

CONTRACT #10
RFS # 348.00-242
FA # 09-16981

**Tennessee Bureau of
Investigation (TBI)**

VENDOR:
Fairfax Identity Laboratories,
Inc.



PHIL BREDESEN
GOVERNOR

TENNESSEE BUREAU OF INVESTIGATION

901 R.S. Gass Boulevard
Nashville, Tennessee 37216-2639
(615) 744-4000
Facsimile (615) 744-4500
TDD (615) 744-4001



MARK GWYN
DIRECTOR

July 15, 2010

RECEIVED

JUL 15 2010

FISCAL REVIEW

Ms. Leni Chick
Contract and Audit Coordinator
8th Floor, Rachel Jackson Building
320 Sixth Avenue North
Nashville, Tennessee 37243

RE: Fairfax Identity Laboratories, Inc. Contract Amendment
Fiscal Review Committee Documentation

Ms. Chick:

I am writing to formally request that the TBI be placed on the agenda for the the August 10, 2010 meeting of the Fiscal Review Committee to review the subject contract amendment. I have enclosed documentation in this regard in accordance with the "Revised Checklist - Effective 10/30/09" for your review. This request is timely as the deadline for submissions to the Fiscal Review Committee for the August 10, 2010 meeting is July 30, 2010.

The proposed amendment reflects a change in corporate ownership of the vendor in the subject contract and increases funding for the contract to account for unanticipated increases in required DNA processing as part of the required duties of the TBI. Such an amendment is in the best interest of the state for several reasons to include: the State would suffer significant delays in processing DNA evidence and significant costs if the TBI were forced to find a new vendor and/or process a new contract, the amendment represents a continuation of a current service contract that is operating adequately, and the contract was originally awarded by RFP.

If you have any questions or need any additional information, please do not hesitate to contact me at 615-744-4296 or bryan.noel@tn.gov.

Sincerely,

Bryan Noel



Supplemental Documentation Required for Fiscal Review Committee

*Contact Name:	Bryan Noel	*Contact Phone:	615-744-4296		
*Original Contract Number:	FA-09-16981-00	*Original RFS Number:	34800-242		
Edison Contract Number: (if applicable)	4510-19308	Edison RFS Number: (if applicable)	34800-242		
*Original Contract Begin Date:	01 October 2006	*Current End Date:	30 September 2010		
Current Request Amendment Number: (if applicable)	2				
Proposed Amendment Effective Date: (if applicable)	10 August 2010				
*Department Submitting:	348 - Tennessee Bureau of Investigation				
*Division:	00				
*Date Submitted:					
*Submitted Within Sixty (60) days: (if not, explain):	Yes				
*Contract Vendor Name:	Fairfax Identity Laboratories, Inc.				
*Current Maximum Liability:	\$888,492.00				
*Current Contract Allocation by Fiscal Year: (as Shown on Most Current Fully Executed Contract Summary Sheet)					
FY: 2007	FY: 2008	FY: 2009	FY: 2010	FY	FY
\$293,746	\$293,746	\$225,747	\$75,253	\$	\$
*Current Total Expenditures by Fiscal Year of Contract: (attach backup documentation from STARS or FDAS report)					
FY: 2007	FY: 2008	FY: 2009	FY: 2010	FY	FY
\$71,736	\$277,956	\$240,073.50	\$258,975.50	\$	\$
IF Contract Allocation has been greater than Contract Expenditures, please give the reasons and explain where surplus funds were spent:		N/A			
IF surplus funds have been carried forward, please give the reasons and provide the authority for the carry forward provision:		N/A			
IF Contract Expenditures exceeded Contract Allocation, please give the reasons and explain how funding was acquired to pay the overage:		Operational requirements dictated DNA samples in excess of original projections. Additional funding to pay for excess services is requested in this proposed amendment.			
*Contract Funding:	State:	\$888,492	Federal:		

Supplemental Documentation Required for Fiscal Review Committee

Source/Amount:			
Interdepartmental:		Other:	
If "other" please define:			
Dates of All Previous Amendments or Revisions: (if applicable)		Brief Description of Actions in Previous Amendments or Revisions: (if applicable)	
10-01-2009		Extended Contrat Term by One (1) year, per B.2.	
Method of Original Award: (if applicable)		RFP	
*What were the projected costs of the service for the entire term of the contract prior to contract award?		\$888,492	

Supplemental Documentation Required for Fiscal Review Committee

For all new non-competitive contracts and any contract amendment that changes Sections A or C.3. of the original or previously amended contract document, provide estimates based on information provided the Department by the vendor for determination of contract maximum liability. Add rows as necessary to provide all information requested.

If it is determined that the question is not applicable to your contract document attach detailed explanation as to why that determination was made.

Planned expenditures by fiscal year by deliverable. Add rows as necessary to indicate all estimated contract expenditures.

Deliverable description:	FY:	FY:	FY:	FY:	FY:

Proposed savings to be realized per fiscal year by entering into this contract. If amendment to an existing contract, please indicate the proposed savings to be realized by the amendment. Add rows as necessary to define all potential savings per deliverable.

Deliverable description:	FY:	FY:	FY:	FY:	FY:

Comparison of cost per fiscal year of obtaining this service through the proposed contract or amendment vs. other options. List other options available (including other vendors), cost of other options, and source of information for comparison of other options (e.g. catalog, Web site). Add rows as necessary to indicate price differentials between contract deliverables.

Proposed Vendor Cost: (name of vendor)	FY:	FY:	FY:	FY:	FY:
Other Vendor Cost: (name of vendor)	FY:	FY:	FY:	FY:	FY:
Other Vendor Cost: (name of vendor)	FY:	FY:	FY:	FY:	FY:

/

Supplemental Documentation Required for
Fiscal Review Committee

The proposed amendment is neither a new non-competitive contract nor an amendment to Section A or C.3. as contemplated in the question. As such, it is this agency's opinion that this question is not applicable.

POC Bryan Noel - 744-4296

Remit Vndr: 0000042402

Unit: 34800

Date From: 04/06/2009

Date To: 07/14/2010

View Results

Download results in : Excel Spreadsheet CSV Text File (3 kb)

View All

First 1-8 of 8 Last

Unit	Voucher	Invoice	Remit Vndr	Name	Gross Amt	Reference	Pymt Date	Recon Status	Reconciled Date	Warrant Amount	Method	
1	34800	00003722	25214	0000042402	Commonwealth Biotechnologies Inc	27907.000	0000345007	04/30/2010	UNR		100598.500	EFT
2	34800	00003721	25162	0000042402	Commonwealth Biotechnologies Inc	72691.500	0000345007	04/30/2010	UNR		100598.500	EFT
3	34800	00002062	22701	0000042402	Commonwealth Biotechnologies Inc	22768.500	0000157152	11/19/2009	UNR		22768.500	EFT
4	34800	00001873	22440	0000042402	Commonwealth Biotechnologies Inc	12921.500	0000149385	11/13/2009	UNR		12921.500	EFT
5	34800	00001398	22357	0000042402	Commonwealth Biotechnologies Inc	19393.000	0000089005	09/16/2009	REC	04/20/2010	19393.000	EFT
6	34800	00000969	22268	0000042402	Commonwealth Biotechnologies Inc	38829.000	0000064756	07/22/2009	REC	04/20/2010	38829.000	EFT
7	34800	00000529	22141	0000042402	Commonwealth Biotechnologies Inc	30250.500	0000049742	06/19/2009	REC	04/20/2010	30250.500	EFT
8	34800	00000520	22067	0000042402	Commonwealth Biotechnologies Inc	34034.500	0000048718	06/17/2009	REC	04/20/2010	34034.500	EFT

258 795.50

FDA S Report

Fairfax Payments

Report Filter:

{(Effective Year} = 2007, 2008, 2009, 2010) And {(Vendor Number} = V541641133)

Effective Year	Vendor Invoice	Vendor Number	Expenditures
2007	12419	V541641133	3,234.00
	12640	V541641133	17,703.00
	13174	V541641133	21,084.00
	13024	V541641133	21,315.00
	12861	V541641133	8,400.00
2008	12861	V541641133	0.00
	20064	V541641133	21,063.00
	20182	V541641133	23,373.00
	20374	V541641133	21,147.00
	20402	V541641133	21,189.00
	20580	V541641133	21,189.00
	20468	V541641133	21,147.00
	20796	V541641133	33,453.00
	20468A	V541641133	4,389.00
	20580A	V541641133	10,122.00
	20693	V541641133	16,359.00
	21004	V541641133	13,986.00
	20906	V541641133	32,466.00
2009	21104	V541641133	26,670.00
	21214	V541641133	11,403.00
	21303	V541641133	31,521.00
	21394	V541641133	20,307.00
	21476	V541641133	32,424.00
	21587	V541641133	28,875.00
	21660	V541641133	17,619.00
	21747	V541641133	13,755.00
	21830	V541641133	30,786.00
	21891	V541641133	30,324.00
22033	V541641133	2,542.50	
21982	V541641133	31,920.00	

71,736.

277,956.

