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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 10-Q**

(Mark One)

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

For the quarterly period ended March 31, 2004 or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-21615

**BOSTON BIOMEDICA, INC.**

(Exact Name of Registrant as Specified in its Charter)

**Massachusetts**

(State or Other Jurisdiction of  
Incorporation or Organization)

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

**04-2652826**

(I.R.S. Employer  
Identification No.)

**02379-1040**

(Zip Code)

Registrant's telephone number, including area code

**(508) 580-1900**

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

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

Yes  No

The number of shares outstanding of the Registrant's common stock as of April 30, 2004 was 6,846,896.

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**Part I. Financial Information**

**Item 1. Financial Statements**

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

For the three months ended  
March 31,

2004	2003
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<b>REVENUE:</b>		
Products	\$ 3,263,548	\$ 3,288,257
Services	2,287,253	2,354,617
Total revenue	5,550,801	5,642,874
<b>COSTS AND EXPENSES:</b>		
Cost of products	1,748,139	1,618,631
Cost of services	1,626,748	1,838,151
Research and development	489,447	400,680
Selling and marketing	721,672	808,294
General and administrative	1,192,403	1,167,194
Total operating costs and expenses	5,778,409	5,832,950
Operating loss from continuing operations	(227,608)	(190,076)
Interest income	1,990	12,617
Interest expense	(64,016)	(73,008)
Loss from continuing operations before income taxes	(289,634)	(250,467)
Provision for income taxes	(1,100)	(3,080)
Loss from continuing operations	(290,734)	(253,547)
<b>Discontinued operations (Note 8)</b>		
Income from discontinued operations of Clinical Laboratory segment (net of income taxes of \$0 in 2004)	135,000	—
Net loss	\$ (155,734)	\$ (253,547)
Loss per share from continuing operations, basic & diluted	\$ (0.04)	\$ (0.04)
Income per share from discontinued operations, basic & diluted	\$ 0.02	\$ —
Net loss per share, basic & diluted	\$ (0.02)	\$ (0.04)
Number of shares used to calculate net loss per share, basic and diluted	6,828,585	6,789,389

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

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

	<b>March 31, 2004 (Unaudited)</b>	<b>December 31, 2003</b>
<u>ASSETS</u>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 1,284,860	\$ 967,185
Marketable securities	3,827	4,071
Accounts receivable, less allowances of \$130,783 in 2004 and \$124,283 in 2003	3,497,405	3,495,839
Inventories	6,633,829	6,525,018
Prepaid expenses and other current assets	286,566	200,695
Restricted cash (Note 9)	69,990	—
Total current assets	11,776,477	11,192,808
Property and equipment, net	4,501,636	4,725,523
<b>OTHER ASSETS:</b>		
Goodwill and other intangible assets, net	737,749	749,907
Other long-term assets	452,356	174,208
Total other assets	1,190,105	924,115
<b>TOTAL ASSETS</b>	<b>\$ 17,468,218</b>	<b>\$ 16,842,446</b>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 2,022,590	\$ 1,633,263
Accrued employee compensation	1,168,502	1,010,512
Other accrued expenses	500,309	541,857
Liabilities from discontinued operations (Note 8)	106,880	192,801
Line of Credit (Note 9)	518,952	—
Current maturities of long term debt (Note 9)	58,180	58,180
Deferred revenue and other current liabilities	87,558	97,508
Total current liabilities	4,462,971	3,534,121
<b>LONG-TERM LIABILITIES:</b>		
Long term debt, less current maturities (Note 9)	2,254,084	2,271,299
Liabilities from discontinued operations (Note 8)	95,000	215,040

Other liabilities	387,030	406,777
<b>Total Liabilities</b>	<b>7,199,085</b>	<b>6,427,237</b>

#### COMMITMENTS AND CONTINGENCIES (Note 10)

#### STOCKHOLDERS' EQUITY:

Common stock, \$.01 par value; 20,000,000 shares authorized, 6,831,896 and 6,827,592 issued and outstanding at March 31, 2004 and December 31, 2003, respectively	68,319	68,276
Loan receivable from Director and former CEO (Note 7)	(1,000,000)	(1,000,000)
Additional paid-in capital	21,897,849	21,888,234
Accumulated deficit	(10,697,035)	(10,541,301)
Total stockholders' equity	10,269,133	10,415,209
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>	<b>\$ 17,468,218</b>	<b>\$ 16,842,446</b>

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

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

	For the three months ended	
	March 31,	
	2004	2003
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (155,734)	\$ (253,547)
Less: income from discontinued operations	135,000	—
Loss from continuing operations	(290,734)	(253,547)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	316,397	328,975
Provision for doubtful accounts	6,500	—
Changes in operating assets and liabilities:		
Accounts receivable	(12,017)	612,008
Inventories	(108,811)	169,100
Prepaid expenses and other assets	(81,676)	(145,056)
Other long-term assets	(121,345)	(51,615)
Accounts payable	389,327	(188,988)
Accrued employee compensation	157,990	131,051
Other accrued expenses	(41,549)	151,945
Deferred revenue and other current liabilities	(9,950)	(4,302)
Other liabilities	(19,747)	(10,366)
Net cash provided by operating activities	184,385	739,205
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Payments for additions to property and equipment	(71,153)	(20,304)
Net cash used in investing activities	(71,153)	(20,304)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from issuance of common stock	9,658	14,157
Repayments of long-term debt	(17,214)	(24,378)
Borrowings on line of credit, net of \$166,002 of related expenses	352,950	—
Restricted cash - line of credit	(69,990)	—
Net cash provided (used) in financing activities	275,404	(10,221)
<b>INCREASE IN CASH AND CASH EQUIVALENTS:</b>	388,636	708,680
Cash used in discontinued operations	(70,961)	(71,169)
Cash and cash equivalents, beginning of year	967,185	975,649
Cash and cash equivalents at end of period	<u>\$ 1,284,860</u>	<u>\$ 1,613,160</u>
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>		
Conversion of Pledge of Restricted Cash as Security for Loan from Bank to Director to a Loan Receivable from Director and former CEO (Note 6)	\$ —	\$ 1,000,000

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

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

(1) **Basis of Presentation**

## Overview

The accompanying unaudited Condensed Consolidated Financial Statements of Boston Biomedica, Inc (the “Company”, “Boston Biomedica, Inc.” or “BBI”) have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of only normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2004 are not necessarily indicative of the results that may be expected for the year ending December 31, 2004 as discussed further hereunder in the following paragraph. For further information, refer to the consolidated financial statements and footnotes thereto included in the Form 10-K filing for the fiscal year ended December 31, 2003; also see the Company’s Form 8-K filing dated April 16, 2004.

On April 16, 2004, Boston Biomedica, Inc. announced that it has signed an Asset Purchase Agreement (the “Asset Purchase Agreement”) to sell substantially all of the assets and selected liabilities of its BBI Diagnostics and BBI Biotech Divisions to SeraCare Life Sciences, Inc. (“SeraCare”) of Oceanside, California (the “Asset Sale”). The closing, which is expected to occur by August 15, 2004, is subject to a number of conditions, including the approval of the transaction by BBI stockholders and SeraCare’s receipt of sufficient financing to complete the transaction. In addition, BBI also announced on April 16, 2004 that it has entered into a non-binding Letter of Intent (“LOI”) to sell the assets and selected liabilities of its BBI Source Scientific Division (BBI’s California-based Laboratory Instrumentation Division) to an entity to be jointly owned 70% by Mr. Richard W. Henson and Mr. Bruce A. Sargeant and 30% by BBI. Accordingly, if the above noted transactions occur as anticipated, operating results for the three months ended March 31, 2004 are not expected to be indicative of the results that may be expected for the year ending December 31, 2004 nor subsequent years. See Note 3 of Notes to Condensed Consolidated Financial Statements hereunder.

## Deferred Costs

The Company has deferred approximately \$51,000 of transaction costs as of March 31, 2004 associated with the above noted Asset Purchase Agreement. Assuming the transaction contemplated by the Asset Purchase Agreement closes as anticipated, these deferred transaction costs will be included in the final gain computation associated with the Asset Purchase Agreement, otherwise the Company may be required to write off these costs if the transaction does not proceed as anticipated. In addition, as discussed further in Note 9 of Notes to Condensed Consolidated Financial Statements hereunder, the Company has deferred approximately \$157,000 of costs as of March 31, 2004 associated with obtaining a line of credit. These costs are being amortized to expense on a straight-line basis over the three year life of the agreement.

## Stock-Based Compensation

Statement of Financial Accounting Standards No. 123, “Accounting for Stock-Based Compensation” (SFAS 123), requires that companies either recognize compensation expense for grants of stock options and other equity instruments based on fair value or provide pro forma disclosure of net income (loss) and net income (loss) per share in the notes to the financial statements. Statement of Financial Accounting Standards No. 148, “Accounting for Stock-based Compensation – Transition and Disclosure – an amendment of FASB Statement No. 123,” (SFAS 148) amends SFAS 123 to provide alternative methods of transition for a voluntary change to the fair-value-based method of accounting for stock-based employee compensation. In addition, SFAS 148 amends the disclosure requirements of SFAS 123 to require disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. At March 31, 2004, the Company has six stock-based compensation plans, which are described in further detail in the Company’s Annual Report on Form 10-K to the United States Securities and Exchange Commission for the year ended December 31, 2003. The Company accounts for those plans under the recognition and measurement principles of Accounting Principles Board Opinion No. 25 “Accounting for Stock Issued to Employees” (APB 25) and related interpretations. Accordingly, no compensation cost has been recognized under SFAS 123 for the Company’s employee stock option plans. Had compensation cost for awards under those plans been determined based on the grant date fair values, consistent with the method required under SFAS 123, the Company’s net (loss) and net (loss) per share would have been adjusted to the pro forma amounts indicated below:

	<u>For the Three Months Ended March 31,</u>	
	<u>2004</u>	<u>2003</u>
Net loss - as reported	\$ (155,734)	\$ (253,547)
Add back: Stock-based compensation in net loss, as reported	—	—
Deduct: Stock-based employee compensation expense determined under fair value based methods for all awards, net of related tax effects	(144,008)	(129,120)
Net loss - pro forma	\$ (299,742)	\$ (382,667)
Basic and Diluted net loss per share - as reported	\$ (0.02)	\$ (0.04)
Basic and Diluted net loss per share - pro forma	\$ (0.04)	\$ (0.06)

The Company has elected to follow 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 SFAS 123, as amended by SFAS No. 148. 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. For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options’ vesting period.

## 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 addition, significant estimates were made in determining the gain on the disposition of the Company's discontinued operations including post-closing adjustments, in estimating future cash flows to quantify impairment of assets, in determining the ultimate cost of abandoning a lease (associated with discontinued operations) at a facility no longer being utilized, in estimates regarding the collectability of accounts receivable, realizability of loans made to a director and former Chief Executive Officer including sufficiency of collateral, deferred tax assets, the net realizable value of its inventory, as well as an estimate for remaining liabilities associated with discontinued operations. On an on-going basis, we evaluate our estimates. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from the estimates and assumptions used by management.

## **(2) Recent Accounting Standards**

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." This Statement amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities." This Standard is effective for contracts entered into or modified after June 30, 2003. The application of SFAS No. 149 has not had a material effect on the Company's condensed consolidated financial statements.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This Statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. This Standard is effective for financial instruments entered into or modified after May 31, 2003. The application of SFAS No. 150 has not had a material effect on the Company's condensed consolidated financial statements.

## **(3) Subsequent Events**

On April 16, 2004, BBI announced that it signed an Asset Purchase Agreement to sell substantially all the assets and selected liabilities of its BBI Diagnostics and BBI Biotech business units to SeraCare (the "Asset Sale"). The purchase price is \$30 million in cash, plus the assumption of certain liabilities related to the BBI Diagnostics and BBI Biotech business units, and is subject to adjustment at closing based on the value of the net assets being sold. Of the \$30.0 million purchase price, \$2.5 million will be held in escrow for a period of 18 months following the closing. The closing, which is expected to occur by August 15, 2004, is subject to a number of conditions, including the approval of the transaction by BBI stockholders and SeraCare's receipt of sufficient financing to complete the transaction. SeraCare expects to finance the transaction primarily with debt, along with some equity financing, and has agreed to use commercially reasonable efforts to obtain the financing through August 15, 2004. A proforma summary of net assets and liabilities held for sale which are contemplated to be sold pursuant to the Asset Purchase Agreement is as follows, assuming the commitment to a plan of action had occurred as of March 31, 2004 :

	<b>BBI Diagnostics</b>	<b>BBI Biotech</b>
<b>Assets and liabilities to be sold pursuant to an Asset Purchase Agreement:</b>		
Accounts Receivable, net	\$ 1,619,804	\$ 1,603,329
Inventory	5,289,254	516,676
Prepaid assets	78,550	86,291
Fixed Assets, net	2,543,475	1,794,020
Other assets	38,626	167,008
Accounts payable	(1,087,583)	(630,982)
Accrued expenses and compensation	(749,960)	(336,927)
Short Term Debt/other	(67,649)	(340,595)
Long Term Debt - Mortgage	(2,244,856)	—
<b>Net Assets and Liabilities held for Sale, excluding facility operating lease obligations also to be assumed:</b>	<b>\$ 5,419,661</b>	<b>\$ 2,858,820</b>

In addition, BBI announced on April 16, 2004 that it has entered into a non-binding Letter of Intent ("LOI") to sell certain assets and selected liabilities of its BBI Source Scientific Division (BBI's California-based Laboratory Instrumentation Division) to a newly formed entity to be jointly owned 70% by Mr. Richard W. Henson and Mr. Bruce A. Sargeant and 30% by BBI. The LOI calls for BBI to receive a three year promissory note in the aggregate principal amount of \$900,000. The LOI also calls for the new instrumentation company to provide engineering, manufacturing and other related services for BBI's pressure cycling technology products until September 30, 2005. Negotiations remain ongoing as of May 2004.

Simultaneously with the announcement of the Asset Sale, BBI stated its intention to commence an issuer tender offer to purchase up to 6,000,000 shares of its common stock at a price of \$3.50 per share shortly following the completion of the Asset Sale. BBI expects to use up to \$21.0 million of the after-tax net proceeds from the Asset Sale to purchase shares of its common stock tendered in the tender offer. The remaining net proceeds from the Asset Sale, after taxes and transaction fees, which is estimated to be between \$1.0 million and \$2.0 million, plus any portion of the escrowed amount released to BBI, are expected to be used primarily for working capital for the

**(4) Inventories**

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

	<u>March 31,</u> <u>2004</u>	<u>December 31,</u> <u>2003</u>
Raw materials	\$ 3,468,558	\$ 3,549,826
Work-in-process	1,347,968	1,124,883
Finished goods	1,817,303	1,850,309
	<u>\$ 6,633,829</u>	<u>\$ 6,525,018</u>

**(5) Segment Reporting and Related Information**

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

As of March 31, 2004, the Company had four operating segments. The Diagnostics segment serves the worldwide in vitro diagnostics industry, including users and regulators of their test kits, with quality control products, and test kit components. The Biotech segment pursues third party contracts to help fund the development of products and services for the other segments, primarily with agencies of the United States Government. The Laboratory Instrumentation segment (BBI Source Scientific, Inc.) sells diagnostic instruments primarily to the worldwide in vitro diagnostic industry on an OEM basis, and also performs in-house instrument servicing. The PCT segment consists of research and development primarily in pressure cycling technology ("PCT"). The Company performs research in the development of PCT, with particular focus in the areas of nucleic acid and protein extraction from cells and tissues, and pathogen inactivation. The Company announced the availability for commercial sale of its PCT products in late September of 2002. PCT Revenue to date consists primarily of both private and public (NIH) funding of segment research and, commencing in late 2002, from the sale of PCT products. Most of the expenditures incurred by this segment are for ongoing research and development expenses, marketing and sales expenses, and general management expenses including patent costs. See also Note 3 of Notes to Condensed Consolidated Financial Statements.

