or commercial shipping containers for use under this contract.

E. Retrieve specimens from the repository; prepare aliquots, when necessary; disburse samples to national and/or international destinations upon specific written authorization from the Project Officer; provide for the return shipment of unused specimen portions and empty shipping containers and packing materials. Costs associated with such shipments are the responsibility of the Repository Contractor. Pertinent information (such as "shipped to" code, specimen number, quantity, shipping date, and/or other information as required) shall be maintained using the Specimen Inventory system. (See section 2.B for details.) Mention of these requests and resulting action shall be detailed in the Quarterly Progress Report.

F. Upon direction of the Project Officer, provide technical support to DAIDS staff in the practical application and execution in continuing the development and implementation of a Repository Management Plan (as noted below) (see Appendix for additional info).

2. Provide and maintain a computer facility and Specimen Inventory Database Management System to track samples and activities in the Repository. This system shall be adaptable/programmable to include the capability to print and scan specimen labels that are bar-coded. (Approximately 4% of all Repository specimens stored/disbursed currently are bar-coded.)

A. Provide for the security of the Specimen Inventory Database with confidential access codes. The Project Officer will determine the level of information to be disseminated and to whom it shall be made available.

B. Perform complete weekly back-up of database files and programs and store in a location separate from the computer facility. Perform daily back-up of database files and programs and store on-site.

C. Provide the Project Officer read/print-only access to the repository database system via modem as requested.

D. Maintain (and update as necessary) the existing database management system (ORACLE RDBMS on a Hewlett-Packard 9000/800 G40 with the HP-UNIX operating system) on government furnished or approved central automated data processing system to integrate specimen

information from all NIAID study sites and the specimen repository site.

E. Support and manage the NARDS system and database hardware and software. Utilize and/or modify the current data entry software modules for data entry of specimen specifications at the repository. Specifications include, but are not limited to: type of storage (i.e., mechanical freezer or liquid nitrogen); freezer, rack, and box numbers; sample position within the box; subject and site identification numbers; specimen collection date; type and volume of specimen; aliquot tracking; shipment or disbursement information; shipping problems; sample condition on receipt; and other data as requested by the Project Officer. Study sites shall provide both hard copy and electronic manifests for each shipment.

F. Maintain communications between the repository, study sites, data centers, central laboratories and Project Officer regarding reliability and timeliness of specimen identification, shipment, storage, and retrieval details.

3. Provide facilities and resources to store/handle/package specimens.

A. Provide sufficient floor space or vertical storage stacking system as needed in a single facility to accommodate up to 90 ADDITIONAL thirty-six cubic foot storage chest freezers (or their equivalent) and 45 ADDITIONAL liquid nitrogen freezers (added to those that will transfer from the incumbent contractor: see Offeror NOTE 10); a repair and spare-parts storage area measuring at least 200 square feet; a designated laboratory work area for handling HIV specimens under Biosafety Level 2 containment conditions (as per regulations in section 1.C); a receiving area and a packaging area measuring at least 200 square feet; and an office for system and data management activities.

B. Maintain and operate controlled freezers for -100 to -200 Celsius [C], -700 to -900 C, and -1200 to -1950 C (vapor phase, liquid nitrogen conditions). The Project Officer shall designate the specimen types stored in each temperature range. Three (3) spare, readily usable mechanical freezers and two (2) Liquid Nitrogen freezers which can be charged and ready for use shall be available for transfer of contents within 2 hours of the malfunction of an operating freezer.

C. Provide a central alarm system to monitor each freezer. This alarm system shall automatically contact a Refrigeration Engineer by telephone, and have an on-site audible alarm to alert personnel in the repository of a freezer malfunction. After notification, the engineer shall respond by being present to correct the alarm situation at the repository within one hour. Weekly tests shall be performed on the alarm system and the results included in the Quarterly Progress Report. Permanent printed records of storage temperatures and alarm condition reports noting events and actions taken shall be maintained at the facility.

D. Provide adequate electrical power to accommodate all mechanical freezers, the central alarm system, and the air conditioning system. There shall be a generator or generators on-site to handle the complete backup power supply in case of electrical power failure. All freezers, air conditioners and the central alarm system shall be electrically hooked-up so that should the power fail, complete power (capable of continuous operation for up to 48 hours) shall be immediately available from the generator(s).

E. Perform regular operational quality assurance maintenance for all cold storage equipment, the central alarm system, the air conditioning system, and the backup power system according to a Standard Operating Procedure approved by the Project Officer. Maintain a log of regular inspections and include inspection records/problems encountered/action taken results in the Quarterly

Progress Report.

F. Provide security measures that ensure the facility and equipment against fire and personal intrusion.

4. Provide training, instruction and oversight for all aspects of interaction between the repository and study sites.

A. Utilize and/or modify the current Standard Operating Procedures (SOPs) for all aspects of specimen handling as needed by study sites, including but not limited to, labeling, freezing, storing and shipping (at the request of the Project Officer).

B. Develop/update and maintain a User Manual that includes the SOPs and other guidance and reference materials relevant to specimen handling /shipping and their logging into the inventory database. The contents and format of the Manual shall be approved by the Project Officer prior to distribution. Development/update and distribution to study sites will be designated by the Project Officer to occur

within 120 days of the contract award date.

C. At the request of the Project Officer, provide operational information, participation at study group meetings (and other related group meetings), and training through telephone conference calls, on-site instruction, training sessions at study meetings, consultative interactions and periodic review.

5. Report on progress, anticipated or existing problems, and discuss the work to be performed with the Project Officer.

6. Follow Reporting Requirements. (Refer to ARTICLE C.2. REPORTING REQUIREMENTS)

7. Contractor's key personnel shall meet with the Project Officer at periodic intervals after contract award to review Repository status.

8. Ensure an orderly and safe transition of the Repository from the incumbent Contractor, at the beginning of the period of performance; and to a successor Contractor, at the end of the period of performance. Transition to a successor Contractor shall include all data files and source codes.

A. Provide, at the beginning of the contract term, for an orderly and safe transition from incumbent Contractor to the successful offeror, operate in accordance with approved SOPs and the contract Work Statement, and assist in the transfer of the following items from the incumbent:

(1) Government-owned equipment and property;

(2) Entire Repository inventory of stored specimens;

(3) National AIDS Repository Database System (NARDS);

(4) Supporting hardware and software documentation including source codes;

(5) User manuals and training materials;

(6) Labeled and inventoried paper files.

B. No later than sixty (60) days after the beginning of this contract, The Contractor shall meet with the Project Officer to present recommendations for developing and/or implementing additional Standard Operating Procedures and/or a plan for revising current Standard Operating Procedures.