240,073.50

NON-COMPETITIVE AMENDMENT REQUEST:

APPROVED

Commissioner of Finance & Administration

1) RFS #	34800-242	
2) Procuring Agency	Tennessee Bureau of Investigation	
EXISTING CONTRACT INFORMATION		
3) Service Caption	DNA Sample Analysis and Processing	
4) Contractor	Fairfax Identity Laboratories, Inc.	
5) Contract #	FA-09-16981-00	
6) Contract Start Date	1 October 2006	
7) CURRENT Contract End Date : (if ALL options to extend the contract are exercised)	30 September 2010	
8) CURRENT Maximum Cost : (if ALL options to extend the contract are exercised)	\$ 888,492	
PROPOSED AMENDMENT INFORMATION		
9) Amendment #	2	
10) Amendment Effective Date : (attached explanation required if < 60 days after F&A receipt)	10 August 2010	
11) PROPOSED Contract End Date : (if ALL options to extend the contract are exercised)	30 September 2010	
12) PROPOSED Maximum Cost : (if ALL options to extend the contract are exercised)	\$ 1,097,000	
13) Approval Criteria : (select one)	<input checked="" type="checkbox"/> use of Non-Competitive Negotiation is in the best interest of the state <input type="checkbox"/> only one uniquely qualified service provider able to provide the service	
14) Description of the Proposed Amendment Effects & Any Additional Service:	<p>The proposed amendment will change the following: (1) the name of vendor will be replaced to represent a corporate buyout of the current vendor – as the company performing the service remains the same, (2) increase the maximum liability to account for unanticipated increases in DNA samples required for analysis and processing, and (3) will replace the current EIN to reflect the corporate changeover.</p>	
15) Explanation of Need for the Proposed Amendment:	<p>The proposed amendments represent a continuation of an ongoing service agreement with vendor for the analysis and processing of DNA samples required as part of the agency's required duties. The proposed amendment will account for the change in corporate ownership of the current vendor and will provide additional funds to pay for services rendered in excess of the original contract liability due to unanticipated increases in the number of DNA samples for processing.</p>	

16) Name & Address of Contractor's Current Principal Owner(s): (not required for a TN state education institution)

American International Biotechnology Services
 601 Biotech Drive
 Richmond, Virginia 23235

17) Office for Information Resources Endorsement: (required for information technology service; n/a to THDA)

Documentation is ... Not Applicable to this Request Attached to this Request

18) eHealth Initiative Endorsement: (required for health-related professional, pharmaceutical, laboratory, or imaging service)

Documentation is ... Not Applicable to this Request Attached to this Request

19) Department of Human Resources Endorsement: (required for state employees training service)

Documentation is ... Not Applicable to this Request Attached to this Request

20) Description of Procuring Agency Efforts to Identify Reasonable, Competitive, Procurement Alternatives:

The proposed amendments represent a continuation of an ongoing service agreement with vendor for the analysis and processing of DNA samples required as part of the agency's required duties. The original contract was originally awarded as a RFP process and the current vendor was awarded the contract.

21) Justification for the Proposed Non-Competitive Amendment:

A non-competitive amendment to this contract is appropriate as this is a continuation of a current contract for services that is operating adequately. Alternative methods of obtaining the service would result in significant delays in processing DNA evidence and would result in significant additional costs to the State. The current vendor is in possession of and storing current DNA samples for processing. Change of vendors at this point would jeopardize the integrity of a large number of samples.

AGENCY HEAD SIGNATURE & DATE:

(must be signed & dated by the ACTUAL procuring agency head as detailed on the Signature Certification on file with OCR—signature by an authorized signatory will be accepted only in documented exigent circumstances)

Mark George

7-15-10

SIGNATURE & DATE



C O N T R A C T A M E N D M E N T

Agency Tracking # 34800-242	Edison ID	Contract # FA0716981	Amendment # 2
---------------------------------------	------------------	--------------------------------	-------------------------

Contractor American International Biotechnology Services (as amended)	Contractor Federal Employer Identification or Social Security # <input type="checkbox"/> C- or <input checked="" type="checkbox"/> V- 050593169 (Edison 0000119140)
---	--

Amendment Purpose/ Effects
Provides for a change to the Contractor's name and Federal Employer Identification Number, and increases the maximum liability.

Contract Begin Date October 1, 2006	Contract End Date September 30, 2010	Subrecipient or Vendor <input type="checkbox"/> Subrecipient <input checked="" type="checkbox"/> Vendor	CFDA #(s)
---	--	---	------------------

FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2007	\$293,746.00				\$293,746.00
2008	\$293,746.00				\$293,746.00
2009	\$225,747.00				\$225,747.00
2010	\$75,253.00				\$75,253.00
2011	\$208,508.00				\$208,508.00
TOTAL:	\$1,097,000.00				\$1,097,000.00

American Recovery and Reinvestment Act (ARRA) Funding - YES NO

— COMPLETE FOR AMENDMENTS —			Agency Contact & Telephone #	
END DATE AMENDED? <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO			Brian Senecal, Fiscal Director 615.744.4112	
FY	Base Contract & Prior Amendments	THIS Amendment ONLY	Agency Budget Officer Approval (there is a balance in the appropriation from which this obligation is required to be paid that is not otherwise encumbered to pay obligations previously incurred) 	
2007	\$293,746.00			
2008	\$293,746.00			
2009	\$225,747.00			
2010	\$75,253.00			
2011		\$208,508.00	Speed Code	Account Code
TOTAL:	\$888,492.00	\$208,508.00	B100000035	70804000

**AMENDMENT TWO
TO FA-07-16981-00**

This Contract Amendment is made and entered by and between the State of Tennessee, State of Tennessee, Tennessee Bureau of Investigation, hereinafter referred to as the "State" and American International Biotechnologies, A Division of Bostwick Laboratories, Inc. (as amended herein), hereinafter referred to as the "Contractor." It is mutually understood and agreed by and between said, undersigned contracting parties that the subject Contract is hereby amended as follows:

1. The text of Contract Section C.1. is deleted in its entirety and replace with the following:

C.1. Maximum Liability. In no event shall the maximum liability of the State under this Contract exceed ONE MILLION AND NINETY SEVEN THOUSAND DOLLARS (\$1,097,000). This amount shall constitute the entire compensation due the Contractor for the Service and all of the Contractor's obligations hereunder regardless of the difficulty, hours worked, or materials or equipment required. The Contract Amount includes, but is not limited to, all applicable taxes, fees, overhead, profit, and all other direct and indirect costs incurred or to be incurred by the Contractor.

The Contractor is not entitled to be paid the maximum liability for any period under the Contract or any extensions of the Contract for work not requested by the State. The maximum liability represents available funds for payment to the Contractor and does not guarantee payment of any such funds to the Contractor under this Contract unless the State requests work and the Contractor performs said work. In which case, the Contractor shall be paid in accordance with the payment rates detailed in Section C.3. The State is under no obligation to request work from the Contractor in any specific dollar amounts or to request any work at all from the Contractor during any period of this Contract.

2. The following is added as Contract Section E.12.:

E.12. Contractor Name. All references to "Fairfax Identity Laboratories, A Division of Commonwealth Biotechnologies, Inc." shall be deleted and replaced with "American International Biotechnologies, A Division of Bostwick Laboratories, Inc."

3. The following is added as Contract Section E.13.:

E.13. Federal Employer Identification Number: All references to FEIN "541641133-00" shall be deleted and replaced with FEIN "05-0593169".

4. The following is added as Contract Section D.20.:

D.20. Prohibition of Illegal Immigrants. The requirements of Public Acts of 2006, Chapter Number 878, of the state of Tennessee, addressing the use of illegal immigrants in the performance of any Contract to supply goods or services to the state of Tennessee, shall be a material provision of this Contract, a breach of which shall be grounds for monetary and other penalties, up to and including termination of this Contract.

- a. The Contractor hereby attests, certifies, warrants, and assures that the Contractor shall not knowingly utilize the services of an illegal immigrant in the performance of this Contract and shall not knowingly utilize the services of any subcontractor who will utilize the services of an illegal immigrant in the performance of this Contract. The Contractor shall reaffirm this attestation, in writing, by submitting to the State a completed and signed copy of the document at Attachment One, hereto, semi-annually during the period of this Contract. Such attestations shall be maintained by the Contractor and made available to state officials upon request.

- b. Prior to the use of any subcontractor in the performance of this Contract, and semi-annually thereafter, during the period of this Contract, the Contractor shall obtain and retain a current, written attestation that the subcontractor shall not knowingly utilize the services of an illegal immigrant to perform work relative to this Contract and shall not knowingly utilize the services of any subcontractor who will utilize the services of an illegal immigrant to perform work relative to this Contract. Attestations obtained from such subcontractors shall be maintained by the Contractor and made available to state officials upon request.
- c. The Contractor shall maintain records for all personnel used in the performance of this Contract. Said records shall be subject to review and random inspection at any reasonable time upon reasonable notice by the State.
- d. The Contractor understands and agrees that failure to comply with this section will be subject to the sanctions of Public Chapter 878 of 2006 for acts or omissions occurring after its effective date. This law requires the Commissioner of Finance and Administration to prohibit a contractor from contracting with, or submitting an offer, proposal, or bid to contract with the State of Tennessee to supply goods or services for a period of one year after a contractor is discovered to have knowingly used the services of illegal immigrants during the performance of this Contract.
- e. For purposes of this Contract, "illegal immigrant" shall be defined as any person who is not either a United States citizen, a Lawful Permanent Resident, or a person whose physical presence in the United States is authorized or allowed by the federal Department of Homeland Security and who, under federal immigration laws and/or regulations, is authorized to be employed in the U.S. or is otherwise authorized to provide services under the Contract.