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

Operating segment revenue was as follows:

<u>Segment revenue:</u>	<u>Three Months Ended March 31,</u>	
	<u>2004</u>	<u>2003</u>
Diagnostics	\$ 2,855,000	\$ 2,869,000
Biotech	2,312,000	2,287,000
Laboratory Instrumentation	537,000	514,000
PCT	133,000	253,000
Eliminations	(286,000)	(280,000)
Total Revenue	<u>\$ 5,551,000</u>	<u>\$ 5,643,000</u>

Operating segment income (loss) was as follows:

<u>Segment operating income (loss):</u>	<u>Three Months Ended March 31,</u>	
	<u>2004</u>	<u>2003</u>
Diagnostics	\$ 390,000	\$ 458,000
Biotech	(77,000)	(57,000)
Laboratory Instrumentation	(146,000)	(209,000)
PCT	(395,000)	(382,000)
Operating loss from continuing operations	<u>\$ (228,000)</u>	<u>\$ (190,000)</u>

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

<u>Identifiable corporate and segment assets:</u>	<u>March 31,</u> <u>2004</u>	<u>December 31,</u> <u>2003</u>



Corporate	\$ 9,532,000	\$ 9,227,000
Biotech	4,276,000	3,903,000
Laboratory Instrumentation	1,215,000	1,234,000
PCT	908,000	981,000
Total assets	\$ 17,468,000	\$ 16,842,000

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

#### (6) Computation of Net Income (Loss) per Share

Basic earnings (loss) per share is computed by dividing income (loss) available to common shareholders by the weighted average number of common shares outstanding. Diluted earnings (loss) per share is computed by dividing income (loss) 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 are antidilutive are excluded from the calculation. Potentially dilutive securities having a net effect of 14,599 and 7 common shares were not included in the computation of diluted loss per share because to do so would have been antidilutive for the three months ended March 31, 2004 and 2003, respectively. The net loss per share computation for the three months ended March 31, 2004 and 2003 reflects the issuance of 4,034 and 7,047, respectively, of additional shares of common stock purchased by employees through their participation in the Company's employee stock purchase plan.

	Three Months Ended March 31,	
	2004	2003
Weighted Average Shares Outstanding, basic	6,828,585	6,789,389
Net effect of dilutive common stock equivalents-based on treasury stock method using average market price	—	—
Weighted Average Shares Outstanding, diluted	6,828,585	6,789,389
Loss from continuing operations	\$ (290,734)	\$ (253,547)
Income from discontinued operations	135,000	—
Net loss	\$ (155,734)	\$ (253,547)
Loss per share from continuing operations, basic and diluted	\$ (0.04)	\$ (0.04)
Income per share from discontinued operations-basic & diluted	0.02	—
Net loss per share-basic & diluted	\$ (0.02)	\$ (0.04)

#### (7) Related Party Transaction

In January 2002, the Company pledged a \$1,000,000 interest bearing deposit at a financial institution to secure the Company's limited guaranty of loans in the aggregate amount of \$2,418,000 from the financial institution to an entity controlled by Richard T. Schumacher, a Director and the Company's current Chief Executive Officer. The loans from the financial institution to the entity controlled by Mr. Schumacher, which are personally guaranteed by Mr. Schumacher, were originally secured by collateral which includes certain real property owned by Mr. Schumacher and all of his shares of common stock held in the Company. The Company's pledge is secured by a junior subordinated interest in the collateral provided by Mr. Schumacher to the financial institution. The Company's pledge of \$1,000,000 was made to assist Mr. Schumacher in refinancing his indebtedness related to, among other things, his divorce settlement and to enable him to avoid the need to sell his Company common stock on the open market to satisfy his debts. The Company's Board of Directors and a special committee of the independent directors of the Board of Directors, evaluated a number of options and concluded that the pledge of the \$1,000,000 interest bearing deposit was the best option and in the best interests of the Company's stockholders in the belief that it would, among other things, avoid selling pressure on the Company's common stock and relieve the financial pressures on Mr. Schumacher that could otherwise divert his attention from the Company.

In January 2003, the \$1,000,000 held in the interest bearing deposit account pledged to a financial institution to secure the Company's limited guaranty was used by the financial institution to satisfy the Company's limited guaranty obligation to the financial institution. The Company has no further obligations to the financial institution and has a loan receivable in the amount for \$1,000,000 (plus accrued interest) from Mr. Schumacher. The Company continues to maintain its junior interest in collateral pledged by Mr. Schumacher to the financial institution. The Company reflected the \$1,000,000 pledge as restricted cash on its balance sheet as of December 31, 2002 until the cash was used to satisfy the Company's limited guaranty in January 2003 and since then has reflected a \$1,000,000 loan receivable on its balance sheet in stockholders' equity.

As of March 31, 2004, the Company evaluated the recoverability of the \$1,000,000 loan receivable from Mr. Schumacher. The Company's review includes an evaluation of the remaining collateral associated with the loan. The Company maintains a junior interest in this collateral. The remaining collateral consists of common stock of the Company. When considering the adequacy of the collateral, the Company considers the balance of a loan outstanding (\$494,830 as of March 31, 2004) between an entity controlled by Mr. Schumacher with a financial institution and the fact that the Company has a junior position in regards to the remaining collateral associated with that loan, as well as the liquidity and net realizable value of the remaining assets underlying the collateral.

The ultimate value that may be recovered by the Company is dependent on numerous factors including market conditions relative to the value of and ability to sell the Company's common stock, and the financial status of Mr. Schumacher. At March 31, 2004, the Company performed a test for impairment of the loan receivable by analyzing the value of the collateral, and determined that the loan receivable was not impaired. While the loan receivable was not impaired as of March 31, 2004, fluctuations in the quoted market value of

the Company's common stock, which comprises the remaining collateral, may be an indicator of impairment. Based on the Company's assessment as of and through May 2004, the Company estimates that the value of the collateral approximates or exceeds the amount of the Company's recorded loan. If actual market conditions are less favorable or other factors arise that are significantly different than those anticipated by management, a write-down of this asset might be required.

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

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

On March 4, 2004, the Company entered into a lease termination agreement with the landlord relative to the facility previously occupied by BBICL. The agreement provides for a series of reduced payments over a nine

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month period ending in late 2004 in return for the Company vacating the facility on or before May 31, 2004. Accordingly, the Company recognized a \$135,000 gain in the first quarter of 2004 associated with this lease termination agreement and reduction of the related liability. The Company's estimate of remaining short and long term accrued liabilities to exit the clinical laboratory testing business is approximately \$202,000 as of March 31, 2004. The major component of this accrual is the remaining payments associated with the lease termination agreement and the remainder for other miscellaneous costs associated with exiting this business segment. In prior years, the Company recorded an after-tax gain of \$4,334,000 in 2001, and an additional \$225,000 in 2002. These gains may be subject to future adjustments as the Company completes the process of exiting this business. The Company utilized in 2001 certain prior period net operating loss carryforwards, previously reserved for by the Company, to partially offset the income tax effect of this gain.

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

On February 5, 2004, the Company entered into a three year, \$2,500,000 revolving line of credit agreement with a private lender. The revolving line of credit bears interest at the base rate plus 3%, carries commercially standard unused line and collateral management fees (payable monthly), and is collateralized by trade accounts receivable and inventory of the Company. Borrowings under the revolving line of credit are limited to commercially standard terms and percentages of accounts receivable. The revolving line of credit contains financial and other customary covenants, including a minimum debt service coverage ratio and certain restrictions on the payments of dividends and incurring additional debt. The amount borrowed under this revolving line of credit was \$518,952 as of March 31, 2004 and is classified as short term debt on the accompanying balance sheet as of March 31, 2004. In accordance with the provisions of the revolving line of credit agreement, all cash receipts of the Company associated with trade accounts receivable are deposited into a restricted bank account. This account balance of \$69,990 is reported as restricted cash on the accompanying balance sheet as of March 31, 2004. The Company has incurred approximately \$157,000 of costs as of March 31, 2004 associated with obtaining the revolving line of credit. These costs have been deferred and are being amortized to expense on a straight-line basis over the three year life of the agreement.

Subsequent to the end of the quarter, the Company was notified by the lender under this revolving line of credit that as a result of the Company committing to sell substantially all of its assets to SeraCare Life Sciences pursuant to the Asset Purchase Agreement described in Note 3 of Notes to Condensed Consolidated Financial Statements preceding, the Company is in technical default with respect to this revolving line of credit. The lender, however, has advised the Company it is not taking any immediate action at this time. The Company is continuing discussions with the lender at this time.

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#### **(10) Commitments and Contingencies**

Various claims have been or may be asserted against the Company in the ordinary course of business. In certain instances, the amounts claimed or alleged may be significant. While it is possible that the Company's results of operations and/or liquidity could be materially affected by these contingent liabilities, based upon information currently available, management believes that resolution of any of the following outstanding claims will not have a material adverse impact on the financial position of the Company.

##### Licensing Agreements/ Customer Claims

In the first quarter of 2004, the Company received unrelated communications from three parties relative to licensing, royalty and product performance issues. One party has requested additional information to determine whether the Company may owe additional royalties on products sold under a patent license agreement; the Company believes it has made all required royalty payments under its patent license agreement with this entity. Another party has alleged that certain products sold by the Company used component materials patented by that third party. A customer has alleged that the Company supplied defective products that were subsequently incorporated into the customer's end user products that were recalled. The Company is in the process of investigating and gathering additional information in order to respond to these inquiries. While the Company cannot estimate the amount of a loss, if any, associated with the resolution of these allegations, the Company disputes all of these allegations and intends to vigorously pursue all defenses available to the



Company.

### Environmental Matters

The Company has received correspondence addressed to Source Scientific, Inc. originating from the U.S. Environmental Protection Agency ("EPA"). In 1997, the Company acquired certain assets and liabilities of Source Scientific, Inc. The correspondence identifies Source Scientific, Inc. as having a potential liability for waste disposal by a purported predecessor entity. The Company has not yet determined if it actually has liability for this matter, however should the Company and the EPA agree on resolution of this matter, it is estimated that such costs could range from a minimal amount up to \$42,000.

### Leases

On March 1, 2004, the Company entered into an eleven year lease agreement with an existing landlord for approximately 65,160 sq. ft. of new repository space located in Frederick, MD; this lease is scheduled to take effect in two stages, August 1, 2004 and August 1, 2005. Assuming occupancy of the new facility by the Company on August 1, 2004, the landlord has agreed to terminate in full the Company's remaining obligations pursuant to an existing facility lease which was scheduled to terminate in November 2006. Incremental minimum lease payments pursuant to the new lease (which are net of savings associated with the concurrent termination of the existing lease) would amount to \$55,900 in year 2004, \$885,000 in years 2005-2006, \$1,755,000 in years 2007-2008, and \$6,563,000 thereafter.

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

### **RECENT DEVELOPMENTS**

On April 16, 2004, Boston Biomedica, Inc. ("BBI" or the "Company") announced that it has signed an Asset Purchase Agreement (the "Asset Purchase Agreement") to sell substantially all of its assets, which consist of the assets of its BBI Diagnostics and BBI Biotech business units to SeraCare Life Sciences, Inc. ("SeraCare") of Oceanside, California (the "Asset Sale"). The purchase price is \$30 million in cash, plus the assumption of certain liabilities related to the BBI Diagnostics and BBI Biotech business units, and is subject to adjustment at closing based on the value of the net assets being sold. Of the \$30.0 million purchase price, \$2.5 million will be held in escrow for a period of 18 months following the closing.

The closing, which is expected to occur by August 15, 2004, is subject to a number of conditions, including the approval of the transaction by BBI stockholders and SeraCare's receipt of sufficient financing to complete the transaction. SeraCare expects to finance the transaction primarily with debt, along with some equity financing, and has agreed to use commercially reasonable efforts to obtain the financing through August 15, 2004.

On April 16, 2004, SeraCare entered into voting agreements (the "Voting Agreements") with each of Mr. Richard T. Schumacher, BBI's founder and a Director, and Mr. Richard Kiphart, his daughter and Shoreline Micro-Cap Fund I LP, a fund of which Mr. Kiphart serves as general partner and has the sole power to vote and dispose or direct the disposition of shares held by such fund. Under the Voting Agreements, these stockholders, who collectively hold an aggregate of approximately 32% of BBI's total outstanding shares entitled to vote at the stockholders meeting, have agreed to vote their shares in favor of the Asset Sale in accordance with the Voting Agreements. The foregoing description of the Asset Purchase Agreement and Voting Agreements does not purport to be complete and is qualified in its entirety by reference to the Asset Purchase Agreement.

BBI has amended its Shareholder Rights Agreement to provide that none of the following events will trigger the rights under that agreement: (i) the execution and delivery of the Asset Purchase Agreement, (ii) the execution of the Voting Agreements, (iii) the granting of proxies to vote common stock of BBI by each of Richard T. Schumacher and Richard Kiphart (together with his related parties) to SeraCare pursuant to the Voting Agreements, and (iv) the completion of the transactions under the Asset Purchase Agreement and the taking of actions under the Voting Agreements. The foregoing description of the amendment to the Rights Agreement does not purport to be complete and is qualified in its entirety by reference to Amendment No. 1 to Rights Agreement.

Simultaneously with the announcement of the Asset Sale, BBI stated its intention to commence a tender offer to purchase up to 6,000,000 shares of its common stock at a price of \$3.50 per share shortly following the completion of the Asset Sale. BBI expects to use up to \$21.0 million of the after-tax net proceeds from the Asset Sale to purchase shares of its common stock tendered in the tender offer. The remaining net proceeds from the Asset Sale, after taxes and transaction fees, which is estimated to be between \$1.0 and \$2.0 million, plus any portion of the escrowed amount released to BBI, are expected to be used for working capital for the Company's pressure cycling technology activities.

BBI also announced on April 16, 2004 that it has entered into a non-binding Letter of Intent ("LOI") to sell the assets and selected liabilities of its BBI Source Scientific Division (BBI's California-based Laboratory Instrumentation Division) to a newly formed entity to be jointly owned 70% by Mr. Richard W. Henson and Mr. Bruce A. Sargeant and 30% by BBI. The LOI calls for BBI to receive a three year promissory note for the aggregate principal amount of \$900,000. The LOI also calls for the new instrumentation company to provide engineering, manufacturing and other related services for BBI's pressure cycling technology products until September 30, 2005. Negotiations remain ongoing at this time.

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## RESULTS OF OPERATIONS

### THREE MONTHS ENDED MARCH 31, 2004 AND 2003

#### Revenue

Total revenue amounted to \$5,551,000 in the first quarter of 2004, a decrease of \$92,000 or 1.6% from \$5,643,000 in the first quarter of 2003. The decrease in revenue was the result of a slight decrease in product revenue of \$24,000 or 0.7% to \$3,264,000 in the first quarter of 2004 from \$3,288,000 in the first quarter of 2003, coupled with a 2.9% or \$68,000 decrease in service revenue to \$2,287,000 in the first quarter of 2004 as compared to service revenue of \$2,355,000 in the first quarter of 2003.

Product Revenue. The decrease in product revenue occurred primarily in the PCT segment, which had no unit sales in the first quarter of 2004. In addition, the Diagnostics segment had slightly lower sales to international customers as European distributors had increased purchases in the fourth quarter of 2003 in advance of the December 8, 2003 deadline for importing non-CE marked products. The Company continues to have very limited sales of its PCT products, as sales of these products continues to be slower than expected.

Service Revenue. The decrease in service revenue occurred at the PCT segment and was primarily related to a lower level of SBIR research grants partially offset by an increase in commercial service work performed at its Biotech segment.

#### Gross Profit

Overall gross profit decreased 0.5% or \$10,000, to \$2,176,000 in the first quarter of 2004 from \$2,186,000 in the first quarter of 2003. Product gross profit decreased \$155,000 or 9.3%, to \$1,515,000 in the first quarter of 2004 from \$1,670,000 in the first quarter of 2003; product gross margin decreased to 46.4% in the first quarter of 2004 from 50.8% in the first quarter of 2003. Services gross profit increased \$145,000 or 28.1% to \$661,000 in the first quarter of 2004 from \$516,000 in the first quarter of 2003, while service gross margin increased to 28.9% in the first quarter of 2004 from 21.9% in the first quarter of 2003.

Product Gross Margin. The decrease in product gross margin was primarily due to a product mix shift to lower margin products sold by the Diagnostics segment.

Service Gross Margin. The service gross margin increase was primarily due to service revenues at the Biotech segment associated with higher margin commercial services, partially offset by higher facility related costs.