C. For an orderly and safe transition from this contract to the Government or its designee at the conclusion of this contract, deliver the following items by the expiration date of this contract:

(1) Government-owned equipment and property;

(2) National AIDS Repository Database System (NARDS);

(3) Supporting hardware and software documentation including source codes;

(4) User manuals and training materials;

(5) Labeled and inventoried paper files, and

(6) Entire Repository inventory of stored specimens.

INVOICE/FINANCING REQUEST AND CONTRACT FINANCIAL REPORTING INSTRUCTIONS FOR NIH COST-REIMBURSEMENT CONTRACTS, NIH(RC)-4

General: The contractor shall submit claims for reimbursement in the manner and format described herein and as illustrated in the sample invoice/financing request.

Format: Standard Form 1034, "Public Voucher for Purchases and Services Other Than Personal," and Standard Form 1035, "Public Voucher for Purchases and Services Other Than Personal -- Continuation Sheet," or reproduced copies of such forms marked ORIGINAL should be used to submit claims for reimbursement. In lieu of SF-1034 and SF-1035, claims may be submitted on the payee's letter-head or self-designed form provided that it contains the information shown on the sample invoice/financing request.

Number of Copies: As indicated in the Invoice Submission Clause in the contract.

Frequency: Invoices/financing requests submitted in accordance with the Payment Clause shall be submitted monthly unless otherwise authorized by the contracting officer.

Cost Incurrence Period: Costs incurred must be within the contract performance period or covered by precontract cost provisions.

Billing of Costs Incurred: If billed costs include: (l) costs of a prior billing period, but not previously billed; or (2) costs incurred during the contract period and claimed after the contract period has expired, the amount and month(s) in which such costs were incurred shall be cited.

Contractor's Fiscal Year: Invoices/financing requests shall be prepared in such a manner that costs claimed can be identified with the contractor's fiscal year.

Currency: All NIH contracts are expressed in United States dollars. When payments are made in a currency other than United States dollars, billings on the contract shall be expressed, and payment by the United States Government shall be made, in that other currency at amounts coincident with actual costs incurred. Currency fluctuations may not be a basis of gain or loss to the contractor. Notwithstanding the above, the total of all invoices paid under this contract may not exceed the United States dollars authorized.

Costs Requiring Prior Approval: Costs requiring the contracting officer's approval, which are not set forth in an Advance Understanding in the contract shall be so identified and reference the Contracting Officer's Authorization (COA) Number. In addition, any cost set forth in an Advance Understanding shall be shown as a separate line item on the request.

Invoice/Financing Request Identification: Each invoice/financing request shall be identified as either:

(a) Interim Invoice/Contract Financing Request -- These are interim payment requests submitted during the contract performance period.

(b) Completion Invoice -- The completion invoice is submitted promptly upon completion of the work; but no later than one year from the contract completion date, or within 120 days after settlement of the final indirect cost rates covering the year in which this contract is physically complete (whichever date is later). The completion invoice should be submitted when all costs have been assigned to the contract and all performance provisions have been completed.

(c) Final Invoice -- A final invoice may be required after the amounts owed have been settled between the Government and the contractor (e.g., resolution of all suspensions and audit exceptions).

Preparation and Itemization of the Invoice/Financing Request: The contractor shall furnish the information set forth in the explanatory notes below. These notes are keyed to the entries on the sample invoice/financing request.

(a) Designated Billing Office Name and Address -- Enter the designated billing office and address, identified in the Invoice Submission Clause of the contract, on all copies of the invoice/financing request.

(b) Invoice/Financing Request Number -- Insert the appropriate serial number of the invoice/financing request.

(C) Date Invoice/Financing Request Prepared -- Insert the date the invoice/financing request is prepared.

(d) Contract Number and Date -- Insert the contract number and the effective date of the contract.

(e) Payee's Name and Address -- Show the contractor's name (as it appears in the contract), correct address, and the title and phone number of the responsible official to whom payment is to be sent. When an approved assignment has been made by the contractor, or a different payee has been designated, then insert the name and address of the payee instead of the contractor.

(f) Total Estimated Cost of Contract -- Insert the total estimated cost of the contract, exclusive of fixed-fee. For incrementally funded contracts, enter the amount currently obligated and available for payment.

(g) Total Fixed-Fee -- Insert the total fixed-fee (where applicable). For incrementally funded contracts, enter the amount currently obligated and available for payment.

(h) Billing Period -- Insert the beginning and ending dates (month, day, and year) of the period in which costs were incurred and for which reimbursement is claimed.

(I) Incurred Cost - Current -- Insert the amount billed for the major cost elements, adjustments, and adjusted amounts for the current period.

(j) Incurred Cost - Cumulative -- Insert the cumulative amounts billed for the major cost elements and adjusted amounts claimed during this contract.

(k) Direct Costs -- Insert the major cost elements. For each element, consider the application of the paragraph entitled "Costs Requiring Prior Approval" on page 1 of these instructions.

(l) Direct Labor -- Include salaries and wages paid (or accrued) for direct performance of the contract. For Key Personnel, list each employee on a separate line. List other employees as one amount unless otherwise required by the contract.

(2) Fringe Benefits -- List any fringe benefits applicable to direct labor and billed as a direct cost. Fringe benefits included in indirect costs should not be identified here.

(3) Accountable Personal Property -- Include permanent research equipment and general purpose equipment having a unit acquisition

cost of $1,000 or more and having an expected service life of more than two years, and sensitive property regardless of cost (see the DHHS CONTRACTOR'S GUIDE FOR CONTROL OF GOVERNMENT PROPERTY). Show permanent research equipment separate from general purpose equipment. Prepare and attach Form HHS-565, "Report of Accountable Property," in accordance with the following instructions:

List each item for which reimbursement is requested. A reference shall be made to the following (as applicable):

- The item number for the specific piece of equipment listed in the Property Schedule.

- The Contracting Officer's Authorization letter and number, if the equipment is not covered by the Property Schedule.

- Be preceded by an asterisk (*) if the equipment is below the approval level.

(4) Materials and Supplies -- Include equipment with unit costs of less than $1,000 or an expected service life of two years or less, and consumable material and supplies regardless of amount.

(5) Premium Pay -- List remuneration in excess of the basic hourly rate.

(6) Consultant Fee -- List fees paid to consultants. Identify consultant by name or category as set forth in the contract's Advance Understanding or in the COA letter, as well as the effort (i.e., number of hours, days, etc.) and rate being billed.