The revisions set forth herein shall be effective on the date of final approval by the appropriate State officials in accordance with applicable Tennessee State laws and regulations. All other terms and conditions not expressly amended herein shall remain in full force and effect.

IN WITNESS WHEREOF,

American International Biotechnologies, A Division of Bostwick Laboratories, Inc.:

CONTRACTOR SIGNATURE

DATE

ROBERT HARRIS, PRESIDENT/CSO

Tennessee Bureau of Investigation:

MARK GWYN, DIRECTOR

DATE

APPROVED:

COMMISSIONER OF FINANCE & ADMINISTRATION

DATE

COMPTROLLER OF THE TREASURY

DATE

AI BioTech

AMERICAN INTERNATIONAL BIOTECHNOLOGY SERVICES
A Division of Bostwick Laboratories, Inc.

601 Biotech Dr., Richmond, VA 23235
phone: 804-915-3841
fax: 804-915-3830
www.aibiotech.com
email: rbharris@aibiotech.com

Robert B. Harris, Ph.D.
President, Chief Science Officer

12/2/09

Murrey Smith
Tennessee Bureau of Investigation
901 R. S. Gass Boulevard
Nashville, TN 37216
Phone: 615-744-4296
Fax: 615-744-4656
Email: murrey.smith@tn.gov

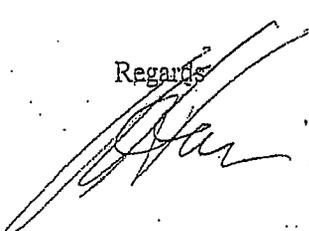
RE: TBI Contract

Dear Mr. Smith

Thank you for your email. Please be advised that all terms, conditions, and obligations specified in the contract between the State of Tennessee and Commonwealth Biotechnologies, Inc, will be honored and maintained by American International Biotechnology Services, and by Fairfax Identity Labs, a business unit within AI Biotech.

Please call or email with any additional questions or concerns, and thank you for your attention to this matter.

Regards





A Division of Bostwick Laboratories, Inc



A Business Unit of AIBiotech

ANNOUNCING AMERICAN INTERNATIONAL BIOTECHNOLOGY SERVICES

RICHMOND, VA (November 2, 2009) - Bostwick Laboratories® announces the acquisition of the assets and infrastructure of CBI Services and Fairfax Identity Laboratories, formerly business units within Commonwealth Biotechnologies Inc. The new company, **American International Biotechnology Services (AIBiotech)** will operate as a division of Bostwick Laboratories, Inc., and Fairfax Identity Labs will operate as a business unit within AIBiotech.

AIBiotech and Fairfax Identity Laboratories will retain their full complement of life sciences and DNA identity support services and their full inventory of instruments that have made them the providers of choice to investigators in government, university, and private sector laboratories. All scientific, production, and administrative staff formerly employed by CBI Services and FIL are now employees of AIBiotech. The new company will continue to be based in Richmond, VA.

Together, AIBiotech, Fairfax Identity Laboratories and Bostwick Laboratories offer unprecedented capabilities in basic laboratory, clinical trial, DNA identity, and patient support services. For more information about AIBiotech, please visit www.aibiotech.com or call 1-800-735-9224.

About American International Biotechnology Services (AIBiotech)

American International Biotechnology Services provides drug discovery and diagnostic development organizations a broad range of world-class laboratory services to bring new products to market, including laboratory services for molecular biology, microbiology, virology, immuno, peptide, bioorganic, and protein chemistries.

Located in a 32,000 square foot laboratory in Richmond, Virginia, AIBiotech is one of the world's most comprehensive Contract Research Organizations. As an expert core laboratory, AIBiotech provides consultation on experimental design and offers comprehensive services under GLP and non-GLP compliance. These services are offered individually or can be integrated to support product development from discovery-to-market with full Regulatory Support under FDA GLP Guidelines 21 CFR 58.

About Fairfax Identity Laboratories (FIL)

Fairfax Identity Laboratories (FIL) is at the forefront of DNA profiling techniques and innovations. FIL helps to establish genetic relationships for child support agencies and legal entities. Additionally, FIL is at the forefront of providing forensics for crime laboratories nationwide, felon data banking and clinical genetics services. In addition, Fairfax Identity Laboratories is a leader in providing DNA profiling and matching

services for specimen identification, along with paternity, maternity and family relationship confirmation.

About Bostwick Laboratories, Inc.

Bostwick Laboratories is a specialty anatomic pathology laboratory focused on the diagnosis of cancer. Bostwick Laboratories is a leader in urologic anatomic pathology with expertise and a growing presence in the dermatology, gastroenterology, gynecology, nephrology and hematology sectors of the anatomic pathology market. Bostwick Laboratories is headquartered in Richmond, Virginia and operates regional laboratories throughout the United States and Europe.

American International Biotechnology Services (AIBiotech):

601 Biotech Dr.
Richmond, VA, 23235
Phone: 1-800-735-9224
Fax : 1-804-648-2641
Email: info@aibiotech.com
Web : <http://www.aibiotech.com>

Fairfax Identity Laboratories (FIL):

601 Biotech Dr.
Richmond, VA, 23235
Phone: 1-800-735-9224
Fax : 1-804-648-2641
Email: info@fairfaxidlabs.com
Web: <http://www.fairfaxidlabs.com>

Bostwick Laboratories:

4355 Innslake Dr.
Glen Allen, VA 23060
Phone : 1-804-967-9225
Fax : 1-804-288-6558
Email: info@bostwicklaboratories.com
Web: <http://www.bostwicklaboratories.com>



CONTRACT AMENDMENT

Agency Tracking # 34800-242	Edison ID 000000000000000000004510	Amendment # 1
--------------------------------	---------------------------------------	------------------

Contractor Fairfax Identity Laboratories, a Division of Commonwealth Biotechnologies, Inc.	Contractor Federal Employer Identification or Social Security # <input type="checkbox"/> C- or <input checked="" type="checkbox"/> V- 541641133-00
---	---

Amendment Purpose/ Effects
 Extend existing contract one year, within the terms of the existing contract extension language, to provide for outsourcing short tandem repeat (STR) analysis for felony offenders or juveniles adjudicated delinquent for having violated TCA and ordered to provide a biological specimen for the purpose of DNA analysis.

Contract Begin Date 1-Oct-2006	Contract End Date 30-Sep-2010	Subrecipient or Vendor <input type="checkbox"/> Subrecipient <input checked="" type="checkbox"/> Vendor	CFDA #(s)
-----------------------------------	----------------------------------	--	-----------

FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2007	293,746.00				293,746.00
2008	293,746.00				293,746.00
2009	225,747.00				225,747.00
2010	75,253.00				75,253.00
TOTAL:	888,492.00				888,492.00

— COMPLETE FOR AMENDMENTS —			Agency Contact & Telephone # Brian Senecal, Fiscal Director, 615-744-4112
END DATE AMENDED? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO			Agency Budget Officer Approval (there is a balance in the appropriation from which this obligation is required to be paid that is not otherwise encumbered to pay obligations previously incurred)
FY	Base Contract & Prior Amendments	THIS Amendment ONLY	
TOTAL:			Speed Code BI00000035
			Account Code 70804000

<p>— OCR USE —</p> <p>F&A Secured Document</p> <p># 45110-FA-0716981-01</p>	Procurement Process Summary (non-competitive, FA- or ED-type only)
---	--

CONTRACT SUMMARY SHEET

021408

RFS	Contract
348.00-242	FA-07-16981-00

State/Agency	State/Agency/Division
Tennessee Bureau of Investigation	Crime Laboratory

Contractor Name	Contractor ID # (FEIN or SSN)
Fairfax Identity Laboratories, A Division of Commonwealth Biotechnologies, Inc.	<input type="checkbox"/> C- or <input checked="" type="checkbox"/> X <input type="checkbox"/> V- 541641133-00

Service Description:
 Provides for outsourcing short tandem repeat (STR) analysis for felony offenders or juveniles adjudicated delinquent for having violated Tennessee Code Annotated and ordered to provide a biological specimen for the purpose of DNA analysis.