#### Research and Development

Research and development expenditures increased 21.9%, or \$88,000, to \$489,000 in the first quarter of 2004 from \$401,000 in the first quarter of 2003. The increased level of expenditures was associated primarily with ongoing work associated with development of a less expensive and smaller, bench top version of the PCT Barocycler™ which the Company presently plans to have ready for commercial sale in the third quarter of 2004.

#### Selling and Marketing

Selling and marketing expenses decreased by 10.6%, or \$86,000, to \$722,000 in the first quarter of 2004 from \$808,000 in the first quarter of 2003, associated with a reduced level of trade show activities in the first quarter of 2004 coupled with several temporarily vacant sales positions in the first quarter of 2004 at both the PCT and Diagnostics segments.

#### General and Administrative

General and administrative costs, totaled \$1,192,000, an increase of \$25,000 or 2.1% from \$1,167,000 in the first quarter of 2003. The first quarter of 2004 included increased leased facility expenses, certain monthly commitment and servicing fees associated with a new line of credit effective February 2004, and increased legal fees associated with PCT patent related work. The first quarter of 2003 included costs associated with legal and director fees incurred by the Special Oversight Committee of the Company's Board of Directors, formed in February 2003, to oversee the management of the affairs of the Company until such time as a new Chief Executive Officer was employed. The Company also incurred increased legal fees associated with the March 2003 adoption of a Shareholders Purchase Rights Plan.

#### Operating Loss from Continuing Operations

Operating loss from continuing operations amounted to \$228,000 in the first quarter of 2004 as compared to an operating loss of \$190,000 in the first quarter of 2003. The Diagnostics segment's operating income decreased to \$390,000 in the first quarter of 2004 from \$458,000 in the first quarter of 2003, associated with a 0.5% decline in product revenue and a sales mix shift to lower margin products. The operating loss of the PCT segment increased to \$395,000 in the first quarter of 2004 from \$382,000 in the first quarter of 2003 primarily due to increased research and development activities associated with development of a less expensive and smaller, bench top version of the PCT Barocycler™, consulting fees paid to the Company's former Chairman and Chief Executive Officer, and increased legal fees associated with PCT patent related work. The Laboratory Instrumentation segment's operating loss decreased to \$146,000 in the first quarter of 2004 from \$209,000 in the first quarter of 2003; this segment recorded a slight increase in revenue associated with development services for a less expensive and smaller, bench top version of the PCT Barocycler™. Operating income at the Biotech segment was relatively unchanged.

### Interest Expense

Net interest expense decreased to \$64,000 in the first quarter of 2004 as compared to \$73,000 in the first quarter of 2003. The first quarter of 2004 included interest expense associated with borrowings on the Company's line of credit, which became effective on February 5, 2004. Interest expense incurred in the first quarter of 2003 included \$13,000 of increased fees due to the Company's default of a mortgage covenant in 2003; the Company failed to meet its debt service coverage covenant for the year ended December 31, 2002, but in the first quarter of 2003 the financial institution waived this default and the Company's other defaults relating to reports and the termination of the Company's former Chairman and Chief Executive Officer. The fees were incurred to waive these defaults. The Company also failed to meet its debt service coverage covenant for the year ended December 31, 2003, but in the first quarter of 2004 the financial institution waived this default without penalty.

### Loan Receivable from Director and Former Chairman and Chief Executive Officer

As of March 31, 2004, the Company evaluated the recoverability of a \$1,000,000 loan receivable from Mr. Richard T. Schumacher, a Director and the Company's current Chief Executive Officer, which is reflected on its balance sheet in stockholders' equity as a loan receivable as of December 31, 2003 and March 31, 2004. The Company's review includes an evaluation of the collateral associated with the loan. The Company maintains a junior interest in this collateral. As of March 31, 2004, the remaining collateral consists of common stock of the Company. When considering the adequacy of the collateral for the Company's \$1,000,000 receivable, the Company considers the balance of a loan outstanding (\$494,830 as of March 31, 2004) between an entity controlled by Mr. Schumacher with a financial institution and the fact that the Company has a junior position in regards to the remaining collateral associated with that loan, as well as the liquidity and net realizable value of the remaining assets underlying the collateral. The ultimate value that may be recovered by the Company is dependent on numerous factors including market conditions relative to the value of and ability to sell the Company's common stock, and the financial status of Mr. Schumacher. At March 31, 2004, the Company performed a test for impairment of its loan receivable by analyzing the value of the collateral, and determined that the loan receivable was not impaired. While the loan receivable was not impaired as of March 31, 2004, fluctuations in the quoted market value of the Company's common stock, which comprises the remaining collateral, may be an indicator of impairment. Based on the

Company's assessment as of and through April 2004, the Company estimates that the value of the collateral approximates the amount of the Company's recorded loan. If actual market conditions are less favorable or other factors arise that are significantly different than those anticipated by management, a write-down of this asset might be required.

### Income Taxes

In the year 2000, the Company established a full valuation allowance for its deferred tax assets in accordance with Statement of Financial Accounting Standards No. 109 and in consideration of three consecutive years of losses; accordingly, the Company has not recognized an income tax benefit associated with the loss from operations in the first quarter of 2004 and the first quarter of 2003. Income tax expense in the first quarter of both 2004 and 2003 relates to various state income taxes.

### Discontinued Operations

On March 4, 2004, the Company entered into a lease termination agreement with the landlord of the facility previously occupied by BBI Clinical Laboratories, Inc., formerly a wholly-owned subsidiary of the Company. The agreement calls for a series of reduced payments over the next nine months in return for the Company vacating the facility on or before May 31, 2004. Accordingly, the Company recognized a \$135,000 gain in the first quarter of 2004 associated with this favorable early termination lease agreement. The Company's estimate of remaining short and long term accrued liabilities to exit the clinical laboratory testing business is approximately \$202,000 as of March 31, 2004.

### Net Loss

The Company had a net loss of \$156,000 in the first quarter of 2004 as compared to a net loss of \$254,000 in the first quarter of 2003 as explained in further detail above.

## **LIQUIDITY AND FINANCIAL CONDITION**

The Company's working capital position, excluding restricted cash of \$69,990 as of March 31, 2004, decreased to \$7,314,000 as of March 31, 2004 from \$7,659,000 as of December 31, 2003.

Net cash provided by operations for the three months ended March 31, 2004 was \$184,000 as compared to net cash provided by operations of \$739,000 for the three months ended March 31, 2003. Cash provided by operations during the first three months of 2004 was primarily the result of an increase in trade accounts payable, partially offset by cash used by operations primarily due to increases in inventory, costs associated with obtaining a line of credit in the first quarter of 2004, and a security deposit requirement associated with entering into a new facility lease agreement in Frederick MD in March 2004. Cash provided by operations during the first three months of 2003 was primarily the result of favorable cash collections of certain governmental contract receivables as well as reduced inventory purchases.

Net cash used in investing activities for the three months ended March 31, 2004 was \$71,000 compared to \$20,000 for the three months ended March 31, 2003. The Company made certain purchases of laboratory equipment in the first quarter of 2004 whereas in year 2003, the Company curtailed capital expenditures in conjunction with its efforts to seek additional capital.

Net cash provided by financing activities for the three months ended March 31, 2004 was \$275,000 compared to cash used of \$10,000 during the three months ended March 31, 2003. The Company has drawn approximately \$519,000 (excluding \$166,000 of related expenses) on a new line of credit which became effective in February 2004 as discussed further hereunder.

#### Revolving Line of Credit

On February 5, 2004, the Company entered into a three year, \$2,500,000 revolving line of credit agreement with a private lender. The revolving line of credit bears interest at the base rate plus 3%, carries commercially standard unused line and collateral management fees (payable monthly), and is collateralized by trade accounts receivable and inventory of the Company. Borrowings under the revolving line of credit are limited to commercially standard

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terms and percentages of accounts receivable at present. The revolving line of credit contains financial and other covenants, including a minimum debt service coverage ratio and certain restrictions on the payments of dividends and incurring additional debt. The amount borrowed pursuant to this revolving line of credit was \$518,952 as of March 31, 2004. In accordance with the provisions of the revolving line of credit agreement, all cash receipts of the Company associated with trade accounts receivable are deposited into a restricted bank account. This account balance of \$69,990 is reported as restricted cash on the accompanying balance sheet as of March 31, 2004. The Company has incurred approximately \$157,000 of costs as of March 31, 2004 associated with obtaining the revolving line of credit. These costs have been deferred and are being amortized to expense on a straight-line basis over the three year life of the agreement. On April 30, 2004, the Company was notified by the lender under this revolving line of credit that as a result of the Company committing to sell substantially all of its assets to SeraCare pursuant to the Asset Purchase Agreement between the Company, BBI Biotech Research Laboratories and SeraCare that it is in technical default with respect to this revolving line of credit. The lender, however, has advised the Company it is not taking any immediate action at this time. The Company is continuing discussions with the lender at this time.

#### Summary

Based on current forecasts and the recent establishment of a three year, \$2,500,000 line of credit, management believes the Company has sufficient liquidity to finance operations for the next twelve months. Management's forecasts involve assumptions that could prove to be incorrect. If the Company continues to incur operating losses or negative cash flows, it may need to raise additional funds. There can be no assurance that these funds will be available when required on terms acceptable to the Company, if at all. If adequate funds are not available when needed, the Company may be required to further reduce certain of its costs and delay, scale back, or eliminate certain of its activities, any of which could have a material adverse long term effect on its business, financial condition and results of operations.

The Company has considered various sources of additional financing, including but not limited to, sale of business segments, strategic alliances and private placements of debt or equity securities, which could result in dilution to the Company's stockholders. On October 25, 2002, the Company retained an investment banking firm to advise the Company in the evaluation of strategic opportunities aimed at increasing shareholder value and liquidity by increasing the capital needed for growth. As described previously, on April 16, 2004, the Company entered into an Asset Purchase Agreement to sell substantially all of its assets, which consists of the assets of its BBI Diagnostics and BBI Biotech business units to SeraCare. The purchase price is \$30 million in cash, plus the assumption of certain liabilities related to the BBI Diagnostics and BBI Biotech business units, and is subject to adjustment at closing based on the value of the net assets being sold. Of the \$30.0 million purchase price, \$2.5 million will be held in escrow for a period of 18 months following the closing. In addition, BBI also announced on April 16, 2004 that it has entered into a non-binding Letter of Intent ("LOI") to sell the assets and selected liabilities of its BBI Source Scientific business unit (BBI's California-based Laboratory Instrumentation Division) to a newly formed entity to be jointly owned 70% by Mr. Richard W. Henson and Mr. Bruce A. Sargeant and 30% by BBI. Simultaneously with the announcement of the Asset Sale, BBI stated its intention to commence an issuer tender offer to purchase up to 6,000,000 shares of its common stock at a price of \$3.50 per share shortly following the completion of the sale to SeraCare. BBI expects to use up to \$21.0 million of the after-tax net proceeds from the sale to SeraCare to purchase shares of its common stock tendered in the tender offer. The remaining net proceeds from the sale to SeraCare, after taxes and transaction fees, which is estimated to be between \$1.0 and \$2.0 million, plus any portion of the escrowed amount released to BBI, are expected to be used primarily for working capital for the Company's pressure cycling technology activities. Accordingly, if the above noted transactions occur as anticipated, the remaining entity will be comprised primarily of PCT related assets and liabilities; operating results

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for the three months ended March 31, 2004 are not expected to be indicative of the results that may be expected for the year ending December 31, 2004 nor subsequent years.

#### Related Party Transaction

In January 2002, the Company pledged a \$1,000,000 interest bearing deposit at a financial institution to secure the Company's limited guaranty of loans in the aggregate amount of \$2,418,000 from the financial institution to an entity controlled by Richard T. Schumacher, a Director and the Company's current Chief Executive Officer. The loans from the financial institution to the entity controlled by Mr. Schumacher, which are personally guaranteed by Mr. Schumacher, were originally secured by collateral which includes certain real property owned by Mr. Schumacher and all of his shares of common stock held in the Company. The Company's pledge is secured by a junior subordinated interest in the collateral provided by Mr. Schumacher to the financial institution. The Company's pledge of \$1,000,000 was made to assist Mr. Schumacher in refinancing his indebtedness related to, among other things, his divorce settlement and to enable him to avoid the need to sell his Company common stock on the open market to satisfy his debts. The Company's Board of

Directors and a special committee of the independent directors of the Board of Directors, evaluated a number of options and concluded that the pledge of the \$1,000,000 interest bearing deposit was the best option and in the best interests of the Company's stockholders in the belief that it would, among other things, avoid selling pressure on the Company's common stock and relieve the financial pressures on Mr. Schumacher that could otherwise divert his attention from the Company.

In January 2003, the \$1,000,000 held in the interest bearing deposit account pledged to a financial institution to secure the Company's limited guaranty was used by the financial institution to satisfy the Company's limited guaranty obligation to the financial institution. The Company has no further obligations to the financial institution and has a loan receivable in the amount for \$1,000,000 (plus accrued interest) from Mr. Schumacher. The Company continues to maintain its junior interest in collateral pledged by Mr. Schumacher to the financial institution. The Company reflected the \$1,000,000 pledge as restricted cash on its balance sheet as of December 31, 2002 until the cash was used to satisfy the Company's limited guaranty in January 2003 and since then has reflected a \$1,000,000 loan receivable on its balance sheet in stockholders' equity.

On February 14, 2003, the Company announced that its Board of Directors terminated Mr. Schumacher as Chairman and Chief Executive Officer, effective immediately. Mr. Schumacher remained as a Director of the Company. Kevin W. Quinlan, President and Chief Operating Officer, continued to lead day-to-day operations. A special committee of the Board of Directors was appointed to oversee the management of the affairs of the Company until such time as a new Chief Executive Officer was employed.

On July 9, 2003, the Company announced that Mr. Schumacher agreed to accept an engagement with the Company as an Executive Project Consultant to advise the Company with respect to the strategic direction of the Company's PCT and BBI Source Scientific activities and the Company's ownership interest in Panacos Pharmaceuticals, Inc. BBI Source Scientific, Inc. is the Company's California-based instrument subsidiary, which developed and manufactures the PCT Barocycler™ instrument. As part of this engagement, Mr. Schumacher continued to reevaluate the ongoing business prospects for both the Company's Laboratory Instrumentation segment and PCT activities. On February 9, 2004, the Company announced it had extended until December 31, 2004 the Executive Consultant Agreement it had with Mr. Schumacher. Under the terms of the Consulting Agreement, Mr. Schumacher served in an advisory role directing the Company's PCT and BBI Source Scientific activities, the Company's interest in Panacos Pharmaceuticals, Inc. and such other duties as the President or the Board of Directors of the Company assigned to him. In addition to these responsibilities, Mr. Schumacher also continued his lead role in working with William Blair & Co. the Chicago, an Illinois based investment banking firm retained by the Company in October 2002. In connection with his Consulting Agreement, Mr. Schumacher was paid an annualized salary of \$250,000. In addition to his salary, Mr. Schumacher was eligible to receive, at the discretion of the Company's Board of Directors, a bonus in an amount to be determined by the Board of Directors in recognition of the successful completion of his duties and responsibilities under the agreement, and he was also eligible to participate in the Company's health and medical insurance, disability insurance, group life insurance and group travel insurance, and 401(k) retirement plans.

On April 20, 2004, the Board of Directors of BBI announced the appointment of Mr. Schumacher to the Company's open position of Chief Executive Officer (CEO), effective immediately. Mr. Schumacher, the Founder of the Company, has served as a member of the Board of Directors of BBI since 1978, was the Company's President from 1986 to 1999, and was CEO and Chairman of the Board from 1992 to February 2003. Mr. Schumacher is

working as an employee of the Company pursuant to the terms of his existing consulting agreement.

## **CRITICAL ACCOUNTING POLICIES**

The critical accounting policies utilized by the Company in the preparation of the accompanying financial statements are set forth in Part I, Item 7 of the Company's Form 10-K for the year ended December 31, 2003, under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations". There have been no material changes to these policies since December 31, 2003 except as noted below.