(7) Travel -- Include domestic and foreign travel. Foreign travel is travel outside of Canada, the United States and its territories and possessions. However, for an organization located outside Canada, the United States and its territories and possessions, foreign travel means travel outside that country. Foreign travel must be billed separately from domestic travel.

(8) Subcontract Costs -- List subcontractor(s) by name and amount billed.

(9) Other -- List all other direct costs in total unless exceeding $1,000 in amount. If over $1,000, list cost elements and dollar amounts separately. If the contract contains restrictions on any cost element, that cost element must be listed separately.

(l) Cost of Money (COM) -- Cite the COM factor and base in effect during the time the cost was incurred and for which reimbursement is claimed.

(m) Indirect Costs--Overhead -- Identify the cost base, indirect cost rate, and amount billed for each indirect cost category.

(n) Fixed-Fee Earned -- Cite the formula or method of computation for the fixed-fee (if any). The fixed-fee must be claimed as provided for by the contract.

(o) Total Amounts Claimed -- Insert the total amounts claimed for the current and cumulative periods.

(p) Adjustments -- Include amounts conceded by the contractor, outstanding suspensions, and/or disapprovals subject to appeal.

(q) Grand Totals

The contracting officer may require the contractor to submit detailed support for costs claimed on one or more interim invoices/financing requests.

FINANCIAL REPORTING INSTRUCTIONS:

These instructions are keyed to the Columns on the sample invoice/financing request.

Column A--Expenditure Category - Enter the expenditure categories required by the contract.

Column B--Cumulative Percentage of Effort/Hrs.-Negotiated - Enter the percentage of effort or number of hours agreed to doing contract negotiations for each employee or labor category listed in Column A.

Column C--Cumulative Percentage of Effort/Hrs.-Actual - Enter the percentage of effort or number of hours worked by each employee or labor category listed in Column A.

Column D--Incurred Cost-Current - Enter the costs, which were incurred during the current period.

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Column E--Incurred Cost-Cumulative - Enter the cumulative cost to date.

Column F--Cost at Completion - Enter data only when the contractor estimates that a particular expenditure category will vary from the amount negotiated. Realistic estimates are essential.

Column G--Contract Amount - Enter the costs agreed to during contract negotiations for all expenditure categories listed in Column A.

Column H--Variance (Over or Under) - Show the difference between the estimated costs at completion (Column F) and negotiated costs (Column G) when entries have been made in Column F. This column need not be filled in when Column F is blank. When a line item varies by plus or minus 10 percent, i.e., the percentage arrived at by dividing Column F by Column G, an explanation of the variance should be submitted. In the case of an overrun (net negative variance), this submission shall not be deemed as notice under the Limitation of Cost (Funds) Clause of the contract.

Modifications: Any modification in the amount negotiated for an item since the preceding report should be listed in the appropriate cost category.

Expenditures Not Negotiated: An expenditure for an item for which no amount was negotiated (e.g., at the discretion of the contractor in performance of its contract) should be listed in the appropriate cost category and all columns filled in, except for G. Column H will of course show a 100 percent variance and will be explained along with those identified under H above.

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SAMPLE INVOICE/FINANCING REQUEST AND CONTRACT FINANCIAL REPORT

<TABLE>
<S> <C>
(a) Billing Office Name and Address (b) Invoice/Financing Request No._____

NATIONAL INSTITUTES OF HEALTH
National Institute of Allergy and Infectious (C) Date Invoice Prepared_____
Diseases, CMB
6700-B Rockledge Drive, Room 2230, MSC 7612
Bethesda, MD 20892-7612 (d) Contract No._____

(e) Payee's Name and Address Effective Date_____
ABC CORPORATION
100 Main Street (f) Total Estimated Cost_____
Anywhere, USA zip code
(g) Total Fixed Fee_____
Attn: Name, Title, & Phone Number of Official to
Whom Payment is Sent

(h) This invoice/financing request represents reimbursable costs for the period from _____ to _____
</TABLE>
<TABLE>
<CAPTION>
Expenditure Category* Cumulative Percentage Incurred Cost Cost at Contract Variance

A	of Effort/Hrs.				Completion	Amount	H
					F	G	
	Negotiated	Actual	(I) Current	(j) Cumulative			
	B	C	D	E			
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
(k) Direct Costs:							
(1) Direct Labor							
(2) Fringe Benefits							
(3) Accountable Property (attach HHS-565)							
(4) Materials & Supplies							
(5) Premium Pay							
(6) Consultant Fees							
(7) Travel							
(8) Subcontracts							
(9) Other							
Total Direct Costs							
(l) Cost of Money							
(m) Overhead							
G&A							
(n) Fixed Fee							
(o) Total Amount Claimed							
(p) Adjustments							
(q) Grand Totals							

</TABLE>

I certify that all payments are for appropriate purposes and in accordance with the contract.

---------- ----------
(Name of Official) (Title)

* Attach details as specified in the contract

NIH(RC)-4 ATTACHMENT 2
Rev. 5/97

PHS 352.223-70 SAFETY AND HEALTH (DEVIATION) (AUGUST 1997)

(a) To help ensure the protection of the life and health of all persons, and to help prevent damage to property, the Contractor shall comply with all Federal, State and local laws and regulations applicable to the work being performed under this contract. These laws are implemented and/or enforced by the Environmental Protection Agency, Occupational Safety and Health Administration and other agencies at the Federal, State and local levels (Federal, State and local regulatory/enforcement agencies).

(b) Further, the Contractor shall take or cause to be taken additional safety measures as the Contracting Officer in conjunction with the project or other appropriate officer, determines to be reasonably necessary. If compliance with these additional safety measures results in an increase or decrease in the cost or time required for performance of any part of work under this contract, an equitable adjustment will be made in accordance with the applicable "Changes" Clause set forth in this contract.

(c) The Contractor shall maintain an accurate record of, and promptly report to the Contracting Officer, all accidents or incidents resulting in the exposure of persons to toxic substances, hazardous materials or hazardous operations; the injury or death of any person; and/or damage to property incidental to work performed under the contract AND all violations for which the Contractor has been cited by any Federal, State or local regulatory/enforcement agency. The report shall include a copy of the notice of violation and the findings of any inquiry or inspection, and an analysis addressing the impact these violations may have on the work remaining to be performed. The report shall also state the required action(s), if any, to be taken to correct any violation(s) noted by the Federal, State or local regulatory/enforcement agency and the time frame allowed by the agency to accomplish the necessary corrective action.