Contract BEC (N/A)	Contract END Date	Subrecipient or Vendor	OFDA#
1-Oct-2006	30-Sep-2009	Vendor	

<input checked="" type="checkbox"/> Contractor is on STARS <input checked="" type="checkbox"/> Contractor's Form W-9 is on file in Accounts

Alt Item Code	Cost Center	Object Code	Fund	Funding Grant/Obje	Funding Subjant Code
34800	03	84	11		

Year	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2007	\$ 293,746.00		OCR RELEASED		\$ 293,746.00
2008	\$ 293,746.00				\$ 293,746.00
2009	\$ 225,747.00		OCT 06 2006		\$ 225,747.00
2010	\$ 75,253.00		TO ACCOUNTS		\$ 75,253.00
					\$ -
					\$ -
TOTAL	\$ 888,492.00	\$ -	\$ -	\$ -	\$ 888,492.00

COMPLETE FOR AMENDMENTS ONLY State Agency Fiscal Contact Telephone

Base Contract / Prior Amendments	THIS Amendment ONLY	Brian Senecal, Fiscal Director 615.744.4112
----------------------------------	---------------------	--

State Agency Budget Officer Approval

Brian Senecal / RW

Funding Certification (certification required by TCA § 26-2-201) - This amount is in full appropriation on which the obligated expenditure is required to be paid. It is not to be used for other purposes, including other obligations or previously incurred.

TOTAL Budget	
--------------	--

Contractor Ownership (Complete only on base contracts with contractor, part 12-1-09)

<input type="checkbox"/> African American	<input type="checkbox"/> Person w/ Disability	<input type="checkbox"/> Hispanic	<input checked="" type="checkbox"/> Small Business	<input type="checkbox"/> NOT disadvantaged
<input type="checkbox"/> Asian	<input type="checkbox"/> Female	<input type="checkbox"/> Native American	<input type="checkbox"/> OTHER minority/disadvantaged—	

Contractor Selection Method (Complete only on base contracts - N/A on amendments or direct awards)

<input checked="" type="checkbox"/> RFP	<input type="checkbox"/> Competitive Negotiation	<input type="checkbox"/> Alternative Competitive Method
<input type="checkbox"/> Non-Competitive Negotiation	<input type="checkbox"/> Negotiation w/ Government (eg, ID, GG, GU)	<input type="checkbox"/> Other

Procurement Process Summary (Complete only on Alternative Method, Competitive Negotiation, Non-Competitive Negotiation, or Other)

OCT 06 2006

DIRECTOR OF ACCOUNTS

RECEIVED

OCT -3 AM 10:15

TREASURER'S OFFICE
 OFFICE OF
 ASSESSMENT SERVICES

**CONTRACT
BETWEEN THE STATE OF TENNESSEE,
TENNESSEE BUREAU OF INVESTIGATION
AND
FAIRFAX IDENTITY LABORATORIES, A DIVISION OF COMMONWEALTH
BIOTECHNOLOGIES, INC.**

This Contract, by and between the State of Tennessee, Tennessee Bureau of Investigation, hereinafter referred to as the "State" and Fairfax Identity Laboratories, A Division of Commonwealth Biotechnologies, Inc., hereinafter referred to as the "Contractor," is for the provision of outsourcing short tandem repeat (STR) analysis of felony offender samples, as further defined in the "SCOPE OF SERVICES."

The Contractor is A FOR-PROFIT CORPORATION . The Contractor's address is:

601 Biotech Drive, Richmond, Virginia 23235

The Contractor's place of incorporation or organization is Virginia.

A. SCOPE OF SERVICES:

- A.1. Pursuant to Tennessee Code Annotated § 40-35-321, the Tennessee Bureau of Investigation receives certain felony offenders' biological samples for analysis, maintenance and preservation. Contractor will perform the analysis function for the State. Contractor will provide short tandem repeat (STR) analysis for felony offenders or juveniles adjudicated delinquent for having violated Tennessee Code Annotated Sections § 39-13-502, § 39-13-503, § 39-13-504, § 39-13-505, § 39-13-522, or § 39-15-302 and ordered to provide a biological specimen for the purpose of DNA analysis.
- A.2. Samples to be analyzed will consist of either dried stain cards using blood from EDTA tubes or buccal swabs. The samples will be sent in batches and the number per month will average 1166.
- A.3. Contractor must use compatible equipment with State and adhere to the State's profile acceptance guidelines. The State uses ABI/Perkin-Elmer equipment. Contractor must use Genotyper. Contractor must provide to State a detailed analytical protocol and a list of all equipment used. The analytical protocol used by the contractor and all data generated are to adhere to specifications as outlined by the following: The Guidelines for Acceptance of DNA Data into CODIS for a Quality Assurance Program for DNA Analysis published by the DNA Advisory Board. Profiler Plus and CoFiler kits are the only acceptable analysis/amplification kits to the State.
- A.4. Blood or buccal samples are to be extracted and quantitated with a portion of the DNA to be analyzed with the 13 core short tandem repeat loci. The probes to be used are D3S1358, VWA, FGA, D21S11, D8S1179, D18S51, D5S818, D13S317, D7S820, TH01, TP0X, CSF1P0, and D16S539, as required for participation in the national DNA index system (NDIS). The sizing data in appropriate format for insertion into CODIS is to be transmitted via CD-ROM, as well as hard copy format. Copies of all paperwork regarding extraction must be in hard copy format. Copies of all paperwork regarding extraction quantitation, thermal cycle history and problem samples are to be returned to the State and will be agreed upon by the Contractor and the State after the award of the contract. Contractor shall follow its company's protocol concerning requirements regarding peak imbalances for heterozygous loci. The minimum peak height for homozygotes and heterozygotes is 150 RFUs. The maximum peak height for homozygotes and heterozygotes is 6000 RFUs.

- A.5. After processing the samples, chain-of-custody, extraction, quantitation, photograph, thermal cycle history, and problem documentation, a table of allelic for each sample, "raw" gene scan data, and the profiles in electronic format suitable for export into the CODIS system will be transmitted to the State laboratory by direct mail, overnight express, or direct delivery service within seven (7) days of completion of the analysis. All handling of these samples and materials must be in accordance with the well documented chain-of-custody to insure the integrity of the samples and related materials.
- A.6. At its own expense, Contractor must participate in an external proficiency testing program that has been approved by the American Society of Crime Laboratory Director Laboratory Accreditation Board (ASCLD/LAB). Each of Contractor's analysts assigned to the contract must successfully complete two proficiency tests per year and provide to the State documentation of such compliance.
- A.7. State will inspect the Contractor's lab before any samples are sent and has the right to inspect the Contractor laboratory testing facility annually. Contractor shall pay all of State's travel expenses up to two State employees per visit.
- A.8. Contractor must repeat the analysis of any sample that is deemed necessary by the State after a quality review. Repeat analysis will be performed at no extra cost to the State. Repeat analyses may be requested when samples appear weak or overloaded.
- A.9. The State will resubmit duplicate samples (5% or more) for reanalysis by the Contractor. The Contractor will assure that any discrepancies detected are resolved to the satisfaction of the State.
- A.10. The Contractor will not use the samples submitted by the State for analysis for any other purpose other than for the determination of the DNA identification profile requested by TBI. The Contractor will afford reasonable security of the samples and any data generated from the analysis of said samples. The samples remain the property of the State.
- A.11. Contractor must be certified by either the National Forensic Science Technology or American Society of Crime Laboratory accredited and submit proof of this certification or accreditation. The certification or accreditation must be current and valid throughout the term of the contract. A lapse in certification or accreditation will constitute a breach of contract.
- A.12. Contractor must have its own location and workspace, materials and supplies. State will not provide Contractor with space to perform the work, materials, or supplies.
- A.13. Shipment of samples will come from the Nashville lab. Any shipment costs will be borne by the contractor laboratory. There should be a two-month turnaround time from the time a sample is received by the contractor until analysis is completed and the sample is returned to TBI.
- A.14. Contractor must perform analysis on a "known" sample supplied by the State and submit a report of the sample to the State before the start date of the contract in order for the State and the Contractor to verify all details to be listed in the report.

B. CONTRACT TERM:

- B.1. Contract Term. This Contract shall be effective for the period commencing on October 1, 2006 and ending on September 30, 2009. The State shall have no obligation for services rendered by the Contractor which are not performed within the specified period.

B.2. Term Extension. The State reserves the right to extend this Contract for an additional period or periods of time representing increments of no more than one year and a total contract term of no more than Five (5) years, provided that the State notifies the Contractor in writing of its intention to do so at least ninety (90) days prior to the contract expiration date. An extension of the term of this Contract will be effected through an amendment to the Contract. If the extension of the Contract necessitates additional funding beyond that which was included in the original Contract, the increase in the State's maximum liability will also be effected through an amendment to the Contract and shall be based upon rates provided for in the original contract.

C. PAYMENT TERMS AND CONDITIONS:

C.1. Maximum Liability. In no event shall the maximum liability of the State under this Contract exceed Eight Hundred Eighty Eight Thousand Four Hundred Ninety Two Dollars. (\$ 888,492.00.) The Service Rates in Section C.3 shall constitute the entire compensation due the Contractor for the Service and all of the Contractor's obligations hereunder regardless of the difficulty, materials or equipment required. The Service Rates include, but are not limited to, all applicable taxes, fees, overheads, and all other direct and indirect costs incurred or to be incurred by the Contractor.