On April 16, 2004, Boston Biomedica, Inc. ("BBI") announced that it has signed an Asset Purchase Agreement (the "Asset Purchase Agreement") to sell substantially all of the assets and selected liabilities of its BBI Diagnostics and BBI Biotech Divisions to SeraCare Life Sciences, Inc. ("SeraCare") of Oceanside, California (the "Asset Sale"). Accordingly, in the second quarter of 2004, the Company intends to reclassify the above referenced assets and liabilities as a separate balance sheet category entitled "Assets Held for Sale" in accordance with the provisions of Statement of Financial Accounting Standards No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets". It is further anticipated the Company will cease depreciation and amortization, estimated at approximately \$250,000 per quarter, on such long lived assets held for sale effective April 16, 2004, in accordance with the provisions of this accounting pronouncement.

### Deferred costs

The Company has deferred approximately \$51,000 of transaction costs as of March 31, 2004 associated with the above noted Asset Purchase Agreement. Assuming the transaction closes as anticipated, these costs will be included in the final gain computation associated with the Asset Purchase Agreement, otherwise the Company may be required to write off these costs if the transaction does not proceed as anticipated. In addition, as discussed in Note 9 of Notes to Condensed Consolidated Financial Statements hereunder, the Company has deferred approximately \$157,000 of costs as of March 31, 2004 associated with obtaining a line of credit. These costs are being amortized to expense on a straight-line basis over the three year life of the agreement commencing February 2004.

## **CONTRACTUAL OBLIGATIONS**

The following is a summary of the Company's future contractual obligations as of March 31, 2004:

Contractual Obligations	Payments Due by Period				
	Total	Less than 1 year	1-3 years	4 - 5 years	More than 5 years
Mortgage payments*	\$ 3,582,000	\$ 287,000	\$ 575,000	\$ 575,000	\$ 2,145,000
Operating Lease Obligations	51,000	21,000	30,000	—	—
Note Payable	15,000	5,000	10,000	—	—
Real Estate Facility Leases **	12,563,000	1,263,000	2,818,000	2,146,000	6,336,000
Revolving Line of Credit*****	—	—	—	—	—
Minimum future royalty payments***	—	—	—	—	—
Obligations relating to Discontinued Operations****	201,880	106,880	60,000	10,000	25,000
<b>Total Contractual Obligations</b>	<b>\$ 16,412,880</b>	<b>\$ 1,682,880</b>	<b>\$ 3,493,000</b>	<b>\$ 2,731,000</b>	<b>\$ 8,506,000</b>

\* Future monthly payments on this mortgage include principal and interest, based on a 20-year amortization schedule with a balloon payment representing the remaining balance due in full on March 10, 2010. During the first five years, the note carries an interest rate of 9.75%; after five years (March 2005), the rate charged will be .75% greater than the Corporate Base Rate then in effect. The information presented in the table above is presented using an assumed annual mortgage interest rate of 9.75% for all periods presented.

\*\* The Company leases certain office space, repository, research and manufacturing facilities under operating leases with various terms through October 2007. The real estate leases for facilities located in Maryland include renewal options at either market or increasing levels of rent. The Company leases 27,000 square feet of space in

Garden Grove, California where its BBI Source business unit manufactures laboratory instruments. The lease for this facility expires January 31, 2005 and there is currently no extension or renewal option. In March 2004, the Company entered into an eleven year lease agreement with an existing landlord for approximately 65,160 sq ft of new repository space located in Frederick, MD; this lease is scheduled to take effect in two stages, August 1, 2004 and August 1, 2005. Assuming occupancy of the new facility by the Company on August 1, 2004, the landlord has agreed to terminate in full the Company's remaining obligations pursuant to an existing facility lease in Frederick, MD which was scheduled to terminate in November 2006. Incremental minimum lease payments pursuant to the new lease (which are net of savings associated with the concurrent termination of the existing lease) would amount to \$55,900 in year 2004, \$885,000 in years 2005-2006, \$1,755,000 in years 2007-2008, and \$6,563,000 thereafter; these amounts are included in the table above.

\*\*\*The Company acquired in 1998 all the remaining outstanding common stock of BioSeq, Inc., a development stage company involved with PCT. In accordance with the provisions of a technology transfer agreement assumed in the transaction, the Company is obligated to pay a 5% royalty on net sales (until March 2016) of future sales by any entity of the Company utilizing PCT, with required minimum royalty payments having ended in 2003. The Company announced the availability of its PCT products for commercial sale in the latter part of year 2002.

\*\*\*\* In December 2000, the Company made a decision to exit the clinical laboratory testing services segment and in February 2001, BBI Clinical Laboratories, Inc., a wholly-owned subsidiary of the Company. The Company's estimate of remaining short and long term accrued liabilities to exit the clinical laboratory testing business is \$201,880 as of March 31, 2004. See also Note 8 of Notes to Condensed Consolidated Financial Statements hereunder, included in Part I, Item 1 of this Form 10-Q; amounts due pursuant to a lease termination agreement entered into in March 2004 are reflected in the above table.

\*\*\*\*\*In February 2004, the Company entered into a three year, \$2,500,000 revolving line of credit agreement with a private lender; any amounts due pursuant to this agreement are not included in the table. The balance outstanding on this line of credit was \$518,952 as of March 31, 2004.

## FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements which involve risks and uncertainties, including statements regarding the Company's plans, objectives, expectations and intentions. In some cases, forward-looking statements are identified by terms such as "may", "will", "should", "could", "would", "expects", "plans", "anticipates", "believes", "estimates", "projects", "predicts", "potential", and similar expressions intended to identify forward-looking statements. Such statements include, without limitation, statements made regarding the expected recovery and value of the loan receivable from the Company's Chief Executive Officer; the Company's belief that it has sufficient liquidity to finance operations over the next twelve months; the Company's expectation to complete the sale of its Diagnostics and Biotech business units to SeraCare and the Company's expectation to complete the sale of its BBI Source Scientific business unit; the proceeds remaining from the purchase price received from SeraCare after payment of taxes and transaction fees and related costs; the Company's plans following the closing of the sale of its Diagnostics, Biotech and BBI Source Scientific business units; the Company's intent to commence an issuer tender offer following the completion of the sale of its Diagnostics and Biotech business units; and the anticipated future financial performance of the Company and its products. These forward-looking statements are only predictions and involve known and unknown risks, uncertainties, and other factors that may cause the Company's actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by such forward-looking statements. Also, these forward-looking statements represent the Company's best estimates and assumptions only as of the date of this Report. Except as otherwise required by law, the Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained in the Report to reflect any change in the Company's expectations or any change in events, conditions, or circumstances on



which any of the Company's forward-looking statements are based.

Factors, risks and uncertainties which might cause actual results to differ materially from those projected in the forward-looking statements contained herein include the following:

- due to operational, scientific or technical difficulties in the implementation of the Company's strategies and changes in customer demand, the Company's sales to IVD test kit manufacturers and sales of ACCURUN and other quality control products may decline;

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- the Company may not be successful in commercializing its Pressure Cycling Technology ("PCT") products and services, or such activities may take longer than currently expected;
- the Company may not have sufficient resources to develop new or improved PCT products;
- demand for commercial applications of PCT may not materialize as expected or may take longer than expected to materialize;
- PCT may also not be adaptable to any other commercially viable applications;
- certain PCT applications may not fall within the claims of the Company's twelve issued U.S. patents;
- individuals and groups utilizing PCT may be able to license such technology from entities other than the Company;
- the Company may be unable to develop the end-user market for its quality control products;
- the Company may be unable to grow the sales of its BBI Source Scientific business unit to the extent anticipated;
- the uncertainty of the renewal and full funding of contracts with National Institutes of Health (NIH);
- the Company may be unable to obtain an adequate supply of the unique and rare specimens of plasma and serum necessary for certain of its products;
- the potential for significant reductions in purchases by any of the Company's major customers;
- the Company may be unable to obtain the necessary government approvals for certain of its products;
- the Company may be unable to compete effectively due to rapid changes in technology;
- the collateral securing the Company's loan receivable from its Chief Executive Officer (as of April 20, 2004) may be impaired, and the Company may not be able to fully collect the principal and interest due on a \$1,000,000 receivable from its Chief Executive Officer;
- the Company may be unable to comply with the financial and other covenants contained in the Company's revolving line of credit;
- the risk that the transaction with SeraCare may not be completed due to the failure to satisfy or waive conditions to closing;
- the risk that the Company may be unable to agree on a definitive agreement to sell the assets of its BBI Source Scientific business unit or otherwise complete the sale of those assets;
- the risk that the continuity of the Company's operations will be disrupted in the event the proposed transactions are not completed;
- the costs of completing the proposed asset sale transactions may exceed management's estimates;
- the risk that the timing and amount of the tender offer purchase price may differ from what is presently anticipated or that the tender may not be able to be completed at all due to unanticipated events or other circumstances beyond the Company's control, including unforeseen liabilities or contingencies reducing the amount of proceeds available for the tender offer;
- the risk that the Company will not have sufficient funds to operate its remaining business following the closing; and
- the risk that if expenses are higher than anticipated, or if revenues are lower than anticipated or if the Company is unable to complete the assets sale transactions, the Company may require additional capital sooner than expected and there can be no assurance that the Company will be able to obtain additional financing or capital on acceptable terms, or that it will be successful in eliminating or scaling back certain of its activities.

Certain of these and other factors which might cause actual results to differ materially from those projected are more fully set forth under the caption "Risk Factors" in the Company's Annual Report to the United States Securities and Exchange Commission on Form 10-K for the year ended December 31, 2003 and in the Company's other reports and statements the Company files from time to time with the SEC.

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

There have been no material changes in the reported market risks since December 31, 2003.

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

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in its Securities Exchange Act reports is recorded, processed, summarized and reported

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within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including the Company's Principal Executive Officer and Principal Financial Officer, as appropriate, to allow

timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, as the Company's are designed to do, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of March 31, 2004, the Company carried out an evaluation, under the supervision and with the participation of its management, including its Principal Executive Officer and Principal Financial Officer of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934. Based upon that evaluation, the Company's Principal Executive Officer and Principal Financial Officer concluded that the Company's disclosure controls and procedures are effective in enabling the Company to record, process, summarize and report information required to be included in our periodic SEC filings within the required time period.

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

## **PART II. OTHER INFORMATION**

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

None.

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

In connection with the execution and delivery of the Asset Purchase Agreement dated April 16, 2004 between the Company, BBI Biotech Research Laboratories, Inc. and SeraCare, on April 16, 2004, SeraCare entered into voting agreements (the "Voting Agreements") with each of Mr. Richard T. Schumacher, BBI's founder, Chief Executive Officer and a Director, and Mr. Richard Kiphart, his daughter and Shoreline Micro-Cap Fund I LP, a fund in which Mr. Kiphart serves as general partner and has the sole power to vote and dispose or direct the disposition of shares held by such fund. Under the Voting Agreements, these stockholders, who collectively hold an aggregate of approximately 32% of BBI's total outstanding shares entitled to vote at the stockholders meeting, have agreed to vote their shares in favor of the sale of assets of the Company's Diagnostics and Biotech business units contemplated by the Asset Purchase Agreement, in accordance with the Voting Agreements.

Prior to the execution and delivery of the Asset Purchase Agreement and the Voting Agreements, BBI amended its Rights Agreement dated February 27, 2003 to provide that none of the following events will trigger the preferred share purchase rights under that agreement: (i) the execution and delivery of the Asset Purchase Agreement, (ii) the execution of the Voting Agreements, (iii) the granting of proxies to vote common stock of BBI by each of Richard T. Schumacher and Richard Kiphart (together with his daughter and Shoreline Micro-Cap Fund I LP, a fund in which Mr. Kiphart serves as general partner ) to SeraCare pursuant to the Voting Agreements, and (iv) the completion of the transactions under the Asset Purchase Agreement and the taking of actions under the Voting Agreements. The foregoing description of the preferred share purchase rights and the amendment to the Rights Agreement is qualified in its entirety by reference to Amendment No. 1 to Rights Agreement, which was filed with SEC on Form 8-A/A on April 16, 2004.

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

On April 5, 2000, the Company borrowed \$2,447,000, net of related costs, under a mortgage agreement on its West Bridgewater, MA facility, of which approximately \$2,304,000 remains outstanding as of March 31, 2004. Pursuant to this mortgage agreement the Company is subject to certain financial covenants. The Company failed to meet its debt service coverage covenant for the year ended December 31, 2003, but in the first quarter of 2004 the financial institution waived this default without penalty.

On February 5, 2004, the Company entered into a three year, \$2,500,000 revolving line of credit agreement with a private lender. The revolving line of credit bears interest at the base rate plus 3%, carries commercially standard unused line and collateral management fees (payable monthly), and is collateralized by trade accounts receivable and inventory of the Company. Borrowings under the revolving line of credit are limited to commercially standard terms and percentages of accounts receivable at present. The revolving line of credit contains a covenant regarding a minimum debt service coverage ratio, provides certain restrictions on the payments of dividends and incurring additional debt, and contains other standard covenants. On April 30, 2004, the Company was notified by the lender under this revolving line of credit that as a result of the Company committing to sell substantially all of its assets to SeraCare pursuant to the Asset Purchase Agreement between the Company, BBI Biotech Research Laboratories and SeraCare that it is in technical default with respect to this revolving line of credit. The lender, however, has also advised the Company of its decision to not take any immediate action at this time and the Company remains in ongoing discussions with the lender.

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

Not applicable.

### **ITEM 5. OTHER INFORMATION**

None.

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**ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K****(a) Exhibits:****EXHIBIT INDEX**

<u>Exhibit No.</u>		<u>Reference</u>
3.1	Amended and Restated Articles of Organization of the Company	A**
3.2	Amended and Restated Bylaws of the Company	A**
3.3	Amendment to Amended and Restated Bylaws of the Company	C**
4.1	Specimen Certificate for Shares of the Company's Common Stock	A**
4.2	Description of Capital Stock (contained in the Restated Articles of Organization of the Company filed as Exhibit 3.1)	A**
4.3	Form of warrants issued in connection with Paradigm Group	H**
4.4	3% Senior Subordinated Convertible Debenture issued to GCA Strategic Investment Fund Limited	K**
4.5	Warrant issued to GCA Strategic Investment Fund Limited	K**
4.6	Warrant issued to Wharton Capital Partners, Ltd.	K**
4.7	Warrant issued to DP Securities, Inc.	K**
4.8	Registration Rights Agreement, dated as of August 25, 2000, by and among Boston Biomedica, Inc., Wharton Capital Partners, Ltd., DP Securities, Inc. and GCA Strategic Investment Fund Limited	K**
4.9	3% Senior Subordinated Convertible Debenture issued to Richard P. Kiphart	K**
4.10	3% Senior Subordinated Convertible Debenture issued to Shoreline Micro-Cap Fund, L.P.	K**
4.11	Warrant issued to Richard P. Kiphart	K**
4.12	Warrant issued to Shoreline Micro-Cap Fund, L.P.	K**
4.13	Registration Rights Agreement dated as of August 25, 2000, by and among Boston Biomedica, Inc., Richard P. Kiphart and Shoreline Micro-Cap Fund, L.P. L.P.	K**
4.14	Rights Agreement dated as of February 27, 2003 between Boston Biomedica, Inc., and Computershare Trust Company, Inc.	P**
4.15	Amendment No. 1 to Rights Agreement dated April 16, 2004	S**
10.1	Lease Agreement, dated July 28, 1995, for New Britain, Connecticut Facility between MB Associates and the Company	A**
10.2	1987 Non-Qualified Stock Option Plan*	A**
10.3	Employee Stock Option Plan*	A**
10.4	1999 Non-Qualified Stock Option Plan*	I**
10.5	1999 Employee Stock Purchase Plan*	I**
10.6	Underwriters Warrants, each dated November 4, 1996, between the Company and each of Oscar Gruss & Son Incorporated and Kaufman Bros., L.P.	B**

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

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10.27	Description of Compensation for Certain Directors*	D**
10.28	Consultant Agreement between Boston Biomedica, Inc. and Richard T. Schumacher	Q*
10.29	Agreement between Boston Biomedica, Inc. and Richard T. Schumacher	Q*
10.30	Revolving Credit and Security Agreement dated as of February 5, 2004	R**

10.31	Consultant Agreement between Boston Biomedica, Inc. and Richard T. Schumacher entered into as of December 31, 2003	R**
10.32	Contract effective 06/01/2001, between the National Cancer Institute and the Company (NO2-CP-11001)	R**
10.33	Lease Termination Agreement dated March 4, 2004 between Manafort Family LLC and Boston Biomedica, Inc.	Filed herewith
10.34	Description of Severance Agreement between Boston Biomedica, Inc. and Richard D'Allessandro as of March 21 2001.	Filed herewith*
10.35	Lease Agreement dated March 1, 2004 by and between MIE Properties, Inc. and BBI Biotech Research Laboratories, Inc.	Filed herewith
10.36	Early Termination of Lease Agreement dated March 1, 2004 by and between MIE Properties, Inc. and BBI Biotech Research Laboratories, Inc.	Filed herewith
10.37	Asset Purchase Agreement dated April 16, 2004, by and between Boston Biomedica, Inc., BBI Biotech Research Laboratories, Inc. and Seracare Life Sciences, Inc.	S**
31.1	Principal Executive Officer Certification Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.2	Principal Financial and Accounting Officer Certification Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.1	Principal Executive Officer Certification Pursuant to Item 601(b)(32) of Regulation S-K, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.2	Principal Financial and Accounting Officer Certification Pursuant to Item 601(b)(32) of Regulation S-K, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith

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- 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, 2002.
- D Incorporated by reference to the registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2002.
- E Incorporated by reference to the registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 1997.
- F Incorporated by reference to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1997.
- G Incorporated by reference to the registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 1998.
- H Incorporated by reference to the registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended

September 30, 1999.