(d) If the Contractor fails or refuses to comply promptly with the Federal, State or local regulatory/enforcement agency's directive(s) regarding any violation(s) and prescribed corrective action(s), the Contracting Officer may issue an order stopping all or part of the work until satisfactory corrective action (as approved by the Federal, State or local regulatory/enforcement agencies) has been taken and documented to the Contracting Officer. No part of the time lost due to any stop work order shall be subject to a claim for extension of time or costs or damages by the Contractor.

(e) The Contractor shall insert the substance of this clause in each subcontract involving toxic substances, hazardous materials, or operations. Compliance with the provisions of this clause by subcontractors will be the responsibility of the Contractor.

(End of clause)

Safety and Health Clause (Deviation) ATTACHMENT 3
PHS 352.223-70, (8/97)

PROCUREMENT OF CERTAIN EQUIPMENT

Notwithstanding any other clause in this contract, the Contractor will not be reimbursed for the purchase, lease, or rental of any item of equipment listed in the following Federal Supply Groups, regardless of the dollar value, without the prior written approval of the Contracting Officer.

67 - Photographic Equipment
69 - Training Aids and Devices
70 - General Purpose ADP Equipment, Software, Supplies and Support (Excluding 7045-ADP Supplies and Support Equipment.)
71 - Furniture
72 - Household and Commercial Furnishings and Appliances
74 - Office Machines and Visible Record Equipment
77 - Musical Instruments, Phonographs, and Home-type Radios
78 - Recreational and Athletic Equipment

When equipment in these Federal Supply Groups is requested by the Contractor and determined essential by the Contracting Officer, the Government will endeavor to fulfill the requirement with equipment available from its excess personal property sources, provided the request is made under a cost-reimbursement contract. Extensions or renewals of approved existing leases or rentals for equipment in these Federal Supply Groups are excluded from the provisions of this article.

NIH(RC)-7 (4/1/84) ATTACHMENT 4
OMB Bulletin 81-16

SCHEDULE II-A - GOVERNMENT FURNISHED PROPERTY

<TABLE>
<CAPTION>

ITEM	DESCRIPTION	MANUFACTURER	MODEL NUMBER	QUANTITY
<S>	<C>	<C>	<C>	<C>
GENERAL REPOSITORY EQUIPMENT				
1	BIOLOGICAL SAFETY CABINET	CCI	740	2
2	WATER BATHS	ELEMCO	70	2
3	-70(DEGREE)MECHANICAL FREEZER WITH RACKS	REVCO	ULT2090EN	28
4	-70(DEGREE)MECHANICAL FREEZER WITH RACKS	HARRIS	HLT19LS85	17
5	LN2 FREEZER WITH RACKS	MVE	A4500	12
6	LN2 FREEZER WITH RACKS	MVE	XLC-1840	5
7	LN2 CRYOGENIC SHIPPER	MVE	TA-60	2
8	-70(DEGREE)MECHANICAL FREEZER WITH RACKS	RUSH	3185	8
9	LN2 CRYOGENIC SHIPPER	CUSTOM BIOGENICS	DS-3	3
10	LN2 CRYOGENIC SHIPPER	TAYLOR-WHARTON	CP65	4
11	LN2 FREEZER WITH RACKS	TAYLOR-WHARTON	33K	7
12	LN2 BULK STORAGE TANK	MVE	VVXC3000NC1	1

13 VACUUM JACKETED LN2 DISTRIBUTION PIPE MVE NONE 1
14 -70(DEGREE)MECHANICAL FREEZER WITH RACKS HARRIS HLT-36LS86 15
15 PLASTIC SHIPPING CASE FOR LN2 SHIPPER MVE NONE 1
16 LN2 FREEZER WITH RACKS TAYLOR-WHARTON 38KM21 7
17 DOT CERTIFIED DRY ICE SHIPPING CONTAINER U.S. ARMY FSSU-21 15 (APPROX.)
18 DOT CERTIFIED DRY ICE SHIPPING CONTAINER U.S. ARMY FSSU-4 5 (APPROX.)

COMPUTER HARDWARE, SOFTWARE AND DATA COMMUNICATIONS EQUIPMENT

1 9000/800 G40 BUSINESS SERVER WITH 128 MB RAM, 7 GB HARD DISK STORAGE, DAT CARTRIDGE TAPE DRIVE, CD-ROM DRIVE, 16 PORT MUX, HP-IB INTERFACE HEWLETT-PACKARD 9000/G40 1

</TABLE>

<TABLE>
<S> <C> <C> <C> <C>

2 HP-UNIX OPERATING SYSTEM SOFTWARE HEWLETT-PACKARD V10.20 1
3 ORACLE RDBMS SOFTWARE ORACLE V7.3 1
4 CASE DESIGNER 2000 SOFTWARE ORACLE NONE 1
5 CASE DEVELOPER 2000 SOFTWARE ORACLE NONE 1
6 ANSI C COMPILER HEWLETT-PACKARD NONE 1
7 POWERMON SOFTWARE SYSTEMS ENHANCEMENT CORPORATION V1.3 1
8 X-TERMINAL HEWLETT-PACKARD A1097C 1
9 ENVIZEX COMPUTER TERMINAL HEWLETT-PACKARD D1196A 4
10 ENTRIA WORKSTATION HEWLETT-PACKARD C3264A 1
11 COMPUTER TERMINAL DEC VT420-CA 2
12 UNINTERRUPTIBLE POWER SUPPLY FOR HP DEC NONE 1
13 GATEWAY 2000 PERSONAL COMPUTER WITH PENTIUM OVERDRIVE CHIP, 32 MB RAM, 200 MB AND 1.6 GB HDS, DUAL FLOPPY DRIVE, CD-ROM DRIVE, LAN CARD, INTERNAL FAX-MODEM, AND COLOR MONITOR GATEWAY 4DX-33 1
14 COMPAQ PRESARIO PERSONAL COMPUTER WITH PENTIUM CHIP, 32 MB RAM, 4.3 GB HD, FLOPPY DRIVES, CD-ROM, LAN CARD, INTERNAL FAX-MODEM, AND COLOR MONITOR COMPAQ PRESARIO 1
15 WINDOWS 95 SOFTWARE MICROSOFT WINDOWS 95 2
</TABLE>