The Contractor is not entitled to be paid the maximum liability for any period under the Contract or any extensions of the Contract for work not requested by the State. The maximum liability represents available funds for payment to the Contractor and does not guarantee payment of any such funds to the Contractor under this Contract unless the State requests work and the Contractor performs said work. In which case, the Contractor shall be paid in accordance with the Service Rates detailed in Section C.3. The State is under no obligation to request work from the Contractor in any specific dollar amounts or to request any work at all from the Contractor during any period of this Contract.

C.2. Compensation Firm. The Service Rates and the Maximum Liability of the State under this Contract are firm for the duration of the Contract and are not subject to escalation for any reason unless amended.

C.3. Payment Methodology. The Contractor shall be compensated based on the Service Rates herein for units of service authorized by the State in a total amount not to exceed the Contract Maximum Liability established in Section C.1. The Contractor's compensation shall be contingent upon the satisfactory completion of units of service or project milestones defined in Section A. The Contractor shall be compensated based upon the following Service Rates:

COST PER SAMPLE	YEAR 1	YEAR 2	YEAR 3	YEAR 4*	YEAR 5*
	10/01/06-09/30/07	10/01/07-09/30/08	10/01/08-09/30/09	10/01/09-09/30/10	10/01/10-09/30/11
Analysis of buccal or blood sample of felony offender or juvenile adjudicated delinquent.	\$21.00	\$21.00	\$21.50	\$21.50	\$22.00

*Years 4 and 5 are contingent upon the State extending the Contract by way of an approved amendment.

The Contractor shall submit monthly invoices, in form and substance acceptable to the State with all of the necessary supporting documentation, prior to any payment. Such

invoices shall be submitted for completed units of service or project milestones for the amount stipulated.

- C.4. Travel Compensation. The Contractor shall not be compensated or reimbursed for travel, meals, or lodging.
- C.5. Payment of Invoice. The payment of the invoice by the State shall not prejudice the State's right to object to or question any invoice or matter in relation thereto. Such payment by the State shall neither be construed as acceptance of any part of the work or service provided nor as an approval of any of the amounts invoiced therein.
- C.6. Invoice Reductions. The Contractor's invoice shall be subject to reduction for amounts included in any invoice or payment theretofore made which are determined by the State, on the basis of audits conducted in accordance with the terms of this contract, not to constitute proper remuneration for compensable services.
- C.7. Deductions. The State reserves the right to deduct from amounts which are or shall become due and payable to the Contractor under this or any contract between the Contractor and the State of Tennessee any amounts which are or shall become due and payable to the State of Tennessee by the Contractor.
- C.8. Automatic Deposits. The Contractor shall complete and sign an "Authorization Agreement for Automatic Deposit (ACH Credits) Form." This form shall be provided to the Contractor by the State. Once this form has been completed and submitted to the State by the Contractor all payments to the Contractor, under this or any other contract the Contractor has with the State of Tennessee shall be made by Automated Clearing House (ACH). The Contractor shall not invoice the State for services until the Contractor has completed this form and submitted it to the State.

D. STANDARD TERMS AND CONDITIONS:

- D.1. Required Approvals. The State is not bound by this Contract until it is approved by the appropriate State officials in accordance with applicable Tennessee State laws and regulations.
- D.2. Modification and Amendment. This Contract may be modified only by a written amendment executed by all parties hereto and approved by the appropriate Tennessee State officials in accordance with applicable Tennessee State laws and regulations.
- D.3. Termination for Convenience. The State may terminate this Contract without cause for any reason. Said termination shall not be deemed a Breach of Contract by the State. The State shall give the Contractor at least [Ninety] ([90]) days written notice before the effective termination date. The Contractor shall be entitled to receive compensation for satisfactory, authorized service completed as of the termination date, but in no event shall the State be liable to the Contractor for compensation for any service which has not been rendered. Upon such termination, the Contractor shall have no right to any actual general, special, incidental, consequential, or any other damages whatsoever of any description or amount.
- D.4. Termination for Cause. If the Contractor fails to properly perform its obligations under this Contract in a timely or proper manner, or if the Contractor violates any terms of this Contract, the State shall have the right to immediately terminate the Contract and withhold payments in excess of fair compensation for completed services. Notwithstanding the above, the Contractor shall not be relieved of liability to the State for damages sustained by virtue of any breach of this Contract by the Contractor.

- D.5. Subcontracting. The Contractor shall not assign this Contract or enter into a subcontract for any of the services performed under this Contract without obtaining the prior written approval of the State. If such subcontracts are approved by the State, they shall contain, at a minimum, sections of this Contract pertaining to "Conflicts of Interest" and "Nondiscrimination" (sections D.6. and D.7.). Notwithstanding any use of approved subcontractors, the Contractor shall be the prime contractor and shall be responsible for all work performed.
- D.6. Conflicts of Interest. The Contractor warrants that no part of the total Contract Amount shall be paid directly or indirectly to an employee or official of the State of Tennessee as wages, compensation, or gifts in exchange for acting as an officer, agent, employee, subcontractor, or consultant to the Contractor in connection with any work contemplated or performed relative to this Contract.
- D.7. Nondiscrimination. The Contractor hereby agrees, warrants, and assures that no person shall be excluded from participation in, be denied benefits of, or be otherwise subjected to discrimination in the performance of this Contract or in the employment practices of the Contractor on the grounds of disability, age, race, color, religion, sex, national origin, or any other classification protected by Federal, Tennessee State constitutional, or statutory law. The Contractor shall, upon request, show proof of such nondiscrimination and shall post in conspicuous places, available to all employees and applicants, notices of nondiscrimination.
- D.8. Records. The Contractor shall maintain documentation for all charges against the State under this Contract. The books, records, and documents of the Contractor, insofar as they relate to work performed or money received under this contract, shall be maintained for a period of three (3) full years from the date of the final payment and shall be subject to audit at any reasonable time and upon reasonable notice by the State, the Comptroller of the Treasury, or their duly appointed representatives. The financial statements shall be prepared in accordance with generally accepted accounting principles.
- D.9. Monitoring. The Contractor's activities conducted and records maintained pursuant to this Contract shall be subject to monitoring and evaluation by the State, the Comptroller of the Treasury, or their duly appointed representatives.
- D.10. Progress Reports. The Contractor shall submit brief, periodic, progress reports to the State as requested.
- D.11. Strict Performance. Failure by any party to this Contract to insist in any one or more cases upon the strict performance of any of the terms, covenants, conditions, or provisions of this Contract shall not be construed as a waiver or relinquishment of any such term, covenant, condition, or provision. No term or condition of this Contract shall be held to be waived, modified, or deleted except by a written amendment signed by the parties hereto.
- D.12. Independent Contractor. The parties hereto, in the performance of this Contract, shall not act as employees, partners, joint venturers, or associates of one another. It is expressly acknowledged by the parties hereto that such parties are independent contracting entities and that nothing in this Contract shall be construed to create an employer/employee relationship or to allow either to exercise control or direction over the manner or method by which the other transacts its business affairs or provides its usual services. The employees or agents of one party shall not be deemed or construed to be the employees or agents of the other party for any purpose whatsoever.

The Contractor, being an independent contractor and not an employee of the State, agrees to carry adequate public liability and other appropriate forms of insurance,

including adequate public liability and other appropriate forms of insurance on the Contractor's employees, and to pay all applicable taxes incident to this Contract.

- D.13. State Liability. The State shall have no liability except as specifically provided in this Contract.
- D.14. Force Majeure. The obligations of the parties to this contract are subject to prevention by causes beyond the parties' control that could not be avoided by the exercise of due care including, but not limited to, acts of God, riots, wars, strikes, epidemics or any other similar cause.
- D.15. State and Federal Compliance. The Contractor shall comply with all applicable State and Federal laws and regulations in the performance of this Contract.
- D.16. Governing Law. This Contract shall be governed by and construed in accordance with the laws of the State of Tennessee. The Contractor agrees that it will be subject to the exclusive jurisdiction of the courts of the State of Tennessee in actions that may arise under this Contract. The Contractor acknowledges and agrees that any rights or claims against the State of Tennessee or its employees hereunder, and any remedies arising therefrom, shall be subject to and limited to those rights and remedies, if any, available under **Tennessee Code Annotated**, Sections 9-8-101 through 9-8-407.
- D.17. Completeness. This Contract is complete and contains the entire understanding between the parties relating to the subject matter contained herein, including all the terms and conditions of the parties' agreement. This Contract supersedes any and all prior understandings, representations, negotiations, and agreements between the parties relating hereto, whether written or oral.
- D.18. Severability. If any terms and conditions of this Contract are held to be invalid or unenforceable as a matter of law, the other terms and conditions hereof shall not be affected thereby and shall remain in full force and effect. To this end, the terms and conditions of this Contract are declared severable.
- D.19. Headings. Section headings of this Contract are for reference purposes only and shall not be construed as part of this Contract.

E. SPECIAL TERMS AND CONDITIONS:

- E.1. Conflicting Terms and Conditions. Should any of these special terms and conditions conflict with any other terms and conditions of this Contract, these special terms and conditions shall control.
- E.2. Communications and Contacts. All instructions, notices, consents, demands, or other communications required or contemplated by this Contract shall be in writing and shall be made by facsimile transmission, by overnight courier service, or by first class mail, postage prepaid, addressed to the respective party at the appropriate facsimile number or address as set forth below or to such other party, facsimile number, or address as may be hereafter specified by written notice.