- I Incorporated by reference to the registrant's proxy statement, filed with the Securities and Exchange Commission on June 14, 1999.
- J Incorporated by reference to the registrant's Annual Report on Form 10-K/A for the fiscal year ended December 31, 1999.
- K Incorporated by reference to the registrant's Report on Form 8-K filed September 8, 2000.
- L Incorporated by reference to the registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2000.
- M Incorporated by reference to the registrant's Report on Form 8-K filed March 8, 2001.
- N Incorporated by reference to the registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2001.
- O Incorporated by reference to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2001.
- P Incorporated by reference to Exhibit 4 of the registrant's Current Report on Form 8-K filed March 12, 2003.
- Q Incorporated by reference to the registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2003.
- R Incorporated by reference to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2003.
- S Incorporated by reference to the registrant's Current Report on Form 8-K filed April 16, 2004.

\* Management contract or compensatory plan or arrangement.

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

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

The Company filed no reports on Form 8-K with the Securities and Exchange Commission during the three months ended March 31, 2004.

## SIGNATURES

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

BOSTON BIOMEDICA, INC.  
(Registrant)

Date: May 14, 2004

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

By: /s/ Michael N. Avallone  
Michael N. Avallone  
Vice President, Finance and Chief Financial Officer  
(Principal Financial and Accounting Officer)

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

- Q Incorporated by reference to the registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2003.
- R Incorporated by reference to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2003.
- S Incorporated by reference to the registrant's Current Report on Form 8-K filed April 16, 2004.

\* 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.

## LEASE TERMINATION AGREEMENT

This Lease Termination Agreement ("Agreement") is made, entered and effective this 4th day of March, 2004, by and between **MANAFORT FAMILY, LLC**, a limited liability company under and existing by virtue of the laws of the State of Connecticut, the successor in interest to MB Associates, having its principal place of business at 414 New Britain Avenue, Plainville, Connecticut 06062 (hereinafter referred to as "Landlord"), and Boston Biomedica, Inc., a corporation incorporated under and existing by virtue of the laws of the Commonwealth of Massachusetts, and the successor in interest to BBI-North American Clinical Laboratories, Inc., having a present principal place of business at 375 West Street West Bridgewater MA 02379 (hereinafter referred to as "Tenant").

WHEREAS, on the 28<sup>th</sup> day of July, 1995, the parties entered into a written lease of the property known as 75 North Mountain Road, New Britain, Connecticut, the "Premises", for an initial term of five (5) years beginning on August 1, 1995 and terminating on July 31, 2000 (the "Lease"); and

WHEREAS, in accordance with Section 3 of the Lease, Tenant exercised its option to renew the Lease for an additional term of five (5) years commencing on August 1, 2000 ("Lease Extension"); and

WHEREAS, the parties desire to cancel and terminate the Lease and Lease Extension on the terms and conditions herein provided;

NOW, THEREFORE, in consideration of the payments and mutual covenants of the respective parties, it is agreed:

1. **Surrender.** Tenant does hereby surrender possession of the Premises described in the Lease and Lease Extension to Landlord, and Landlord does hereby accept the surrender of the Premise as of the date of the signing and execution of this Agreement, and the Lease and Lease Extension shall be and the same are hereby cancelled and terminated.
2. **Consideration.** For and in consideration of the foregoing surrender and acceptance and termination of Lease and Lease extension, Tenant concurrently herewith does hereby agree to pay to Landlord a lease buyout amount of One Hundred Fourteen Thousand Two Hundred Four (\$114,204.00) Dollars on the following schedule:
  - a. The sum of \$12, 689.34 at the time of signing this Agreement and the remaining balance to be paid in monthly installments on the first day of each consecutive month starting April 1, 2004 in the principal amount of \$12,689.34, for a total of nine (9) equal payments. Time is of the essence.
  - b. In the event that Tenant fails or neglects timely to deliver a monthly payment, the Landlord may give written notice of default and Landlord shall be entitled to accelerate the entire remaining balance. Upon notice of default, Tenant shall be liable for interest at the statutory rate for judgments in Connecticut. Tenant shall be liable and responsible for all costs of collection including attorneys' fees incurred by the Landlord in enforcing its rights under this Agreement and in collecting the unpaid balance.
3. **Deposits.** Tenant acknowledges and certifies that the Landlord has not held any security deposits and as a result none need be refunded.
4. **February Rent.** Landlord acknowledges that Tenant has paid the February 2004 rent.
5. **Storage.** As part of the consideration and during such time that Tenants timely pays the installments and without creating a new tenancy, the Tenant is authorized to store medical records and miscellaneous furniture, at Tenant's own risk, in the basement of the Premises until May 31, 2004 at no additional charge or rent. Tenant shall maintain sufficient insurance coverage for all loss, damage or destruction of such medical records and miscellaneous furniture and save and hold Landlord harmless from any such claims. Should Tenant not remove such records and miscellaneous furniture on or before May 31, 2004, the Landlord is authorized to remove and relocate or dispose of such records and miscellaneous furniture at the Tenant's expense and Tenant shall be liable to Landlord for all related costs and expenses incurred with regard to removal, relocation and disposal, including substitute storage charges and transportation charges incurred by Landlord. Tenant certifies that all medical waste has been removed from the premises at or before the date of surrender of the Premises.
6. **Utilities.** Upon timely surrender of the Premises Landlord agrees that the expense for the utilities serving the Premises will revert to Landlord. Tenant certifies that it has timely paid for all utility services as required by the Lease and Lease Extension up to the date of surrender.
7. **Release.** Except for the obligations under this Agreement the respective parties hereby release one another from any and all claims that either party may have against the other for any manner or thing arising out of or relating to the Lease and Lease Extension with regard to possession of the demised Premises by Tenant.
8. **Laws.** This Agreement shall be subject to and interpreted in accordance with the laws of the State of Connecticut.
9. **Notices.** Notices and any communications between the parties shall be addressed to the parties at the addresses



Description of Severance Agreement provisions between Boston Biomedica, Inc. and Richard D'Allessandro, Vice President – Information Technology, contained in an internal Boston Biomedica, inc. memorandum dated March 21, 2001 between Kevin Quinlan, President and Chief Operating Officer of Boston Biomedica, Inc. and Richard D'Allessandro, Vice President, Information Technology of Boston Biomedica, Inc.:

If Mr. D'Allessandro is terminated for any reason other than cause, the Company commits that he will receive 3 weeks of severance for every completed year of service. This does not apply to a voluntary termination on Mr. D'Allessandro's part.



**THIS LEASE**, Made this 1st day of March 2004, 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 Tenant to be performed, Landlord does hereby lease unto said Tenant, and the latter does lease from the former an agreed upon **65,160** square feet at the following premises: **8425 Progress Drive, Suites A-Y, Frederick, Maryland 21701**, (herein called the “Premises”) for the term of **Eleven (11)** years, beginning on the **Rent Commencement Date (as defined below)** and ending on the **31st day of July 2015**, for the annual rental of **see Rent schedule below**, (herein called “Annual Rent”), subject to Annual Rent increases payable in advance beginning on the Rent Commencement Date (as defined below) and on the first day of each and every month thereafter during the term of this Lease in equal monthly installments of **see rent schedule below (provided that such installments shall be prorated in the case of any partial month)**.

For the first year of the lease term, Tenant will occupy and use 39,120 square feet of the Premises and commencing on August 1, 2005, Tenant will occupy and use the entire 65,160 square feet of the Premises.

Said installments of Annual Rent shall be paid to **MIE Properties, Inc., 5104 Pegasus Court, Suite A, Frederick, Maryland 21704**, or at such other place or to such appointee of Landlord, as Landlord may from time to time designate in writing.

<u>Lease Year</u>	<u>Annual Rent</u>	<u>Monthly Rent</u>
August 1, 2004 — July 31, 2005	\$ 483,132.00	\$ 40,261.00
August 1, 2005 — July 31, 2006	\$ 828,867.78	\$ 69,072.32
August 1, 2006 — July 31, 2007	\$ 853,733.81	\$ 71,144.48
August 1, 2007 — July 31, 2008	\$ 879,345.83	\$ 73,278.82
August 1, 2008 — July 31, 2009	\$ 905,726.20	\$ 75,477.18
August 1, 2009 — July 31, 2010	\$ 932,897.99	\$ 77,741.51
August 1, 2010 — July 31, 2011	\$ 960,884.93	\$ 80,073.74
August 1, 2011 — July 31, 2012	\$ 989,711.48	\$ 82,475.96
August 1, 2012 — July 31, 2013	\$ 1,019,402.82	\$ 84,950.24
August 1, 2013 — July 31, 2014	\$ 1,049,984.91	\$ 87,498.74
August 1, 2014 — July 31, 2015	\$ 1,081,484.45	\$ 90,123.70

#### TENANT COVENANTS AND AGREES WITH LANDLORD AS FOLLOWS:

1. Tenant shall pay said rent and each installment of Annual Rent thereof as and when due without setoff or deduction. Installments of Annual Rent and Additional Rent (as defined in paragraph 4 hereof) shall become due on the earlier of (i) 30 days after Tenant gives Landlord written notice of substantial completion of the Tenant Improvements set forth in Exhibit B hereto or (ii) August 1, 2004

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(hereafter, the “Rent Commencement Date”). No rent shall be due or payable prior to the Rent Commencement Date.

#### RENTAL ESCALATION

2. Beginning with the first anniversary of the Rent Commencement Date and on 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 to Landlord in equal monthly installments in advance as set forth herein.

#### USE

3. Tenant shall use and occupy the Premises solely for the following purposes:  
Premises shall be used and occupied by Tenant only as a Biological Specimen Repository, Reagent Repository, Biotechnology Repository, Biotechnology and Clinical Testing Laboratory and life science product manufacturing facility, with ancillary offices.

#### ADDITIONAL RENT

4. All sums of money other than Annual Rent 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 (herein called “Additional Rent”), in accordance with the terms of this Lease.

“Tenant’s Pro Rata Share” shall mean the same percentage that the gross square foot area of Tenant’s Premises bears to the gross square foot area of all leasable floor area within the building in which the Premises is located (the “Building”). Landlord shall notify Tenant of any change in “Tenant’s Pro Rata Share”. Tenant’s Pro Rata Share is equal to **(86.6%)**.

#### 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 Pro Rata Share (**86.6%**) of the water and sewer service charges chargeable to the total building in which the Premises are located. However, if in Landlord's reasonable judgment, 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. Landlord represents and warrants that the supply of electrical power initially available to the Tenant shall be a minimum of 800 amps. If the foregoing amount of power is insufficient to adequately meet Tenant's buildout requirements for its use and occupancy, Tenant shall have the right to procure sufficient supplemental power to the Premises.

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#### B. TAXES

Tenant shall pay to the Landlord, as Additional Rent, Tenant's Pro Rata Share (**86.6%**) of the Real Estate Taxes that may be levied or assessed by lawful taxing authorities against the land, buildings and improvements on the property of which the Premises is a part. If this Lease shall be in effect for less than a full fiscal year, Tenant shall pay a proportionate share of the increased taxes based upon the number of months that this Lease is in effect. 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 Tenant shall be entitled to Tenant's Pro Rata Share of any refund received by Landlord (less Tenant's Pro Rata Share of Landlord's appeal costs). If any refund attributable to the Lease term is received after Lease termination, Landlord will forward Tenant's Pro Rata Share to Tenant; this obligation shall survive termination of the Lease.

#### C. COMMON AREA EXPENSES

For each full or partial calendar year during the term of the Lease, Tenant shall pay to Landlord, as Additional Rent, Tenant's Pro Rata Share (**86.6%**) of the "Common Area Expenses". For the purposes of this section, Common Area Expenses shall be defined as one hundred percent (100%) of all reasonable costs and expenses 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, overhead and expenses directly attributable to management of the Building. Landlord shall cap increases on all controllable expenses with the exception of snow removal at five (5%) percent per year cumulative.

**Exclusions to the above:** a) commissions or advertising costs; b) costs of sale, financing, and refinancing; c) legal and accounting 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

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default by Lease; g) costs of any services provided to any other Tenant in the project, and not made available to Tenant 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) the cost of repairs or work to the extent reimbursed or paid by insurance proceeds or covered by warranty and (k) any expense which under generally accepted accounting principals, should be capitalized, except as specifically permitted.

#### D. INSURANCE

Tenant shall not do anything in or about the 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 Landlord may hereafter place thereon, or that will prevent Landlord from procuring such policies in companies acceptable to Landlord. Tenant and Landlord will use commercially reasonable efforts (and Landlord will require that any other tenant(s) in the Building will use commercially reasonable efforts) to obtain the greatest possible reduction in the insurance rates on the Premises hereby leased, or for the Building. Tenant further agrees to pay, as Additional Rent:

- 1) Tenant's Pro Rata Share (**86.6%**) of the premium of any insurance on the Premises or for the Building and /or property of which the Premises hereby leased are apart;
- 2) any increase in premium on the amount of such Insurance that may be carried by Landlord on all or any part of the Premises, Building or property resulting from the activities carried on by Tenant in or at the Premises, regardless of whether Landlord has consented to the same.

Landlord shall notify Tenant from time to time of the amounts which Landlord estimates will be payable by Tenant for Tenant's Pro Rata Share of Utilities, Taxes, Common Area Expenses and Insurance herein set forth and Tenant shall pay such amounts to Landlord in equal monthly installments in advance on or before the first day of each month.

Within a reasonable period of time following the end of each calendar year, or fiscal year (with regard to taxes) Landlord shall submit to Tenant a line-item statement (the "Expense Statement") setting forth Landlord's actual costs for the Utilities, Taxes, Common Area Expenses and Insurance to be paid by Tenant with respect to such year and Tenant's Pro Rata Share thereof; the amount paid by Tenant, and the amount of the resulting balance due or overpayment. Landlord's Expense Statement shall be conclusive and binding upon Tenant unless, within 90 days after receipt, Tenant notifies Landlord that it disputes the correctness of the Expense Statement, specifying the element of the Expense Statement which is claimed to be incorrect. Pending determination of such dispute by agreement or otherwise, Tenant shall pay Tenant's Pro Rata Share of the disputed expense in accordance with the disputed Expense Statement and such payment shall be without prejudice to either

party's position. Should the dispute be determined in Tenant's favor, any overpayment will be refunded to Tenant within 30 days. If Landlord's Expense Statement is demonstrated to be correct or within 5% of the correct amount, Tenant shall pay all fees incurred by Landlord (including Landlord's accountants' and attorneys' fees, if any) by virtue of such dispute, if Landlord's statement is more than 5% greater than the correct amount, Landlord shall pay all fees incurred by Tenant (including Tenant's accountants' and attorney's fees, if any) by virtue of such dispute.

Notwithstanding the forgoing provisions of the above paragraph, Landlord shall have the right to require Tenant to pay in arrears Tenant's Pro Rata Share of Utilities, Taxes, Common Area Expenses and Insurance in quarterly or semi-annual payments rather than on a monthly basis as provided above.