<TABLE>
<S> <C> <C> <C> <C>

16 WORDPERFECT SUITE 7 COREL V7.0 2
17 DBMS/COPY SPSS, INC. V5.0 1
18 SMARTERM ESSENTIALS PERSOFT, INC. V7.0 2
19 PLATINUM DB MONITORING SW FOR HP G40 PLAT.TECHNOLOGIES V3.1 1
20 14400 BAUD EXTERNAL MODEM PRACTICAL PERIPHERALS PM14400FXMT
21 POWER SURGE PROTECTOR TRIPPE ISOBAR 4 1
22 DOT MATRIX PRINTER DEC LA-424 1
23 PRINTER WITH POSTSCRIPT AND 4 MB RAM MODULES HEWLETT-PACKARD LASERJET 4 1
24 EXTERNAL CASSETTE TAPE DRIVE FOR COMPAQ IOMEGA DITTO EASY 3200 1
25 SMART 650VA UNINTERRUPTIBLE POWER SUPPLY FOR PC APC VS650 2
26 BAR CODE SCANNER AMERICAN MICROSYSTEMS 5310HP4342 1
27 DELTA PLUS LABEL PRINTER ELTRON TLP2642PSA 1
28 LABEL WORKS SOFTWARE AMERICAN MICROSYSTEMS V2.0 1
29 DESKPRO PERSONAL COMPUTER WITH 1 MB RAM, FLOPPY DRIVES, 40 MB HARD DRIVE, AND MONOCHROME MONITOR COMPAQ 286E 1
30 PAPER COPIER MINOLTA EP-2121 1
31 PLAIN PAPER FACSIMILE MACHINE MURATEC F-86 1
32 LASER JET COLOR PRINTER HEWLETT-PACKARD 5M 1

</TABLE>

EXHIBIT 21.1

Subsidiaries of the Company

<TABLE>
<CAPTION>

Name	Jurisdiction of Organization	Location
<S>	<C>	<C>
BBI Clinical Laboratories, Inc.	Massachusetts	New Britain, CT
BBI Biotech Research Laboratories, Inc.	Massachusetts	Gaithersburg, MD
BBI Source Scientific, Inc.	Massachusetts	Garden Grove, CA
BBI BioSeq, Inc.	Massachusetts	Gaithersburg, MD
Panacos Pharmaceuticals, Inc.	Delaware	Gaithersburg, MD

</TABLE>

EXHIBIT 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-3 and S-8 (File Nos. 333-24749, 333-94379, 333-30320) of Boston Biomedica, Inc. and its subsidiaries (the "Company") of our report dated February 29, 2000 relating to the financial statements and financial statement schedule, which appears in this Annual Report on Form 10-K.

/s/ PricewaterhouseCoopers LLP

Boston, Massachusetts
March 29, 2000

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Exhibit 99.1

BioSeq, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1996
AND FOR THE PERIOD FROM OCTOBER 17, 1994
(DATE OF INCEPTION) TO DECEMBER 31, 1997

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of BioSeq, Inc.:

In our opinion, the accompanying balance sheets and the related statements of operations, changes in stockholders' equity (deficit) and of cash flows present fairly, in all material respects, the financial position of BioSeq, Inc. (a development stage enterprise) at December 31, 1997 and 1996 and the results of its operations and its cash flows for each of the two years in the period ended December 31, 1997 and for the period from October 17, 1994 (date of inception) to December 31, 1997, in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Boston, Massachusetts
July 10, 1998, except as to certain
information in the second paragraph of Note I,
for which the date is September 30, 1998.

BioSeq, Inc.
(A Development Stage Enterprise)

BALANCE SHEETS

as of December 31, 1997 and 1996

<TABLE>
<CAPTION>

ASSETS	1997	1996
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	$ 336,598	$ 452,704
Contract receivable	11,000	--
Total current assets	347,598	452,704
Property and equipment, net (Note C)	219,611	75,395
Total assets	$ 567,209	$ 528,099
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Liabilities:		
Accounts payable	40,125	7,895

Accrued expenses	150,911	35,500
Due to related party (Note G)	110,100	148,436
Total current liabilities	301,136	191,831
Convertible notes payable (Note D)	625,000	--
Commitments and contingencies (Note G)		
Stockholders' equity (deficit) (Note F):		
Preferred stock, $.01 par value; 1,150 shares authorized:		
Series A Convertible Preferred Stock, $.01 par value; 300 shares designated, issued and outstanding (liquidation preference $700 per share)	3	3
Series B Convertible Preferred Stock, $.01 par value; 550 shares designated, issued and outstanding (liquidation preference $950 per share)	6	6
Series C Convertible Preferred Stock, $.01 par value; 300 shares designated, 300 and zero shares issued and outstanding at December 31, 1997 and 1996, respectively (liquidation preference $2,500 per share)	3	--
Additional paid-in capital - Preferred stock	1,341,751	680,491
Common stock, no par value; 15,000 shares authorized, 4,762 shares issued and outstanding	352,143	352,143
Deficit accumulated during development stage	(2,052,833)	(696,375)
Total stockholders' equity (deficit)	(358,927)	336,268
Total liabilities and stockholders' equity (deficit)	$ 567,209	$ 528,099

</TABLE>

The accompanying notes are an integral part of the financial statements

BioSeq, Inc.
(A Development Stage Enterprise)

STATEMENTS OF OPERATIONS

for the years ended December 31, 1997 and 1996 and for the period from October 17, 1994 (date of inception) to December 31, 1997

<TABLE>
<CAPTION>

	1997	1996	For the period from October 17, 1994 (Date of Inception) to December 31, 1997
<S>	<C>	<C>	<C>
Contract research and development revenue	$ 19,000		$ 19,000
Operating expenses:			
Research and development	1,068,153	$ 390,974	1,702,755
General and administrative	294,127	45,300	357,657
	1,362,280	436,274	2,060,412
Operating loss	(1,343,280)	(436,274)	(2,041,412)
Interest income	26,100	1,757	27,857
Interest expense	(39,278)	--	(39,278)
Net loss	$(1,356,458)	$(434,517)	$(2,052,833)

</TABLE>

The accompanying notes are an integral part of the financial statements

BioSeq, Inc.
(A Development Stage Enterprise)

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)

for the period from October 17, 1994 (date of inception) to December 31, 1997

<TABLE>
<CAPTION>

	Preferred Stock						
	Series A Convertible		Series B Convertible		Series C Convertible		Additional Paid-in
	Shares	Amount	Shares	Amount	Shares	Amount	Capital
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Issuance of common stock to founders in December 1, 1994							
Net loss							
Balance at December 31, 1994							
Issuance of common stock to founders in July 1, 1995							
Net loss							
Balance at December 31, 1995							
Issuance of common stock to founders, various dates April to August 1996							
Issuance of common stock to related party for repayment of note to related party March 1996							
Issuance of common stock to related party in exchange for services in April and July 1996							
Issuance of common stock in August 1996							
Issuance of common stock in exchange for services in December 1996							
Issuance of Series A convertible preferred stock in October 1996	300	$ 3					$ 209,997
Issuance of Series B convertible preferred stock in November 1996			550	6			522,494
Issuance costs related to stock							(52,000)
Net loss							
Balance at December 31, 1996	300	$ 3	550	6			680,491
Issuance of Series C preferred in April 1, 1997					$ 300	3	749,997
Issuance costs related to stock							(88,737)
Net loss							