The State:
SA Connle Howard
TBI
901 R.S. Gass Blvd. Nashville, TN 37216
615-744-4474

615-744-4656

The Contractor:

Thomas R. Reynolds, Executive Vice President
Fairfax Identity Laboratories, A Division of Commonwealth Biotechnologies, Inc.
601 Biotech Drive, Richmond, VA 23235
1-800-735-9224 Telephone Number
1-804-915-3832 Facsimile Number

All instructions, notices, consents, demands, or other communications shall be considered effectively given as of the day of delivery; as of the date specified for overnight courier service delivery; as of three (3) business days after the date of mailing; or on the day the facsimile transmission is received mechanically by the telefax machine at the receiving location and receipt is verbally confirmed by the sender if prior to 4:30 p.m. CST. Any communication by facsimile transmission shall also be sent by United States mail on the same date of the facsimile transmission.

E.3. Subject to Funds Availability. The Contract is subject to the appropriation and availability of State and/or Federal funds. In the event that the funds are not appropriated or are otherwise unavailable, the State reserves the right to terminate the Contract upon written notice to the Contractor. Said termination shall not be deemed a breach of Contract by the State. Upon receipt of the written notice, the Contractor shall cease all work associated with the Contract. Should such an event occur, the Contractor shall be entitled to compensation for all satisfactory and authorized services completed as of the termination date. Upon such termination, the Contractor shall have no right to recover from the State any actual, general, special, incidental, consequential, or any other damages whatsoever of any description or amount.

E.4. Breach. A party shall be deemed to have breached the Contract if any of the following occurs:

- failure to perform in accordance with any term or provision of the Contract;
- partial performance of any term or provision of the Contract;
- any act prohibited or restricted by the Contract, or
- violation of any warranty.

For purposes of this contract, these items shall hereinafter be referred to as a "Breach."

a. Contractor Breach— The State shall notify Contractor in writing of a Breach.

- (1) In event of a Breach by Contractor, the state shall have available the remedy of Actual Damages and any other remedy available at law or equity.
- (2) Liquidated Damages— In the event of a Breach, the State may assess Liquidated Damages. The State shall notify the Contractor of amounts to be assessed as Liquidated Damages. The parties agree that due to the complicated nature of the Contractor's obligations under this Contract it would be difficult to specifically designate a monetary amount for a Breach by Contractor as said amounts are likely to be uncertain and not easily proven. Contractor hereby represents and covenants it has carefully reviewed the Liquidated Damages of Two Hundred Fifty dollars (\$250) per day and agrees that said amount represents a reasonable relationship between the amount and what might reasonably be expected in the event of Breach, and are a reasonable estimate of the

damages that would occur from a Breach. It is hereby agreed between the parties that the Liquidated Damages represent solely the damages and injuries sustained by the State in losing the benefit of the bargain with Contractor and do not include any injury or damage sustained by a third party. The Contractor agrees that the liquidated damage amount is in addition to any amounts Contractor may owe the State pursuant to the indemnity provision or other section of this Contract.

The State may continue to withhold the Liquidated Damages or a portion thereof until the Contractor cures the Breach, the State exercises its option to declare a Partial Default, or the State terminates the Contract. The State is not obligated to assess Liquidated Damages before availing itself of any other remedy. The State may choose to discontinue Liquidated Damages and avail itself of any other remedy available under this Contract or at law or equity; provided, however, Contractor shall receive a credit for said Liquidated Damages previously withheld except in the event of a Partial Default.

- (3) Partial Default— In the event of a Breach, the State may declare a Partial Default. In which case, the State shall provide the Contractor written notice of: (1) the date which Contractor shall terminate providing the service associated with the Breach; and (2) the date the State will begin to provide the service associated with the Breach. Notwithstanding the foregoing, the State may revise the time periods contained in the notice written to the Contractor.

In the event the State declares a Partial Default, the State may withhold, together with any other damages associated with the Breach, from the amounts due the Contractor the greater of: (1) amounts which would be paid the Contractor to provide the defaulted service; or (2) the cost to the State of providing the defaulted service, whether said service is provided by the State or a third party. To determine the amount the Contractor is being paid for any particular service, the Department shall be entitled to receive within five (5) days any requested material from Contractor. The State shall make the final and binding determination of said amount.

The State may assess Liquidated Damages against the Contractor for any failure to perform which ultimately results in a Partial Default with said Liquidated Damages to cease when said Partial Default is effective. Upon Partial Default, the Contractor shall have no right to recover from the State any actual, general, special, incidental, consequential, or any other damages whatsoever of any description or amount. Contractor agrees to cooperate fully with the State in the event a Partial Default is taken.

- (4) Contract Termination— In the event of a Breach, the State may terminate the Contract immediately or in stages. The Contractor shall be notified of the termination in writing by the State. Said notice shall hereinafter be referred to as Termination Notice. The Termination Notice may specify either that the termination is to be effective immediately, on a date certain in the future, or that the Contractor shall cease operations under this Contract in stages. In the event of a termination, the State may withhold any amounts which may be due Contractor without waiver of any other remedy or damages available to the State at law or at equity. The Contractor shall be liable to the State for any and all damages incurred by the State and any and all expenses

incurred by the State which exceed the amount the State would have paid Contractor under this Contract. Contractor agrees to cooperate with the State in the event of a Contract Termination or Partial Takeover.

- b. **State Breach**— In the event of a Breach of contract by the State, the Contractor shall notify the State in writing within 30 days of any Breach of contract by the State. Said notice shall contain a description of the Breach. Failure by the Contractor to provide said written notice shall operate as an absolute waiver by the Contractor of the State's Breach. In no event shall any Breach on the part of the State excuse the Contractor from full performance under this Contract. In the event of Breach by the State, the Contractor may avail itself of any remedy at law in the forum with appropriate jurisdiction; provided, however, failure by the Contractor to give the State written notice and opportunity to cure as described herein operates as a waiver of the State's Breach. Failure by the Contractor to file a claim before the appropriate forum in Tennessee with jurisdiction to hear such claim within one (1) year of the written notice of Breach shall operate as a waiver of said claim in its entirety. It is agreed by the parties this provision establishes a contractual period of limitations for any claim brought by the Contractor.

E.5. **State Ownership of Work Products.** The State shall have all ownership right, title, and interest, including ownership of copyright, in all work products created, designed, developed, derived, documented, installed, or delivered to the State under this Contract. The State shall have royalty-free and unlimited rights to use, disclose, reproduce, or publish, for any purpose whatsoever, all said work products. The Contractor shall furnish such information and data upon request of the State, in accordance with the Contract and applicable State law.

E.6. **Incorporation of Additional Documents.** Included in this Contract by reference are the following documents:

- a. The Contract document and its attachments
- b. All Clarifications and addenda made to the Contractor's Proposal
- c. The Request for Proposal and its associated amendments
- d. Technical Specifications provided to the Contractor
- e. The Contractor's Proposal

In the event of a discrepancy or ambiguity regarding the Contractor's duties, responsibilities, and performance under this Contract, these documents shall govern in order of precedence detailed above.

E.7. **Prohibited Advertising.** The Contractor shall not refer to this Contract or the Contractor's relationship with the State hereunder in commercial advertising in such a manner as to state or imply that the Contractor or the Contractor's services are endorsed.

E.8. **Confidentiality of Records.** Strict standards of confidentiality of records shall be maintained in accordance with the law. All material and information, regardless of form, medium or method of communication, provided to the Contractor by the State or acquired by the Contractor on behalf of the State shall be regarded as confidential information in accordance with the provisions of State law and ethical standards and shall not be disclosed, and all necessary steps shall be taken by the Contractor to safeguard the confidentiality of such material or information in conformance with State law and ethical standards.

The Contractor will be deemed to have satisfied its obligations under this section by exercising the same level of care to preserve the confidentiality of the State's information

as the Contractor exercises to protect its own confidential information so long as such standard of care does not violate the applicable provisions of the first paragraph of this section.

The Contractor's obligations under this section do not apply to information in the public domain; entering the public domain but not from a breach by the Contractor of this Contract; previously possessed by the Contractor without written obligations to the State to protect it; acquired by the Contractor without written restrictions against disclosure from a third party which, to the Contractor's knowledge, is free to disclose the information; independently developed by the Contractor without the use of the State's information; or, disclosed by the State to others without restrictions against disclosure.

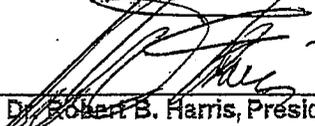
It is expressly understood and agreed the obligations set forth in this section shall survive the termination of this Contract.