### MUNICIPAL REGULATING

5. Tenant shall 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 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 and the manner in which the Premises are or should be used by Tenant.

### ASSIGNMENT AND SUBLET

6. Tenant shall not assign this Lease, in whole or in part, or sublet the 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 Landlord, said consent shall not be unreasonably withheld, conditioned or delayed. If such assignment or subletting is permitted, Tenant shall not be relieved from any liability whatsoever under this Lease. Landlord shall be entitled to **fifty percent (50%)** of the "Net Profits" (as hereinafter defined) derived from any sublease and/or assignment (other than a sublease or assignment to a successor, partner, affiliate or subsidiary, as provided herein). "Net Profits" shall refer to the excess of rents and other amounts collected with respect to any assignee, subtenant or occupant of all or a portion of the Premises, over the sum of (i) rent payable with respect to the Premises or the applicable portion thereof, under this Lease plus (ii) reasonable legal costs, advertising, leasing commissions, rental abatements, and the value of fit up concessions, to the extent directly related to the sublease or assignment, amortized over the term of the sublease or assignment. Except as otherwise provided herein, no option rights can be assigned or transferred by Tenant to an assignee or subtenant. Any sublet or assignment of this Lease will be assessed with processing fees to be paid for by Tenant as Additional Rent. Such one time fee shall not exceed \$250,00.

Landlord's permission shall not be required for any assignment or sublet to any of Tenant's successors, partners, affiliates or subsidiaries resulting from any merger, stock acquisition, asset

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. Tenant covenants and agrees that, from and after the earlier of the commencement of this Lease or the date of delivery of the Premises from Landlord to Tenant, Tenant will carry and maintain at its sole cost and expense and in the amounts specified, a commercial general liability insurance policy covering the Premises and Tenant's use thereof against claims for bodily injury or death and property damage occurring upon, in or about the Premises, such insurance to afford protection to the limit of not less than Two Million Dollars (\$2,000,000) arising out of any one occurrence. The insurance coverage required under this Section 7 shall, in addition, extend to any liability of Tenant arising out of Tenant's indemnities hereinafter provided, as well as independent contractor's liability and contractual liability. If such insurance contains an annual aggregate limit, the annual aggregate limit may not be diminished by claims occurring at locations other than the Premises.

All policies of insurance to be provided by Tenant shall be issued in a form acceptable to Landlord by insurance companies with general policyholder's rating of not less A-XI as rated in the most current available "Best's Insurance Reports," and qualified to do business in the state in which the Premises are located. Each such policy shall be issued in the names of Landlord and Tenant and shall be for the mutual and joint benefit and protection of each of said parties. Executed copies of each such policy of insurance or certificate thereof shall be delivered to Landlord within ten (10) days after the earlier of the commencement of this Lease or delivery of possession of the Premises to Tenant and thereafter at least fifteen (15) days prior to the expiration of each such policy. As often as any such policy shall expire or terminate, renewal or additional policies shall be procured and maintained by Tenant in like manner and to like extent. All

such policies of insurance shall contain a provision that the company writing said policy will give to Landlord at least thirty (30) days' notice in writing in advance of any cancellations, or lapse, or the effective date of any reduction in the amounts of insurance. In the event Tenant shall fail to promptly furnish any insurance herein required, Landlord may effect the same and Tenant shall promptly reimburse Landlord upon demand as Additional Rent, the premium so paid by Landlord. Such commercial general liability policy shall contain a provision that Landlord shall nevertheless be entitled to recover under said policies for any loss occasioned to it, its servants, agents and employees by reason of the negligence of Tenant or any other named insured. Any insurance provided for may be affected by a policy or policies of blanket insurance, covering additional items or locations; provided, however, that (i) Landlord shall be named as an additional insured thereunder as its interests may appear; (ii) the coverage afforded Landlord will not be reduced or diminished by

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reason of the use of such blanket policy of insurance. Any Insurance policies herein required to be procured by Tenant and all insurance policies procured by Landlord in respect of the Premises and/or the Building, shall contain an express waiver of any right of subrogation by the insurance company against the Landlord, Tenant and all other tenants or occupants of space in the building.

### **ALTERATIONS**

8. a) Tenant shall make no alterations in addition to original improvements existing in the Premises at the time of occupancy without the prior written consent of Landlord, which consent will not be unreasonably withheld, conditioned or delayed. Landlord's consent shall not be required for any interior, non-structural cosmetic alterations.

b) If Tenant shall desire to make any such alterations, plans for the same shall first be submitted to Landlord for approval, and upon approval, the same shall be performed by 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 (other than liens which are discharged or bonded by Tenant within 15 days from the filing thereof), and that all alterations shall be in accordance with all applicable codes. Tenant agrees to obtain at Tenant's expense all permits pertaining to the alterations. 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 Tenant's sole cost and expense, such policies of insurance pertaining to such alterations and/or to the making thereof as Landlord reasonably may request or require Tenant to obtain, including, but not limited to, public liability and property damage insurance, and to furnish Landlord evidence satisfactory to Landlord of the existence of such insurance prior to Tenant's beginning to make such alterations.

c) Any such alterations shall become the property of Landlord as soon as they are affixed to the Premises and all rights, title and interest therein of Tenant shall immediately cease, unless otherwise agreed to by Landlord in writing. Landlord shall elect in writing, at the time of consent, whether all or part of any alterations installed by Tenant shall remain, or be removed by Tenant, at its own expense, at the expiration of its tenancy. 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 Premises by Tenant that become the property of Landlord as provided herein. 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 franchise, privilege, tax or assessment shall be paid, immediately upon its levy and subsequent levy, by Tenant.

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d) Unless Landlord shall consent in writing that all or part of any alterations installed by Tenant shall remain, the Premises shall be restored to their original condition by Tenant, at its own expense, before the expiration of its tenancy.

e) Costs of alterations or modifications (in addition to the improvements as described herein in Section 34) Tenant requests Landlord to make on Tenant's behalf during the term of this Lease shall be due and payable as Additional Rent.

### **MAINTENANCE**

9. a) Tenant shall, during the term of this Lease, keep the Premises and appurtenances (including, but not limited to, 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. Landlord does, however, give a ninety (90) day warranty on all of the above-mentioned items if installed by Landlord. This warranty does not include the required annual maintenance contract on the HVAC unit(s) as described below. Tenant will be responsible for all exterminating services, except termites, required in the Premises. If Tenant does not make necessary repairs within fifteen (15) days after receiving written notice from Landlord of the need to make a repair. Landlord may proceed to make said repair and the cost of said repair will become part of and in addition to the next due monthly rental. Any repair made by Landlord at Tenant's request to Tenant's Premises shall be invoiced to Tenant and shall become due and payable as Additional Rent.

b) Tenant agrees to furnish to Landlord, at the expense of Tenant, prior to occupancy, a copy of an executed and paid for annual maintenance contract on all heating and air conditioning (HVAC) equipment with a reputable company reasonably acceptable to Landlord and said contract will be kept in effect during the term of the Lease at the expense of Tenant. Should Tenant not provide a satisfactory HVAC Maintenance contract to Landlord prior to occupancy, Tenant shall be provided a contract through MIE Properties, Inc. Billings for this contract shall become due and payable upon receipt of invoice and shall be considered Additional Rent.

c) Landlord shall make all necessary structural repairs to the exterior masonry walls and roof of the 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.

d) Tenant shall, at the expiration of the term or at the sooner termination thereof by forfeiture or otherwise, deliver up the Premises in the same good order and condition as they were at the beginning of the tenancy, reasonable wear and tear excepted.

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## DEFAULT

10. In the event Tenant shall fail to pay said Installments of Annual Rent, Additional Rent, or any other sum required by this Lease to be paid by Tenant and such failure shall continue for five (5) days after written notice thereof to Tenant, Landlord shall have along with any and all other legal remedies the immediate right to make distress therefore, and upon such distress, in Landlord's discretion, this tenancy shall terminate.

In the event Tenant shall fail to comply with any of the provisions, covenants, or conditions of this Lease, on its part to be kept and performed, and such default shall continue for a period of thirty (30) days after written notice thereof shall have been given to Tenant by Landlord (provided that such 30-day period shall be extended for such additional period of time as may reasonably be necessary to cure such default, if such default, by its nature, cannot be cured within such period, and provided, further, that Tenant commences to cure such default within such 30-day period and is, at all times thereafter, in the process of diligently curing the same), and/or if Tenant shall fail to pay said Annual Rent, Additional Rent or any other sum required by the terms of this Lease to be paid by Tenant, then, upon the happening of any such event, and in addition to any and all other remedies that may thereby accrue to Landlord, Landlord may do the following:

A) Landlord's Election to Retake Possession Without Termination of Lease

Landlord may retake possession of the Premises, without being deemed to have accepted a surrender thereof, and without terminating this Lease. If Landlord retakes possession of the 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 that that in attempting to mitigate its damages, as aforesaid, (i) Landlord may, in its sole, absolute and subjective discretion, relet the Premises, or any portion thereof, for a shorter or longer period of time than the term of this Lease and may make any reasonable repairs or alterations necessary to relet the Premises, or any portion thereof (provided the cost of such repairs and alterations do not unreasonably exceed the quality of the initial Tenant Alterations), (ii) the terms of any reletting may include a reasonable amount of free rent, and (iii) if other space in the Building reasonably equivalent to the Premises 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, or any portion thereof, Landlord shall not be obligated to relet the Premises, or any portion thereof, 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 Premises; and, in addition, Tenant shall pay reasonable expenses in connection with any such reletting, including,

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but not limited to, the cost of renovating, altering, and decorating for any occupancy, leasing commissions paid to any real estate broker or agent, and attorney's fees incurred.

B) Landlord's Election to Terminate Lease

Landlord may terminate the Lease and forthwith repossess the Premises and be entitled to recover as damages a sum of money equal to the total of the following amounts:

- 1) any unpaid rent or any other outstanding monetary obligation of Tenant to Landlord under the Lease as of the date of termination;
- 2) at the time of Landlord's reletting of the Premises as set forth in clause (A) above, the balance of the rent and other sums payable by Tenant through the time of such reletting; provided that if Landlord has not reletted the Premises within one year of Lease termination despite commercially reasonable efforts to do so. Landlord shall be entitled to recover from Tenant the entire balance, discounted to net present value, of rent and other sums payable by Tenant for the remainder of the Lease term.
- 3) damages for the wrongful withholding of the Premises by Tenant
- 4) 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;
- 5) all costs incurred in recovering the Premises, restoring the Premises to good order and condition, and all commissions incurred by Landlord in reletting the Premises; and
- 6) any other reasonable amount necessary to compensate Landlord for all detriment caused by Tenant's default.

## DAMAGE

11. In the case of the total destruction of the Premises by fire, other casualties, the elements or other cause, or of such damage thereto as shall render the same totally unfit for occupancy by Tenant for more than sixty (60) days, this Lease, upon surrender and delivery to Landlord of the Premises, together with the payment of the Annual Rent and Additional Rent to the date of such occurrence, shall terminate and be at an end. If the Premises are rendered partly untenable by any cause mentioned in the preceding sentence, Landlord shall, at its own expense, restore the Premises with all reasonable diligence, and the Annual Rent and Additional Rent shall be abated proportionately for the period of said partial untenability and until the Premises shall have been fully restored by Landlord.

### **BANKRUPTCY**

12. In the event of the appointment of a receiver or trustee for Tenant by any court, Federal and State, in any legal proceedings under any provisions of the U.S. Bankruptcy Code, if the

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appointment of such receiver or such trustee is not vacated within sixty (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. Landlord may, at its option, terminate this tenancy by ten (10) days written notice, and re-enter upon the Premises.

### **POSSESSION/BENEFICIAL OCCUPANCY**

13. Landlord covenants and agrees that possession of the Premises shall be given to Tenant within five (5) days of the execution of this Lease by Landlord and that the Premises shall be in compliance with all applicable laws, codes, rules and regulations, including, without limitation, the Americans With Disabilities Act. If Tenant occupies any portion of the Premises prior to lender of possession thereof by Landlord, such occupancy shall be deemed to be beneficial occupancy and a proportionate share of the 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 negligence of Landlord.

### **SIGNS, ETC.**

14. Tenant covenants and agrees that;

a) Except as permitted in paragraph 14(d) below, Tenant shall not place or permit any signs, lights, awnings or poles on or about the exterior of the Premises without the prior permission, in writing, of Landlord and in the event such consent is given, Tenant agrees to pay any minor privileges or other tax.

b) Landlord, at Landlord's option, may immediately remove and dispose of any of the unauthorized aforementioned items at the expense of Tenant and said cost shall become part of and in addition to the next due monthly rental, as Additional Rent. Tenant further covenants and agrees that it will not paint or make any changes in or on the outside of the Premises without the written permission of Landlord. Tenant agrees that it will not do anything on the outside of the Premises to change the uniform architecture, paint or appearance of said building, without the written consent of Landlord.

c) Landlord shall have the right to place a "For Rent" sign on any portion of the 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 exterior signs on the Building's existing sign panels and a monument sign in front of the building with Tenant's logo. Landlord shall use reasonable

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best efforts to obtain any third-party consents, waivers or approvals (including, without limitation, a waiver of the Riverside Technology Park recorded covenants) required for Tenant to display its color logo on the monument sign. Tenant shall use Landlord standards and specifications for construction of signs and locations to be approved by Landlord, which approval shall not be unreasonably withheld. Tenant shall be responsible for all costs associated with all signs.

### **EXTERIOR OF PREMISES**

15. a) 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 takes away any of the rights of ingress or egress of light from any other tenant of Landlord or do anything which will, in any way, change the uniform and general design of any property of Landlord of which the Premises hereby leased shall constitute a part. Tenant will also keep the steps to the Premises free and clear of ice, snow and debris.

b) Notwithstanding the foregoing, Tenant shall be permitted to place the following items outside in the immediate vicinity of the Building in locations mutually agreeable to Landlord and Tenant: two flammable storage units (approximately 14' X 6" and 20' X 10'); six generators; three diesel fuel tanks, and two bulk tanks. In addition, if requested by Tenant, Landlord will use reasonable best

efforts to obtain any third-party consents, waivers or approvals (including, without limitation, a waiver of the Riverside Technology Park recorded covenants) necessary for the installation of a portable biosafety level-3 laboratory (trailer); storage trailer (for bulk freezer relocations); and walk-in chambers (refrigerator, freezer and/or environmental test chamber).

#### **WATER DAMAGE**

16. Tenant covenants and agrees that Landlord shall not be held responsible for and Landlord is hereby released and relieved from any liability by reason of or resulting from damage or injury to person or property of Tenant or of anyone else, directly or indirectly caused by (a) dampness or water in any part of the Premises (b) any leak or break in any part of the Premises in the pipes of the plumbing or heating works thereof, unless the damage is due to Landlord's or its employees', agents' or servants' negligence.

#### **LIABILITY**

17. Landlord shall not be liable to Tenant for any loss or injury to Tenant or to any other person or to the property of Tenant or of any other person unless such loss or damage shall be caused by or result from a negligent act or omission on the part of Landlord or any of its agents, servants, or employees. Tenant shall, and does hereby, indemnify and hold harmless Landlord and any other parties in interest from and against any and all liabilities, fines, claims, damages and actions, costs and expenses of any kind or nature (including reasonable attorneys' fees) (i) relating to or arising from the

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use and occupancy of the Premises; (ii) due to or arising out of any mechanic's lien filed against the building, or any part thereof, for labor performed or for materials furnished or claimed to be furnished to Tenant, or (iii) due to or arising out of any breach, violation or nonperformance of any covenant, condition or agreement in this Lease set forth and contained on the part of Tenant to be fulfilled, kept, observed or performed.

#### **RIGHT OF ENTRY**

18. It is understood and agreed that Landlord, and its agents, servants, and employees, including any builder or contractor employed by Landlord, shall have, and 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 or any part thereof, and, at the option of Landlord, to make such reasonable repairs to or changes in the Premises as Landlord may deem necessary or proper. In connection with any non-emergency entry, Landlord shall provide Tenant with 24 hours prior notice (which may be oral) and shall use commercially reasonable efforts to minimize the disruption to Tenant's use of the Premises. Tenant agrees Landlord and its agents and assigns have the unconditional right to show the Premises to (i) prospective purchasers at any reasonable time during the Lease term and (ii) to prospective tenants at any reasonable time during the last six months of the Lease term.