Balance at December 31, 1997	300	$ 3	550	6	300	3	$ 1,341,751

</TABLE>

<TABLE>
<CAPTION>

	Common Stock		Deficit Accumulated	Total Stockholders'
	Shares	Amount	Since Inception	Equity (Deficit)
<S>	<C>	<C>	<C>	<C>
Issuance of common stock to founders in December 1, 1994	650	$ 65,000		$ 65,000
Net loss			$ (63,397)	
Balance at December 31, 1994	650	$ 65,000	(63,397)	1,603
Issuance of common stock to founders in July 1, 1995	936	436		436
Net loss			(198,461)	
Balance at December 31, 1995	1,586	65,436	(261,858)	(196,422)
Issuance of common stock to founders, various dates April to August 1996	1,330	1,514		1,514
Issuance of common stock to related party for repayment of note to related party March 1996	500	75,000		75,000
Issuance of common stock to related party in exchange for services in April and July 1996	1,196	135,193		135,193
Issuance of common stock in August 1996	100	50,000		50,000
Issuance of common stock in exchange for services in December 1996	50	25,000		25,000
Issuance of Series A convertible preferred stock in October 1996			210,000	
Issuance of Series B convertible preferred stock in November 1996			522,500	
Issuance costs related to stock			(52,000)	
Net loss			(434,517)	(434,517)
Balance at December 31, 1996	4,762	352,143	(696,375)	336,268
Issuance of Series C preferred in April 1, 1997			750,000	
Issuance costs related to stock			(88,737)	
Net loss			(1,356,458)	(1,356,458)
Balance at December 31, 1997	4,762	$352,143	$ (2,052,833)	$ (358,927)

</TABLE>

The accompanying notes are an integral part of the financial statements

BioSeq, Inc.
(A Development Stage Enterprise)

STATEMENTS OF CASH FLOWS

For the years ended December 31, 1997 and 1996 and
for the period from October 17, 1994 (date of inception) to December 31, 1997

<TABLE>
<CAPTION>

	1997	1996	For the Period From October 17, 1994 (Date of Inception) to December 31, 1997
<S>	<C>	<C>	<C>
Cash flows for operating activities:			
Net loss	$(1,356,458)	$ (434,517)	$(2,052,833)
Adjustments to reconcile net loss to net cash used for operating activities:			
Depreciation	35,678	3,652	39,330
Stock issued for services	--	135,193	135,193
Changes in assets and liabilities:			
Accounts receivable	(11,000)	--	(11,000)
Accounts payable and accrued expenses	159,305	21,669	268,636
Net cash used in operating activities	(1,172,475)	(274,003)	(1,620,674)
Cash flows for investing activities:			
Purchases of property and equipment	(179,894)	(79,047)	(258,941)
Net cash used in investing activities	(179,894)	(79,047)	(258,941)
Cash flows from financing activities:			
Proceeds from issuance of common stock	--	51,514	116,950
Proceeds from issuance of preferred stock	750,000	732,500	1,482,500
Issuance costs related to preferred stock	(88,737)	(27,000)	(115,737)
Proceeds from related party loans	--	67,500	195,000
Principal payments of related party loans	(50,000)	(37,500)	(87,500)
Proceeds from notes payable	625,000	--	625,000
Net cash provided by financing activities	1,236,263	787,014	2,216,213
Net (decrease) increase in cash and cash equivalents	(116,106)	433,964	336,598
Cash and cash equivalents, beginning of period	452,704	18,740	--
Cash and cash equivalents, end of period	$ 336,598	$ 452,704	$ 336,598
Supplemental disclosures of noncash transactions:			
Related party loans converted into common stock	--	$ 75,000	$ 75,000
Interest paid	--	--	--

</TABLE>

The accompanying notes are an integral part of the financial statements

NOTES TO FINANCIAL STATEMENTS

A. Nature of Business:

BioSeq, Inc. (the "Company"), which began operations on October 17, 1994 and was incorporated on December 12, 1994, is a development stage enterprise engaged in developing a platform technology for precise bimolecular interaction control which enables faster, simpler, and inherently lower cost products and services as compared to conventional technologies. The Company's proprietary technology employs a unique approach and has broad application in a number of emerging and established industries. The Company plans to continue to develop its broad-based enabling technology platform in order to establish an array of patents covering numerous potential commercial applications. Since its inception, the Company has devoted substantially all of its efforts to establishing a new business and to carrying on research and development activities. See Note I. Subsequent Events which describes that BioSeq, Inc., was acquired by Boston Biomedica, Inc. in 1998.

The Company is subject to a number of risks similar to other companies in the industry, including rapid technological change, uncertainty of market acceptance of products, uncertainty of regulatory approval, competition from substitute products and larger companies, customers' reliance on third-party reimbursement, the need to obtain additional financing, compliance with government regulations, protection of proprietary technology, dependence on third-parties, product liability, and dependence on key individuals.

B. Summary of Significant Accounting Policies:

Cash and Cash Equivalents

The Company considers all highly liquid investments with remaining maturities of three months or less at the time of acquisition to be cash equivalents. Cash equivalents, which are primarily money market accounts, are stated at cost, which approximates market value.

Concentration of Credit Risk

Cash and cash equivalents are financial instruments, which potentially subject the Company to concentrations of credit risk. At December 31, 1997 and 1996, substantially all of the Company's cash was invested in a money market account at one financial institution.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally three to five years. The cost of maintenance and repairs is charged to expense as incurred.

Research and Development Expense

Research and development costs are expensed as incurred.

Continued

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Income Taxes

The Company uses the liability method of accounting for income taxes. Under the liability method, deferred tax assets and liabilities reflect the impact of temporary timing differences between amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws. A valuation allowance is required to offset any net deferred tax assets if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Stock-Based Compensation

Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," ("SFAS 123") encourages, but does not require companies to record compensation cost for stock-based employee compensation plans at fair value. The Company has chosen to account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. Accordingly, compensation cost for stock options is measured as the excess, if any, of the fair value of the Company's stock at the date of the grant over the amount an employee must pay to acquire the stock. Had compensation cost for the Company's stock-based compensation been determined based on the fair value at the date of grant consistent with the method of SFAS 123, the Company's net loss would not have been materially impacted.