- E.9. Tennessee Consolidated Retirement System. The Contractor acknowledges and understands that, subject to statutory exceptions contained in **Tennessee Code Annotated**, Section 8-36-801, *et. seq.*, the law governing the Tennessee Consolidated Retirement System (TCRS), provides that if a retired member of TCRS, or of any superseded system administered by TCRS, or of any local retirement fund established pursuant to **Tennessee Code Annotated**, Title 8, Chapter 35, Part 3 accepts state employment, the member's retirement allowance is suspended during the period of the employment. Accordingly and notwithstanding any provision of this Contract to the contrary, the Contractor agrees that if it is later determined that the true nature of the working relationship between the Contractor and the State under this Contract is that of "employee/employer" and not that of an independent contractor, the Contractor may be required to repay to TCRS the amount of retirement benefits the Contractor received from TCRS during the period of this Contract.
- E.10. Debarment and Suspension. The Contractor certifies, to the best of its knowledge and belief, that it and its principals:
- a. are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any Federal or State department or agency;
 - b. have not within a three (3) year period preceding this Contract been convicted of, or had a civil judgment rendered against them from commission of fraud, or a criminal offence in connection with obtaining attempting to obtain, or performing a public (Federal, State, or Local) transaction or grant under a public transaction; violation of Federal or State antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification, or destruction of records, making false statements, or receiving stolen property;
 - c. are not presently indicted for or otherwise criminally or civilly charged by a government entity (Federal, State, or Local) with commission of any of the offenses detailed in section b. of this certification; and
 - d. have not within a three (3) year period preceding this Contract had one or more public transactions (Federal, State, or Local) terminated for cause or default.
- E.11. HIPAA Compliance. The State and Contractor shall comply with obligations under the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and its accompanying regulations.

- a. Contractor warrants to the State that it is familiar with the requirements of HIPAA and its accompanying regulations, and will comply with all applicable HIPAA requirements in the course of this contract.
- b. Contractor warrants that it will cooperate with the State, including cooperation and coordination with State privacy officials and other compliance officers required by HIPAA and its regulations, in the course of performance of the Contract so that both parties will be in compliance with HIPAA.
- c. The State and the Contractor will sign documents, including but not limited to business associate agreements, as required by HIPAA and that are reasonably necessary to keep the State and Contractor in compliance with HIPAA. This provision shall not apply if information received by the State under this Contract is NOT "protected health information" as defined by HIPAA, or if HIPAA permits the State to receive such information without entering into a business associate agreement or signing another such document.

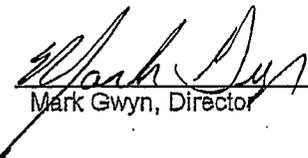
IN WITNESS WHEREOF:

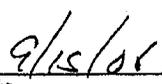
FAIRFAX IDENTITY LABORATORIES; A DIV OF COMMONWEALTH BIOTECHNOLOGIES, INC.:


Dr. Robert B. Harris, President and CEO


Date

TENNESSEE BUREAU OF INVESTIGATION:


Mark Gwyn, Director


Date

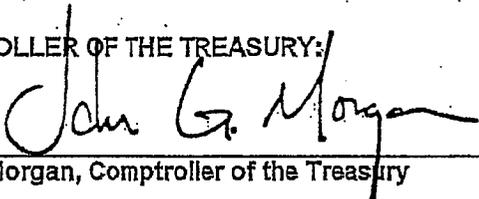
APPROVED:

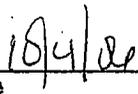
DEPARTMENT OF FINANCE AND ADMINISTRATION:


M. D. Goetz, Jr., Commissioner

OCT 03 2006
Date

COMPTROLLER OF THE TREASURY:


John G. Morgan, Comptroller of the Treasury


Date

Bostwick Laboratories, Inc.

DRAFT

Financial Statements

**As of December 31, 2009 and 2008 and for the
Years Ended December 31, 2009, 2008 and 2007**

Bostwick Laboratories, Inc.

Contents

Independent Auditors' Report	3
Financial Statements	
Balance Sheets	4
Statements of Income	5
Statements of Stockholders' Equity (Capital Deficit)	6
Statements of Cash Flows	7–8
Summary of Accounting Policies	9–13
Notes to Financial Statements	14–25

DRAFT

December 31,

2009

2008

Assets

Current assets

Cash and cash equivalents	\$ 2,917,359	\$ 2,588,612
Accounts receivable		
Trade, net of allowance for doubtful accounts of \$17,779,753 and \$10,448,780 respectively	22,590,224	23,409,131
Other	597,336	1,723,846
Related party receivables	12,450	22,934
Refundable taxes	659,336	1,453,064
Prepaid expenses	2,025,243	1,308,689
Note receivable- short term portion	-	43,527
Supply inventory	2,366,121	2,957,772

Total current assets	31,168,069	33,507,575
----------------------	------------	------------

Property and equipment, net	34,871,940	34,510,605
-----------------------------	------------	------------

Ground lease rights	4,600,497	4,727,420
---------------------	-----------	-----------

Deferred tax asset	770,819	981,947
--------------------	---------	---------

Other assets	240,973	113,568
--------------	---------	---------

Total assets	\$71,652,298	\$73,841,115
--------------	--------------	--------------

Bostwick Laboratories, Inc.

Balance Sheets

December 31, 2009 2008

Liabilities and Stockholders' Equity (Capital Deficit)

Current liabilities

Current portion of lines of credit	\$ 10,000,000	\$ 15,000,000
Current portion of notes payable	2,286,298	7,237,120
Current portion of capital lease obligations	572,742	561,860
Accounts payable	14,357,609	9,779,652
Accrued expenses	2,591,930	1,887,766
Accrued payroll	4,144,744	4,202,286
Deferred revenue	33,696	1,276,571
Deferred taxes	2,053,907	4,799,727

Total current liabilities 36,040,926 44,744,982

Long-term liabilities

Capital lease obligations, net of current portion	717,256	849,957
Notes payable, net of current portion	27,535,127	22,900,393
Interest rate swap liability	2,254,718	3,785,814
Deferred rent	258,325	181,365
Deferred taxes	1,987,242	—

Total long-term liabilities 32,752,668 27,717,529

Total liabilities 68,793,594 72,462,511

Commitments and Contingencies (Notes 4, 5 and 6)

Stockholders' equity (capital deficit)

Common stock, \$0.001 par value; authorized 75,000,000 shares, 20,071,522 and 20,064,145 shares issued and outstanding	20,071	20,071
Additional paid-in capital	6,550,677	5,689,660
Retained earnings (deficit)	(3,712,044)	(4,331,127)

Total stockholders' equity (capital deficit) 2,858,704 1,378,604

Total liabilities and stockholders' equity (capital deficit) \$71,652,298 \$73,841,115

See accompanying summary of accounting policies and notes to financial statements.

Bostwick Laboratories, Inc.

Statements of Income

<i>Year Ended December 31,</i>	2009	2008	2007
Net revenue	\$179,294,248	\$163,084,960	\$102,823,747
Cost of revenue	85,023,038	68,197,252	38,941,070
Gross profit	94,271,210	94,887,708	63,882,677
Operating expenses			
Sales and marketing	31,200,029	32,337,743	16,354,066
General and administrative	59,910,422	54,813,637	39,768,286
Total operating expenses	91,110,451	87,151,380	56,122,352
Operating income	3,160,759	7,736,328	7,760,325
Other expense (income)			
Other (income) expense	988,570	1,475,063	(704,367)
Interest income	(1,531,980)	(19,619)	(90,845)
Interest expense	2,397,453	5,251,692	2,552,451
Total other expense (income)	1,854,043	6,707,136	1,757,239
Income before income tax expense	1,306,716	1,029,192	6,003,086
Income tax expense	687,633	648,504	3,710,705
Net income	\$ 619,083	\$ 380,688	\$ 2,292,381

See accompanying summary of accounting policies and notes to financial statements.

Bostwick Laboratories, Inc.

Statements of Stockholders' Equity (Capital Deficit)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings (Deficit)	Total
Balance, December 31, 2006	20,066,337	\$20,067	\$1,244,939	\$6,857,816	\$8,122,822
Stock repurchase	(2,192)	(3)	(11,228)	—	(11,231)
Stock based compensation	—	—	3,087,392	—	3,087,392
Stock option redemption	—	—	(109,242)	—	(109,242)
Cash dividends (\$0.72 per share)	—	—	—	(14,412,379)	(14,412,379)
Net income	—	—	—	2,292,381	2,292,381
Balance, December 31, 2007	20,064,145	20,064	4,211,861	(5,262,182)	(1,030,257)
Stock based compensation	—	—	1,445,115	—	1,445,115
Stock purchase	7,377	7	32,684	—	32,691
Change in accounting policy	—	—	—	550,367	550,367
Net income	—	—	—	380,688	380,688
Balance, December 31, 2008	20,071,522	20,071	5,689,660	(4,331,127)	1,378,604
Stock based compensation	—	—	861,017	—	861,017
Net income	—	—	—	619,083	619,083
Balance, December 31, 2009	20,071,522	\$20,071	\$6,550,677	\$(3,712,044)	\$2,858,704

See accompanying summary of accounting policies and notes to financial statements.

Bostwick Laboratories, Inc.