#### **EXPIRATION**

19. It is agreed that the term of this Lease expires on **July 31, 2015**, without the necessity of any notice by or to any of the parties hereto, subject to Tenant's option to extend pursuant to Paragraph 37 hereof. In the event Tenant shall occupy the Premises after such expiration, it is understood that, in the absence of any written agreement to the contrary, said Tenant shall hold the Premises as a "Tenant from month to month", subject to all the other terms and conditions of this Lease, at **150%** the highest monthly Installments of Annual Rent reserved in this Lease; provided that 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 and 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 Premises will be in proper order at expiration, including, but not limited to, lighting, mechanical, electrical and plumbing systems.

#### **CONDEMNATION**

20. It is agreed that in the event condemnation proceedings are instituted against the Premises and possession taken by the condemning authority, then this Lease shall terminate at the date possession is taken and Tenant shall not be entitled to recover any part of the award.

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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 dispossession is to occur.

If there is a partial taking and this Lease continues, then the Lease shall end as to the part of the Premises taken and 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, subject to the terms of this Paragraph 20. 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 reasonable documents assisting the effectuating of said subordination. Landlord shall obtain from any such lender a non-disturbance agreement, in recordable form, providing that in the event of foreclosure or other right asserted pursuant to the respective loan documents. Tenant shall be permitted to remain in quiet and peaceful possession of the Premises and this Lease and the rights of Tenant hereunder shall continue in full force and effect and shall not be terminated or disturbed except in accordance with the provisions of this Lease. Furthermore, if any person or entity shall succeed to all or part of Landlord's interest in the 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.

#### **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 overnight courier service.

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

5104 Pegasus Court, Suite A

Frederick, Maryland 21704

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

Attn: Mark Manak

217 Perry Parkway

Gaithersburg, MD 20832

With a copy to:

Kevin W. Quinlan

Boston Biomedica, Inc.

375 West Street



### **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.

### **NON-WAIVER**

24. It is agreed that the failure of Landlord to insist in any one or more instances upon a strict performance of any covenant of this Lease or to exercise any right herein contained shall not be construed as a waiver or relinquishment for the future of such covenant or right, but the same shall remain in full force and effect, unless the contrary is expressed in writing by Landlord. The receipt of Annual Rent or Additional Rent by Landlord, with knowledge of any breach of this Lease by Tenant or of any default on the part of Tenant hereunder, shall not be deemed to be a waiver of any provisions of this Lease. Neither acceptance of the keys nor any other act or thing done by Landlord or any agent or employee of Landlord shall be deemed to be an acceptance of a surrender of the Premises, excepting only an agreement in writing by Landlord accepting or agreeing to accept such surrender.

### **SECURITY DEPOSIT AND FINANCIAL STATEMENTS**

25. A security deposit of **\$40,261.00** 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 Landlord within thirty (30) days of its submission to Landlord, Tenant's security deposit will be refunded in full. On the first anniversary of the Rent Commencement Date, Tenant shall deliver an additional security deposit to Landlord in the amount of \$29,072.32; failure to deliver such additional security deposit shall be an event of default under this Lease. Landlord shall have the right to require annual financial statements for Tenant, which Landlord agrees not to disclose to any other person (other than Landlord's accountants, attorneys and other representatives, each of whom shall be advised of the confidential nature of such information).

### **FINAL AGREEMENT**

26. 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**

27. 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 attorney's fees incident to said legal action. In the event that Landlord is

successful in any legal action filed against Tenant, Landlord's expenses incident to said legal action shall be due as Additional Rent.

### **LAND**

28. It is agreed that the Premises is the building area occupied by Tenant and only the land under that area.

**29. Intentionally Deleted.**

### **ENVIRONMENTAL REQUIREMENTS**

30. Tenant hereby represents and warrants to Landlord that no materials will be located by Tenant 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 (collectively, "Regulated Materials"). Notwithstanding the foregoing, Landlord acknowledges and agrees that the repository and/or laboratory may contain material that is biohazardous and infectious to humans. Landlord further agrees and acknowledges that Tenant may store and use Regulated 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.

Landlord covenants that there are no Regulated Materials present in, on or under the Premises, the Building and the land thereunder and that the Premises, the Building and the land are in compliance with all Environmental Requirements as of the date hereof. Landlord shall be responsible for the identification and removal from the Building and the property, within thirty (30) days after written notice thereof, of any and all Regulated Materials which are not placed on the Premises or generated by the Tenant on the Premises during the normal course of business..

Tenant hereby covenants and agrees that if at any time it is determined that there are Regulated Materials placed on the Premises

by Tenant. 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 as Additional Rent and shall bear interest at the rate of three percent (3%) 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.

#### **SEVERABILITY**

31. In case any one or more of 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**

32. If Tenant shall fail to pay when due, the Annual Rent, Additional Rent or any other sum required by the terms of this Lease to be paid by Tenant, then, in addition to any and all other remedies that may thereby accrue to Landlord, Tenant agrees to pay to Landlord a late charge of five percent (5%) of the monthly account balance. The late charge on the base rent accrues after ten (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 (15) days after due date, Landlord shall have option to require the rental payment be made with a certified or cashier's check.

#### **QUIET ENJOYMENT**

33. 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**

34. The Premises shall contain only the following items at the expense of Landlord:

Landlord Shall provide a Tenant Improvement allowance of \$1,954 800.00 subject to the terms and conditions of the Tenant Improvement agreement as attached here to as "Exhibit B".

#### **WINDOW COVERINGS**

35. Tenant shall not install any window covering other than a one-inch horizontal mini-blind of an off-white color unless approved in writing by Landlord.

#### **PARKING**

36. Throughout the Lease term and any renewal term(s), Landlord shall provide Tenant with free, common parking in the parking area immediately adjacent to the Premises, at a ratio of 4 parking spaces per 1000 square feet leased.

#### **OPTIONS**

37. Provided Tenant is not then in default hereunder, Tenant may extend the term of this Lease, as it may be amended from time to time, for two (2) further successive periods of five (5) years each, by notifying Landlord 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 renewal tenants in comparable industrial buildings in the Frederick sub-market. If Landlord and Tenant are unable to agree upon "market rate," then "market rate" shall be determined as follows: Landlord and Tenant shall each engage a real estate agent who has at least 10 years' experience in the leasing of commercial property in the Frederick, Maryland area (a "Determining Broker"). Each party shall bear the cost, if any, of its appointed Determining Broker. If the two Determining Brokers are unable to agree upon market rate within thirty days of their respective appointments, then the two Determining Brokers shall choose a third Determining Broker (the "Neutral Broker"), the cost, if any, of which shall be borne equally by Landlord and Tenant. The two Determining Brokers engaged by Landlord and Tenant, respectively, and the Neutral Broker shall deliver to Landlord and Tenant their respective determinations of the fair market rental rate of the Leased Premises. The market rate for the Leased Premises shall be the average of the three rates determined by the Determining Brokers, and shall be binding upon the parties commencing with the first year of

the option term.

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 the Lease may be exercised only by the undersigned Tenant for its continued use and occupancy of the Premises and only if it is in possession of the Premises and operating a permitted use when it exercises the right. No such right shall be assignable even though Landlord may have approved an assignment of the Lease. However, if Tenant assigns this Lease to any entity into which or with which Tenant merges or consolidates, or to any purchaser of Tenant's capital stock or substantially all of Tenant's assets 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 beyond any applicable grace or cure period, then all unexercised rights to extend the term of the Lease shall automatically be extinguished and become null and void.

## **RULES AND REGULATIONS**

38. Tenant shall at all times comply with the Rules and Regulations attached hereto. In the event of a conflict between the Rules and Regulations and the terms of this Lease, the terms of the

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Lease shall prevail. Landlord shall make a reasonable effort to enforce the Rules and Regulations equitably against all tenants of the Property.

## **ESTOPPEL CERTIFICATE**

39. Tenant shall, at any time during the term of this Lease or any renewal thereof, upon request of Landlord, execute, acknowledge, and deliver to Landlord 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 and effect.

## **EXCULPATION CLAUSE**

40. 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. In the event 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**

41. 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.

## **RIGHTS OF FIRST OFFERING**

42. a) Tenant shall have an ongoing right of first offer throughout the primary Lease term for all or any part of 50,000 net rentable square feet of space in Landlord's adjacent proposed Building A at Riverside Technology Park ("Expansion Space"). Landlord further represents and warrants that it will not under any circumstances market or lease any portion of said Expansion Space to any other prospects prior to December 31, 2006. If at any time after December 31, 2006, all or any portion at the Expansion Space becomes available for leasing, Landlord shall give Tenant a written offer (the "Landlord's Offer") setting forth the amount of space available and the basic economic terms and conditions upon which the space will be leased. The Landlord's Offer shall provide that rent for the space offered shall be the pro forma rent required by Landlord's construction lender for the Expansion Space pursuant to Landlord's financing documents (provided that if no such requirement exists, then the rent offered shall be the fair market value for comparable industrial buildings in the Frederick flex Industrial sub-market). Tenant will have seven (7) business days after receipt of Landlord's Offer to accept or decline the space offered. If Landlord does not receive written notice from Tenant of acceptance or declining then Landlord will assume Tenant has declined the Landlord's Offer and

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Landlord shall be entitled to offer the portion of the Expansion Space which was offered to Tenant to any other prospective tenant. If Landlord does not execute a lease for the Expansion Space (or the portion thereof which was offered to Tenant) after compliance with the provisions set forth in this Paragraph 42 within six months after the date of Landlord's Offer, it shall again be required to give Tenant notice with respect to any subsequent proposed lease of all or any portion of the Expansion Space.

b) In addition to the foregoing right of first offer, Tenant shall have a right of first offer for the remaining space in the Building. If any other space in Building becomes "Available" (as said term is hereinafter defined), Tenant shall have a right of first offer to lease all of the available space (the "Adjacent Space").

Promptly after Landlord becomes aware that the Adjacent Space is, or is about to become, Available, Landlord shall notify Tenant thereof, which notice shall specify the amount of the Adjacent Space Available and the basic economic terms and conditions upon which the Adjacent Space will be leased. Landlord's notice shall provide that rent for the space offered shall be a fair market value for comparable industrial buildings in the Frederick flex industrial sub-market. Tenant will have seven (7) business days after receipt of Landlord's notice to accept or decline the Adjacent Space specified therein. If Landlord does not receive written notice from Tenant of acceptance or declining, then Landlord will assume Tenant has declined the Landlord's offer and Landlord shall be entitled to offer the portion of the Adjacent Space which was offered to Tenant to any other prospective tenant. If Landlord does not execute a lease for the Adjacent Space after compliance with the provisions set forth in this Paragraph 42(b) within six months of Landlord's notice, it shall again be required to give Tenant notice with respect to any subsequent proposed lease of the Adjacent Space. For purposes of this Paragraph 42(b), "Available" with respect to Adjacent Space means that the Adjacent Space is not subject to a lease with a third-party tenant which lease contains any unexercised or unexpired expansion, renewal or extension right.

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

**WITNESS:**

**TENANT: BBI BIOTECH RESEARCH LABORATORIES, INC.**

/s/ Kristin Pettit

By: /s/ Mark Manak

Printed Name: Mark Manak

Title: General Manager & Sr. Vice President

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**WITNESS:**

**LANDLORD:**

**MIE Properties,  
Inc.,  
as agent for  
owner**

/s/ Jennifer Roschel

By: /s/ Julianne A. Wagner

Printed Name:

Julianne A.  
Wagner

Title: Partner

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### SECURITY DEPOSIT AGREEMENT

This is **NOT** a receipt.

Date: 3/1/04

Received from **BBI Biotech Research Laboratories, Inc.**, the amount of **\$40,261.00**, as security deposit for the Premises: **8425 Progress Drive, Suites A-Y, Frederick, Maryland 21701**.

Landlord agrees to deposit the security deposit in a simple interest-bearing account. Landlord agrees that, subject to the conditions listed below, this security deposit (with interest accrued thereon) 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; provided that in the event of Landlord's bankruptcy, or the bankruptcy of the owner of the Building, the Tenant shall have the right to apply the security deposit to the next installment(s) of rent. 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 Tenant for this security deposit.

### SECURITY DEPOSIT RELEASE PREREQUISITES

1. Full term of Lease has expired.
2. No damage to property beyond ordinary wear and tear.
3. Entire Premises broom clean and in order.
4. No unpaid late charges or delinquent rents, or other delinquent sums payable by Tenant.
5. All keys returned to Landlord.
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: **BBI BIOTECH RESEARCH LABORATORIES, INC.**

/s/ Kristin Pettit

By: /s/ Mark Manak

Printed Name: Mark Manak

Title: General Manager & Senior Vice President

WITNESS:

LANDLORD: **MIE Properties, Inc., as agent for owner**

/s/ Jennifer Roschel

By: /s/ Julianne A. Wagner

Printed Name: Julianne A. Wagner

Title: Partner

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### RULES AND REGULATIONS

#### 8425 Progress Drive, Suites A-Y, Frederick, Maryland 21701

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 the 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 the 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 tenants, in such manner as it deems best for the benefit of tenants generally.
2. No bicycles, animals (except seeing-eye dogs) 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 or public areas, shall be made or permitted by any tenant.
4. The 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 the Premises, which would annoy other tenants or create a public or private nuisance. Smoking is not allowed in the building.
6. Plumbing facilities shall not be used for any purpose other than those for which they were constructed. No sweepings, rubbish, ashes, newspapers, objects or other substances of any kind shall be thrown into the plumbing facilities.
7. Tenant agrees to keep the 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 judgment 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 rescission, alteration, waiver or addition of any rule or regulation in respect of one tenant shall operate as a rescission, alteration or waiver in respect of any other tenant.
9. Tenant shall have the non-exclusive right to park in parking spaces in front of and behind Tenant's Premises. This area shall be defined by two imaginary lines extending out from Tenant's demising walls.
10. Except as otherwise provided in the Lease, Tenant shall not place storage trailers or other storage containers of any type outside the Premises.
11. Except as otherwise provided in the Lease, Tenant shall not park on a permanent or semi-permanent basis, any trailer behind dock doors or in any other location outside the Premises for the purpose of storage.
12. Non-compliance with any of the above rules and regulations may, in Landlord's sole judgment, 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.

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[GRAPHIC]

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**EXHIBIT B****Tenant Improvement Agreement**

THIS TENANT IMPROVEMENT AGREEMENT (this "Agreement") is made and entered into as of March 1, 2004, by and between MIE Properties, Inc. ("Landlord"), and BBI Biotech Research Laboratories, Inc. ("Tenant").

**RECITALS**

This Agreement is attached to and forms a part of that certain Lease Agreement of even date herewith by and between Landlord and Tenant pursuant to which Landlord has leased to Tenant certain real property situated at *8425 Progress Drive Ste A-Y Frederick, MD 21701*, consisting primarily of a 65,160 square foot portion of the Building.

Landlord and Tenant desire to enter into this Agreement to set forth their agreements with respect to the improvements to be constructed by Tenant on the Premises prior to Tenant's occupancy thereof,

NOW, THEREFORE, in consideration of these premises and the covenants and agreements of Landlord and Tenant set forth in the Lease, the parties agree as follows;

1. **Definitions.** All capitalized terms used herein and not defined herein shall have the meanings assigned thereto in the Lease. When used in this Agreement, the following terms shall have the meanings set forth in this Paragraph 1:

(a) **Completion Date.** The date on which all requisite final certificates of occupancy have been issued by applicable Governmental Authorities and a certificate of final completion has been issued by the architect or engineer responsible for preparing the Final Plans.

(b) **Governmental Requirements.** All laws, ordinances, statutes, codes, rules, regulations, orders and decrees of the United States, the state, the county, the city or any other political subdivision in which the Demised Premises is located, and any other political subdivision, agency or instrumentality exercising jurisdiction over Landlord, Tenant or the Demised Premises (collectively, the "Governmental Authorities").

(c) **Improvements.** Those certain improvements, including without limitation, the 65,160 square foot portion of the Building as described in the Lease, as set forth in the Final Plans.

(d) **Material Work.** Any work performed by a single contractor or subcontractor the aggregate cost of which exceeds \$2,000.