Reclassifications

Certain reclassifications have been made in the prior year's financial statements to conform with the 1997 presentation.

Continued

C. Property and Equipment:

Property and equipment at December 31, 1997 and 1996 consists of:

<TABLE>
<CAPTION>

	1997	1996
<S>	<C>	<C>
Lab equipment	$ 234,733	$ 79,047
Office equipment	24,208	--
Property and equipment, gross	258,941	79,047
Less: accumulated depreciation	(39,330)	(3,652)
Property and equipment, net	$ 219,611	$ 75,395

</TABLE>

D. Notes Payable:

On April 11, 1997, the Company issued $625,000 of convertible notes (the " Notes"). The notes bear interest at 8.25% per annum and both principal and interest are due in April 1999. The outstanding principal and accrued interest on this Note will be automatically converted without action of the holder, upon the closing of an equity financing or series of related equity financings for the same security of at least $2,000,000 in the aggregate, into the security issued in that financing (the "Underlying Security"), at a price equal to 80% of the average gross issue price thereof (the "Conversion Price"). The holder of this Note, upon such conversion, will receive such number of fully paid and nonassessable shares of Underlying Securities as the outstanding principal and accrued but unpaid interest on this Note to which such conversion relates as of the Conversion date could purchase at the Conversion Price then in effect.

E. Stockholders' Equity:

Capital Stock

The authorized capital stock of the Company consists of (i) 15,000 shares of voting common stock authorized for issuance with no par value, 4,762 shares of which are issued and outstanding at December 31, 1997 and 1996, (ii) 1,150 shares of preferred stock, with a par value of $.01, 300 shares of which are designated, issued and outstanding as Series A Convertible Preferred Stock ("Series A Stock") at December 31, 1997 and 1996; 550 shares of which are designated, issued and outstanding as Series B Convertible Preferred Stock ("Series B Stock") at December 31, 1997 and 1996; and 300 and zero shares of which are designated, issued and outstanding as Series C Convertible Preferred Stock ("Series C Stock") at December 31, 1997 and 1996, respectively. The holders of all series of Preferred Stock are entitled to one vote for each share of Common Stock, into which the Preferred Stock is then convertible. No dividends may be paid on the Common

Continued

Stock until all dividends, including accrued but unpaid dividends have been paid to the holders of all series of preferred stock. The Company has reserved 1,150 shares of common stock for the conversion of preferred stock.

Under the terms of a preferred stock purchase agreement the holder of the Series A and B stock had the right to purchase the designated shares of Series C Stock for a per share price of $2,500 until December 31, 1997. On April 10, 1997, the holder of the Series A and B stock exercised its right under the stock purchase agreement to purchase 300 shares of Series C Stock for $2,500 per share. Additionally, the preferred stock purchase agreement requires 33% of the proceeds from the Series A Stock and 66% of the proceeds from Series B and C Stock to be used to fund research and development activities. The holder of the Series A, B and C Stock is an unaffiliated corporation that, based upon the agreement, cannot purchase in excess of 20% of the aggregate preferred and common stock of the Company and is entitled to elect one director of the Company. The agreement also required the Company to pay to the unaffiliated corporation a minimum of $100,000 for research services by September 30, 1997. Upon the closing of the Series C Stock the minimum requirement increases to $150,000 by December 31, 1998.

Liquidation Preference

In the event of any liquidation, dissolution or winding up of the

corporation, either voluntary or involuntary, the holders of the Series A Stock, Series B Stock and Series C Stock shall be entitled to receive, prior and in preference to any distribution of any of the assets or surplus funds of the corporation to the holders of the Common stock by reason of their ownership thereof, an amount equal to the original issue prices of $700 per share of the Series A Stock, $950 per share of Series B Stock and $2,500 per share Series C Stock, respectively.

Conversion Rights

The holder of the Series A Stock, Series B Stock and Series C Stock shall have the following rights with respect to the conversion of the Preferred Stock into shares of Common Stock:

a) Optional Conversion. Any shares of Preferred Stock may, at the option of the holder, be converted at any time into shares of Common Stock. Initially, the holder will be entitled upon conversion to receive one share of common stock for each share of Series A, B, or C stock. If prior to conversion, the Company sells or issues any shares of common stock or securities convertible into common stock, subject to certain conditions, for consideration less than the respective issuance prices of the Series A, B, or C stock, the conversion ratio will be reduced on a weighted average basis.

b) Automatic Conversion. Each share of Preferred Stock shall automatically be converted into shares of Common Stock, based on each then-effective conversion ratio immediately upon the closing of a firmly underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, covering the offer and sale of Common Stock for the account of the Company in which (i) the share price is at least $1,300, and (ii) and the gross cash proceeds to the Company are at least $10,000,000.

Continued

Warrants

In October 1996, the Company issued a stock purchase warrant to the purchaser of Series A and B Stock, granting the warrant holder the right to purchase, 300 shares at a per share price of $770, 550 shares at a per share price of $1,045 and 300 shares at a per share price of $2,570, shares of the Company's common stock for a period of five years. The warrants are not exercisable if it would cause the holder's percentage interest in the equity of the Company to exceed 20%. In the event the Company sells any shares of common stock, warrants options or convertible securities for consideration less than the warrant purchase price, the warrant purchase price will be reduced. At date of issuance, the value of these warrants was not material to the results of operations of the financial statements.

Stock Options

In September and October of 1995, the Company issued options to purchase 27.5 shares of common stock with an exercise price of $1,000 per share to advisors of the Company. The options vest over the following schedule: 25% after 6 months, 50% after 12 months, 75% after 24 months and 100% after 36 months. There were 27.5 of these options outstanding at December 31, 1997 and 1996; 20 and 13 of these options were vested and exercisable at December 31, 1997 and 1996, respectively.

1996 Stock Option Plan

In December 1996, the Company adopted the 1996 Stock Option Plan (the "Option Plan"). The Option Plan is administered by a Committee of the Company's Board of Directors (the "Committee"), and allows for the granting of awards in the form of incentive stock options, nonstatutory stock options, stock appreciation rights, and stock grants which may include restricted stock for up to 1,086 shares of common stock to eligible employees nonemployed directors, advisors and consultants to the Company. Awards granted under the plan are subject to terms and conditions as determined by the Committee, except that no incentive stock options may be issued at less than the fair market value of the common stock on the date of grant or have a term in excess of ten years. In addition, no individual will be granted options in any calendar year for the purchase of more than 200 shares. Stock option awards normally vest over 48 months as follows: 12.5% after 6 months from the date of grant, an additional 12.5% after 12 months from the date of grant, an additional 25% after 24 months from the date of grant, an additional 25% after 36 months from the date of grant and the remaining 25% after 48 months from the date of grant. At December 31, 1997 and 1996, 1,086 shares were available for the granting of awards. There were 781 and zero options outstanding under the Option Plan at December 31, 1997 and 1996, respectively. The options granted during the year ended December 31, 1997 have an exercise price ranging from $500 to $550 per share. The weighted-average remaining contractual life of those options is 7.8 years.