2. **Plans: Work Schedule.**

(a) Within five (5) business days after full execution of the Lease, Tenant will submit to Landlord a Work Schedule which specifies the projected dates for commencement and completion of the Improvements, the dates by which Landlord and/or

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Tenant is required to make filings or applications to any Governmental Authorities in connection with the construction and completion of the Improvements, and such other dates as Tenant determines should be identified for the mutual benefit of Tenant and Landlord to enable the parties to comply with their respective obligations under the Lease, including this Agreement.

(b) Whenever any of Tenant's plans, specifications and drawings identified on the Work Schedule ("Tenant's Plans") are subject to Landlord's approval (as set forth on the Work Schedule), Landlord shall review said Tenant's Plans within five (5) business days following receipt thereof and shall advise Tenant within such five (5) day period whether the Tenant's Plans are acceptable or whether Landlord requires changes to such Tenant's Plans. In each case, Landlord's approval of Tenant's Plans shall not be unreasonably withheld, conditioned or delayed and in no event shall Landlord's requested changes substantially alter the scope of Tenant's Plans. Upon Landlord's approval of the working drawings identified on the Work Schedule, such plans shall be the "Final Plans" for the Improvements. Approval by Landlord of any of Tenant's Plans shall not be a representation or warranty of Landlord that such plans are adequate for any use, purpose or condition, or that such plans comply with any applicable Governmental Requirement, but shall merely be the consent by Landlord to the improvements to be constructed pursuant to such plans.

3. **Approved Contractors.** All work with regard to construction of the Improvements shall be performed only by contractors and subcontractors licensed to do business in the state in which the Premises are located. All contractors and subcontractors shall be required to procure and maintain insurance against such risks, in such amounts, and with such companies as Landlord may reasonably require, and those contractors and subcontractors performing Material Work shall be obligated to obtain payment and performance bonds covering the cost of their work and certificates of insurance before construction of the Improvements is commenced. All work shall be performed in a good and workmanlike manner that is free of defects and is in strict conformance with the Final Plans and all applicable Governmental Requirements. Tenant shall obtain warranties on all Improvements for a minimum of one (1) year.

4. **Insurance Requirements.** In addition to the insurance to be maintained by the contractors and subcontractors for the Improvements, until the Completion Date, Tenant shall be obligated to maintain or cause to be maintained the following insurance, in the minimum amounts indicated, naming Landlord as an additional insured, pursuant to policies issued by companies authorized to do business in the state where the Premises are located which are satisfactory to Tenant:

(a) Workers' Compensation with full statutory limits for employer's liability;

(b) A standard builder's risk policy with extended coverage in the amount of one hundred percent (100%) of the value of the Improvements, as agreed to by Landlord and Tenant, together with all standard construction industry clauses and endorsements and such other clauses and/or endorsements as Landlord may reasonably require;

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(e) "All risk" property insurance covering all risks of direct physical loss to the Improvements in an amount not less than 100% of the replacement value of the improvements; and

(d) Commercial General Liability Insurance, including direct and contingent liability, in the aggregate amount of \$2,000,000 combined single limit coverage per occurrence for personal injury, death or property damage.

Original policies or copies of the foregoing insurance, or, in lieu thereof, certificates evidencing such insurance, shall be delivered to Landlord before Tenant commences construction of the Improvements.

5. **Bidding of Contract.** Tenant shall utilize its own construction manager and competitively bid the actual construction to three qualified contractors reasonably acceptable to Landlord, provided that Landlord or a general contractor designated by Landlord shall be entitled to bid the actual construction as one of the three bidding contractors. Tenant shall have the sole discretion to select the contractor for the Tenant Improvements, except that Tenant agrees to use Landlord's roofing contractor.

6. **Landlord's Right to Inspect.** Landlord shall designate a representative authorized to act on its behalf for the purpose of inspecting the Improvements and the status of construction ("Landlord's Representative"), Landlord's Representative shall be entitled to enter the Premises at reasonable times during the construction of the Improvements for purposes of such inspection. Tenant and Landlord will schedule mutually convenient progress meetings during the construction of the Improvements among Landlord's Representative, Tenant's construction manager and the appropriate architects, engineer's, contractors and/or subcontractors.

7. **Costs of Improvements.** Landlord shall provide the Tenant with a Tenant improvement allowance of \$1,954,800 towards the construction of the Improvements and related expenses including, without limitation, preparation of the Tenant's Plans and the Final Plans, costs of all building permits and other authorization necessary to commence and continue construction, costs of construction labor and materials, all related tax and insurance costs, the costs of obtaining all requisite certificates of occupancy for Tenant's use of the Premises, the cost of furniture, fixtures, machinery and equipment, and moving expenses associated with Tenant's relocation to the Building. Tenant shall submit a budget to Landlord before the commencement of construction as per the attached form. During the construction Tenant shall submit a monthly draw request, including the budget template for work in place category, all invoices and executed lien waivers (form attached). Upon receipt of the draw request, Landlord shall have five (5) calendar days to inspect the completion of the improvement requisitioned. Landlord shall notify Tenant in writing of any discrepancies within the 5-day period or Landlord shall fund the draw within fifteen (15) business days of receipt of the draw request from Tenant. At Tenant's option, Landlord shall either pay the invoice(s) attached to the draw request directly to the vendor(s), or provide Tenant with sufficient funds to pay such vendor(s).

8. **Liability for Improvements.** Tenant assumes complete responsibility and liability for construction of the Improvements in accordance with the Final Plans and all applicable Governmental Requirements and in that regard, to the fullest extent permitted by

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applicable law, Tenant shall and does agree to indemnify, protect, defend and hold harmless Landlord, Landlord's officers, directors, shareholders, employees and agents (collectively the "Indemnitees") from and against all claims, damages, losses, liens, causes of action, suits, judgments, and expenses, including reasonable attorneys fees, of any nature, kind or description (including personal injury and death), directly or indirectly arising out of, caused by, or resulting from (in whole or in part) (a) the work performed hereunder, or any part thereof, (b) the Final Plans, or (c) any act or omission of Tenant or of any architect, engineer, contractor, or subcontractor, in anyone directly or indirectly employed by them, or anyone that they control or exercise control over in connection with the construction and completion of the Improvements ((a) through (c) being herein referred to collectively as the "Liabilities"). The obligations of Tenant under this indemnification shall not apply to Liabilities to the extent such Liabilities are caused in whole or in part by the negligence of any Indemnitee.

9. **Incorporation.** This Agreement is incorporated into and made a part of the Lease by this reference, and the Lease is hereby incorporated into and made a part of this Agreement by reference.

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**TERMINATION OF LEASE**

This Early Termination of Lease is made and entered into this 1<sup>st</sup> of March, 2004 by and between MIE Properties, Inc., as Landlord and BBI Biotech Research Laboratories, Inc. as Tenant.

**RECITALS**

This Early Termination of Lease is made with reference to the following facts and objectives:

- A. By Lease dated December 1, 1999 (collectively referred to herein as "Lease"), Tenant leased from Landlord and Landlord leased to Tenant certain real property consisting of approximately 35,560 square feet of area which are commonly known as 5107 Pegasus Court Suites A-M, Frederick, MD 21704 (the "Premises").
- B. Said Lease was to expire November 30, 2006.
- C. Landlord and Tenant entered into a Lease dated as of the date hereof (referred to herein as the "New Lease"), pursuant to which Tenant leased from Landlord and Landlord leased to Tenant certain real property consisting of approximately 65,160 square feet of area which is commonly known as 8425 Progress Drive, Suites A-Y, Frederick, MD 21701. The New Lease shall commence on August 1, 2004.
- D. Tenant desires to terminate the Lease on July 31, 2004.

NOW, THEREFORE, Landlord and Tenant hereby agree as follows:

- 1. Tenant agrees to vacate the Premises on or before July 31, 2004. The Lease will terminate on July 31, 2004. Tenant will vacate the Premises by Midnight July 31, 2004. Notwithstanding anything in the Lease to the contrary. Tenant shall be permitted to remove all bench work and vacuum insulated piping in the existing repository areas of the Premises. In addition to the liquid nitrogen bulk tank, all emergency generators, ATS equipment and paralleling gear located at the Premises.
- 2. Tenant shall be allowed to occupy the Premises for the one month period commencing July 1, 2004 to July 31, 2004. Tenant shall not be responsible for any base rent during the one-month period commencing July 1, 2004 and ending July 31, 2004.
- 3. As of August 1, 2004, Tenant shall pay rent on the New Premises and all other terms and conditions of the New Lease shall be enforced.
- 4. This Early Termination of Lease is contingent upon Tenant's ability to use, occupy and enjoy the New Premises as of August 1, 2004, If Tenant is unable to use, occupy and enjoy the New Premises on August 1, 2004, then Tenant shall be entitled to continue in possession of the Premises on a month-to-month basis until such time as Tenant vacates the Premises, subject to the following terms and conditions:
  - a. If Landlord has entered into a written lease agreement for the Premises with another tenant with a term commencing on or before October 1, 2004, and Tenant's failure to vacate is due to Tenant's negligence or willful misconduct, or force majeure, then Tenant shall pay 150% of the monthly rental installments under the Lease and all other provisions of the Lease shall remain in full force and effect.
  - b. If Landlord has not entered into a written lease agreement for the Premises with another tenant, or if Tenant's failure to vacate is due to Landlord's negligence or willful misconduct, then Tenant shall pay the regular monthly rental installments under the Lease and all other provisions of the Lease shall remain in full force and effect.

- 5. Notwithstanding anything herein to the contrary, if the New Lease is terminated by Tenant on or before April 30, 2004, this Early Termination of Lease shall be null and void and the Lease shall continue in accordance with its terms.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Early Termination of Lease as of the date first above written.

**WITNESS:**

**LANDLORD: MIE Properties, Inc.  
as agent for owner**

By: /s/ Jennifer Roschel

By: /s/ Julianne A. Wagner

Printed Name:

Julianne A.  
Wagner



Title: Partner

**WITNESS:**

**TENANT: BBI Biotech Research Laboratories, Inc.**

By: /s/ Kristin Pettit

By: /s/ Mark Manak

Printed Name: Mark Manak  
Title: Senior Vice Pres. & General Manager

February , 2004

Mr. Mark Manak  
BBI Biotech Research Laboratories  
5107 Pegasus Court  
Frederick, MD 21704

RE: Letter of Understanding for BBI Biotech Research Laboratories located at 8425 Progress Drive, Suite A-Y

Dear Mark:

Whereas, by the Lease dated March 1, 2004 (the "Lease"), MIE Properties, Inc ("Landlord") leased BBI Biotech Research Laboratories ("Tenant") 65,160 square feet of rentable area located at 8425 Progress Drive, Suites A-Y, Frederick, MD 21701 (the "Premises");

Whereas, said Lease will commence on August 1, 2004.

Now, therefore, in consideration of the mutual covenants of the parties hereto, the parties agree as follows:

- 1) Tenant shall not be responsible for any base rent payments during the one-month period commencing July 1, 2004 and ending July 31, 2004. During the term of this Letter of Understanding, unless otherwise provided in this Letter of Understanding, the rights and obligations of the parties shall be governed by the Lease, which is incorporated in this Letter of Understanding by reference.
- 2) Tenant shall be responsible to pay all utilities during the one-month period commencing July 1, 2004 and ending July 31, 2004.
- 3) Upon termination of this Letter of Understanding, Tenant shall occupy the Premises pursuant to the Lease.
- 4) The parties represent to one another that they have full power and authority to enter into this Letter of Understanding.

In witness, whereof, the parties have caused this Letter of Understanding to be executed and delivered as of the date of this Letter.

**WITNESS:**

**MIE PROPERTIES, INC.**

/s/ Jennifer Roschel

BY: /s/ Julianne A. Wagner

**WITNESS:**

**TENANT: BBI Biotech Research Laboratories, Inc.**

/s/ Kristin Pettit

BY: /s/ Mark Manak

February 27, 2004

Ms. Julianne Wagner  
MIE Properties, Inc.  
5104 Pegasus Court  
Suite A  
Frederick, MD 21704

Re: Lease dated March 1, 2004, by and between MIE Properties, Inc. ("Landlord") and BBI Biotech Research Laboratories,

Inc. ("Tenant") for the premises located at 8425 Progress Drive, Suites A-Y, Frederick, Maryland (the "Lease").

Dear Ms. Wagner:

Pursuant to the above-referenced Lease, Tenant has agreed to lease the Premises from Landlord for a term of 11 years, which term shall commence no later than August 1, 2004. This letter sets forth our understanding with respect to Tenant's right to terminate the Lease on the terms and conditions contained herein. Capitalized terms used but not defined herein shall have the meanings given such terms in the Lease (including, without limitation, all Exhibits thereto).

Notwithstanding anything to the contrary elsewhere contained herein or in the Lease, provided that Tenant uses commercially reasonable best efforts to obtain the issuance of all permits required for the construction of the Tenant Improvements contemplated in the Lease, if any governmental authority fails to issue any such required permit(s), Tenant may, in its sole discretion, by written notice delivered to Landlord on or before the close of business on April 30, 2004, terminate the Lease and neither Landlord nor Tenant shall have any further obligation or liability to the other under the Lease or otherwise.

In consideration of the foregoing, Tenant is delivering to Landlord (i) a check in the amount of \$40,261,00, as the security deposit under and pursuant to the terms of the Lease (the "Security Deposit") and (ii) a check in the amount of \$69,739,00 (the "Additional Deposit"). If Tenant elects to terminate the Lease in accordance with the terms of this letter, then, notwithstanding the terms of the Lease and the Security Deposit Agreement attached thereto, Landlord shall be entitled to retain the Security Deposit and the Additional Deposit as agreed-upon liquidated damages and such amounts shall be Landlord's sole remedy for Tenant's termination of the Lease hereunder.

If Tenant does not deliver a notice of termination to Landlord on or before the close of business on April 30, 2004, then Tenant shall be deemed to have waived its right

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to terminate hereunder and the Lease and the Security Deposit Agreement shall continue in full force and effect in accordance with the terms thereof. In such event, Landlord shall deliver the Additional Deposit to Tenant no later than May 3, 2004 or, if earlier, two business days after the date on which Tenant delivers written notice to Landlord that Tenant has waived its right to terminate hereunder. The parties agree that the Additional Deposit shall not accrue interest.

Notices required or permitted to be given pursuant to this letter shall be given in accordance with the terms of the Lease.

Sincerely,

BBI Biotech Research Laboratories, Inc.

By: /s/ Mark Manak

Title: General Manager & Sr. Vice Pres.

Agreed to and accepted this 1<sup>st</sup> day of March, 2004:

MIE Properties, Inc.

By: /s/ Julianne A. Wagner

Title: Partner

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

I, Richard T. Schumacher Chief Executive Officer of Boston Biomedica, Inc., certify that:

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

Date: May 14, 2004

/s/ Richard T. Schumacher

Name: Richard T. Schumacher

Title: Chief Executive Officer

(Principal Executive Officer)

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

I, Michael N. Avallone, Vice President, Finance and Chief Financial Officer of Boston Biomedica, Inc., certify that:

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

Date: May 14, 2004

/s/Michael N. Avallone

Name: Michael N. Avallone

Title: Vice President, Finance and Chief Financial Officer  
(Principal Financial and Accounting Officer)

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

In connection with the Quarterly Report on Form 10-Q of Boston Biomedica, Inc., a Massachusetts corporation (the "Company") for the period ended March 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard T. Schumacher, Chief Executive Officer of Boston Biomedica, Inc., a Massachusetts corporation (the "Company"), do hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) that:

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

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

Dated: May 14, 2004

*/s/ Richard T. Schumacher*  
Richard T. Schumacher  
Chief Executive Officer  
(Principal Executive Officer)

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

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

In connection with the Quarterly Report on Form 10-Q of Boston Biomedica, Inc., a Massachusetts corporation (the "Company") for the period ended March 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael N. Avallone, Vice President, Finance and Chief Financial Officer of Boston Biomedica, Inc., a Massachusetts corporation (the "Company"), do hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) that:

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

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

Dated: May 14, 2004

/s/ Michael N. Avallone  
Michael N. Avallone  
Vice President, Finance and Chief Financial Officer  
(Principal Financial and Accounting Officer)

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