Continued

A summary of the Company's stock option activity and related information for the years ended December 31 is as follows:

<TABLE>
<CAPTION>

	1997		1996	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
<S>	<C>	<C>	<C>	<C>
Oustanding - beginning of year	--	--	--	--
Granted	781	$ 516.01	--	--
Exercised	--	--	--	--
Canceled	--	--	--	--
Outstanding - end of year	781	516.01	--	--
Exercisable at end of year	66	$ 523.54	--	--

</TABLE>

F. Income Taxes:

Since the Company has incurred net losses since inception, no provision for income taxes has been recorded. Deferred income taxes consist principally of deferred tax assets relating to net operating losses and research and development credits offset by deferred tax liabilities relating to depreciation. The net deferred tax asset is approximately $805,000 and $180,000 at December 31, 1997 and 1996, respectively, for which a full valuation allowance has been provided due to the uncertain realization of the benefit.

The Company had approximately $1,738,000 and $406,000 of net operating loss carryforwards at December 31, 1997 and 1996, respectively, and $119,000 and $18,000 of federal and state tax credit carryforwards available for income tax purposes at December 31, 1997 and 1996,

respectively. Of these net operating loss and credit carryforwards $1,332,000 and $406,000 will expire in 2012 and 2011, respectively. However, changes in the Company's ownership as defined in the Internal Revenue Code may limit the Company's ability to utilize net operating loss and tax credit carryforwards.

G. Related Party Transactions:

The Company is party to an agreement whereby it obtains substantially all of its operating resources from a related corporation (the "Related Entity") which is also a significant stockholder. At December 31, 1997 and 1996, respectively, the Related Entity owns approximately 40% and 42% of the outstanding shares of the Company, respectively. During 1996, this Related Entity provided the Company with all personnel (including management), access to technology licenses, and operating facilities. Under the terms of this agreement, the Company paid $290,974 for the

Continued

year ended December 31, 1996 and has paid $534,602 for the period from inception (October 17, 1994) through December 31, 1997. Due to the related party nature of these entities, the amounts charged for these services may not be recorded at fair market value.

Effective January 1, 1997, all of the employees of the Related Entity became employees of the Company and the Company agreed to pay the Related Entity $12,000 per month in exchange for all expenses related to certain leased facilities and related furniture, fixtures and equipment. Under the terms of this agreement, the Company paid $144,000 for the year ended December 31, 1997 and for the period from inception (October 17, 1994) to December 31, 1997.

Additionally, in October 1996, the Company entered into a technology transfer agreement (the "Technology Agreement") with the Related Entity for the transfer of certain patent applications and technology in exchange for $100,000 which has been recorded as research and development expense. Amounts totaling $50,000 were paid in the years ended December 31, 1997 and 1996.

Under the terms of the Technology Agreement, the Company has also agreed to pay a royalty of 5% of net sales, if any, of developed products covered by the Technology Agreement. Minimum annual royalty payments under this Technology Agreement are $150,000 payable in equal installments on a quarterly basis commencing in calendar year 1997. Upon satisfactory completion of certain technical milestones, the minimum royalty payments to this Related Entity will increase to $250,000 annually. Royalty payments totaling $75,000 and zero were paid in 1997 and 1996, respectively.

The Company has amounts due to related parties totaling $110,100 and $148,436 at December 31, 1997 and 1996, respectively. Of the 1996 amount, $56,857 relates to equipment and legal expenses paid by the Related Entity on behalf of the Company and $82,500 relates to a loan from the Related Entity. During the year ended December 31, 1996, the remaining amount of $9,079 related to operating services provided by the Related Entity for the Company. Of the 1997 amount, $75,000 relates to license fees, $32,500 relates to the loan from the Related Entity and the remaining $2,600 represents interest on the loan from the Related Entity.

The loan from the Related Entity is payable on demand. Beginning on January 1, 1997, the loan bears interest at 8%. In addition, the unpaid portion of the Note is convertible at the option of the Related Entity into 217 shares of common stock.

H. License Agreement:

On October 7, 1996, the Company has entered into an agreement with the holder of the Series A, B, and C Stock, which grants the exclusive world-wide license under certain patents. The term of the agreement commences with the earlier of the closing of the Series C Stock or December 31, 1997 and corresponds with the life of the patents. The license becomes nonexclusive upon the first commercial sale of an instrument utilizing the patent by the Company. Under the terms of the agreement, the Company shall receive a royalty on the unaffiliated corporation's net revenues, if any, under the license. The royalty rate is 5% of net revenues during the three year period

Continued

commencing at the earlier of the first commercial sale of services or the end of the one year period following the commencement of the license term. The royalty shall increase to 8% during the next two years and to 10% thereafter. Royalty rates are reduced by 50% for services provided in countries where no patent rights have been granted and reduced to zero upon the license becoming non-exclusive.

I. Subsequent Events:

On March 20, 1998, the Company entered into an agreement with the holder of Series A, B and C stock which grants the sole and exclusive right and license world-wide under the licensed patents to develop, market, manufacture, maintain, repair, use, offer to sell and sell licensed products and to use technical information. Under the terms of the agreement, the holder of Series A, B and C stock will pay the Company a license fee of $600,000. In addition, the holder of Series A, B and C stock will pay the Company a royalty equal to 5% of net sales on sales to nonaffiliate customers and 25% of net sales on sales to sublicensees during the first year of the agreement or $50,000, whichever is greater. For all subsequent years, the royalty will be equal to $50,000 and the prior year's royalty plus 5% not to exceed $125,000. On September 30, 1998, the Company was acquired by Boston Biomedica, Inc. ("BBI") for $879,000 in cash (net of cash acquired of $121,000), warrants to purchase 100,000 shares of BBI's stock at an exercise price of $2.50 per share, minimum long-term royalty payments to the owners of the Company of $424,000, debt and accrued interest owed by the Company at the time of acquisition of approximately $736,000 and other acquisition costs. The Company's stock options were exchanged for 46,623 BBI stock options with an average exercise price of $2.74. The aggregate purchase price of the Company, including the original 19% investment under the 1996 Purchase Agreement of $1,482,000, was approximately $4,226,000.