Statements of Cash Flows

<i>Year Ended December 31,</i>	2009	2008	2007
Cash flows from operating activities			
Net income	\$ 619,083	\$ 380,688	\$ 2,292,381
Adjustments to reconcile net income to net cash provided by operating activities			
Loss on sale of property and equipment	61,913	—	116,487
Depreciation	5,105,418	4,673,629	2,383,730
Stock based compensation	861,017	1,445,115	3,087,392
Deferred taxes	(687,633)	719,490	478,306
Provision for adjustments and uncollectible accounts	20,959,046	12,964,114	7,646,069
Change in assets and liabilities			
(Increase) decrease in assets			
Accounts receivable	(20,140,139)	(20,052,218)	(17,628,038)
Other receivables	1,960,811	589,740	(842,326)
Prepaid expenses and other	(843,959)	(524,904)	1,534,498
Supply inventory	591,651	(2,054,829)	—
Increase (decrease) in liabilities			
Accounts payable and accrued expenses	5,224,579	6,280,957	5,006,910
Interest rate swap at FMV	(1,531,096)	2,455,697	1,330,117
Deferred revenue	(1,242,875)	(80,449)	81,647
Deferred rent	76,960	(41,541)	(35,797)
Net cash provided by operating activities	11,157,913	6,755,489	5,451,376
Cash flows from investing activities			
Decrease (increase) in related party receivables	10,484	(6,441)	25,465
Purchases of property and equipment	(5,553,243)	(10,429,088)	(29,764,790)
Proceeds from disposition of equipment	151,500	—	—
Net cash used in investing activities	(5,391,259)	(10,435,529)	(29,739,325)
Cash flows from financing activities			
Borrowings (repayments) on lines of credit	—	1,150,000	19,800,000
Repayments on lines of credit	(5,000,000)	(3,750,000)	(2,200,000)
Proceeds from notes payable	1,983,183	9,139,236	23,104,772
Principal payments on notes payable	(1,847,509)	(1,537,681)	(619,829)
Stock repurchases	—	—	(11,231)
Stock purchases	—	32,691	—
Stock option redemptions	—	—	(109,242)
Capitalized stock offering costs	—	—	(70,062)
Stockholder distributions	—	—	(14,412,379)
Principal payments on capital lease obligations	(573,581)	(540,638)	(621,870)
Net cash provided by (used in) financing activities	(5,437,907)	4,493,608	24,860,159

continued...

Bostwick Laboratories, Inc.

Statements of Cash Flows (continued)

<i>Year Ended December 31,</i>	2009	2008	2007
Net increase in cash and cash equivalents	\$ 328,747	\$ 813,568	\$ 572,210
Cash and cash equivalents, beginning of the year	2,588,612	1,775,044	1,202,834
Cash and cash equivalents, end of the year	2,917,359	\$2,588,612	\$1,775,044
Supplemental Disclosure of Cash Flow Information			
Cash payments for interest	\$2,309,122	\$3,611,575	\$ 1,148,495
Cash paid for taxes	\$1,996,917	\$ 126,222	\$ 5,692,329
Supplemental Schedule of Non-cash Investing and Financing Activities			
Purchase of equipment through capital leases	\$ 451,762	\$ 300,267	\$ 1,156,732
Non-cash effect on equity for beginning supply inventory	\$ -	\$ 550,367	\$ -

See accompanying summary of accounting policies and notes to financial statements.

Bostwick Laboratories, Inc.

Summary of Accounting Policies

Nature of Business	Bostwick Laboratories, Inc. (the "Company") is an anatomical pathology laboratory providing services to physicians. The Company's services focus on urologic pathology and molecular diagnostics. The Company is headquartered in Glen Allen, Virginia and operates branch laboratories in Orlando, Florida; Tempe, Arizona; Uniondale, New York; Nashville, Tennessee; and London, England.
Cash and Cash Equivalents	The Company considers its money market accounts to be cash equivalents. Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash, and are so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents include only those investments with original maturities of three months or less.
Revenue Recognition	Revenues are recognized on the accrual basis at the time service results are reported, which approximates when services are provided. Services are provided to physicians for patients covered by various third-party payer programs including various managed care organizations, as well as the Medicare and Medicaid programs. Billings for services under third party payer programs are included in revenues net of allowances for contractual discounts and allowances for differences between amounts billed and estimated program payment amounts. Adjustments to estimated payment amounts based on final settlement with the programs are recorded upon settlement as an adjustment to revenue.
Allowance for Doubtful Accounts	An allowance for doubtful accounts is recorded for estimated uncollectible amounts due from the Company's contracted payers. The process for estimating the collection of receivables associated with the Company's specialized diagnostic services involves significant assumptions and judgments. Specifically, the allowance for doubtful accounts is adjusted periodically, based upon an evaluation of historical collection experience with specific payers and other relevant factors. The realization cycle for certain governmental and managed care payers can be lengthy involving denial, appeal and adjudication processes, and is subject to periodic adjustments that may be significant. The provision for doubtful accounts is charged to general and administrative expenses. Accounts receivable are written off as uncollectible and deducted from the allowance after appropriate collection efforts have been exhausted.

Bostwick Laboratories, Inc.

Summary of Accounting Policies (continued)

Supply Inventory

Supply inventory is stated at the lower of cost (first-in, first-out) or market, and consists primarily of testing supplies and reagents. As a result of continued growth in laboratory operations, the Company determined a change in accounting policy from expensing all laboratory consumables as purchased to capitalizing unused quantities was required to more reasonably reflect future financial performance. Under Statements of Financial Accounting Standards No. 154, "Accounting Changes and Error Corrections", the Company recorded the supply inventory, net of income tax effects, directly to retained earnings as of the beginning of 2008, as it represented the first point at which inventory records for supplies were compiled.

The Company has a noncancelable, unconditional purchase commitment with a contract manufacturer for quantities in excess of future demand forecasts. As a result, the Company provides inventory write-downs for excess and obsolete inventories. The write-down is based upon assumptions about future demand and charged to cost of sales.

Fair Value of Financial Instruments

The carrying values of cash equivalents, accounts receivable, accounts payable, accrued expenses and other current assets and liabilities are considered to be reasonable estimates of their respective fair value due to their short-term nature. Based on the borrowing rates currently available to the Company for loans with similar terms, the Company believes the fair value of long-term debt approximates its carrying value.

Derivative Financial Instruments

The Company utilizes derivative financial instruments to reduce cash flow risk resulting from variable interest rate exposure on long term debt obligations. The Company does not qualify for applying hedge accounting treatment and as a result the changes in the market value of the agreement are recorded directly to the statements of income as interest expense.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is calculated on the straight-line method over the following estimated useful lives of depreciable assets.

	Years
Buildings	39
Equipment	3 - 10
Software	1 - 3
Furniture and fixtures	5 - 7
Leasehold improvements	3 - 8
Automobiles	3

Leasehold improvements are depreciated over the shorter of their estimated useful lives or the related lease term.

Bostwick Laboratories, Inc.

Summary of Accounting Policies (continued)

Income Taxes

The Company qualifies as a Personal Service Corporation under Internal Revenue Code Section 448 and files its income tax returns using the cash basis method of accounting.

The liability method is used for accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Stock Based Compensation

The Company records compensation for stock and option awards in accordance with ASC 718, Compensation – Stock Compensation. All awards are expensed over any required vesting periods based on the fair value of the award on the grant date.

Valuation of Long-Lived Assets

The Company reviews long-lived assets and certain identifiable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less cost to sell.

Deferred Revenue

On occasion the Company may receive funds in advance to perform clinical case studies. These amounts are deferred and the Company records revenue as services are provided under the contract.

Deferred Rent

Rents on operating leases are reported in accordance with SFAS No. 13, *Accounting for Leases*, which requires aggregate rental payments to be charged to operations on a straight-line basis over the terms of the related leases. Rent expense in excess of required rental payments is reported as deferred rent.

Research and Development

Research and development activities are expensed as incurred and charged to operating expenses.

Bostwick Laboratories, Inc.

Summary of Accounting Policies (continued)

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Subsequent Events

The Company evaluates events that have occurred subsequent to the financial statement date for required potential recognition and disclosure if necessary. Subsequent events were considered through _____, 2010, the date the financial statements were available for issue.

Recently Issued Accounting Standards

In June 2009, FASB issued ASC 105-10 (Prior authoritative literature: SFAS No. 168, *"The FASB Accounting Standards Codification TM and the Hierarchy of Generally Accepted Accounting Principles - a replacement of FASB Statement No. 162"*). FASB ASC 105-10 establishes the FASB Accounting Standards Codification TM (Codification) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. FASB ASC 105-10 is effective for financial statements issued for fiscal years and interim periods ending after September 15, 2009. Adoption of FASB ASC 105-10 did not have a material effect on the Company's financial statements.

In June 2006, FASB issued FASB ASC 740-10 (Prior authoritative literature: FASB Interpretation No. 48 *"Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109"*). This Interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB No. 109, *"Accounting for Income Taxes"*.

FASB ASC 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FASB ASC 740-10 is effective for fiscal years beginning after December 15, 2008. The Company evaluated tax positions in all years still subject to examination by tax authorities including 2006 through 2009 and determined that no additional disclosures or adjustments were needed.

In March 2008, the FASB issued FASB ASC 815-10 (Prior authoritative literature: SFAS No. 161, *"Disclosures about Derivative Instruments and Hedging Activities"*), which is effective for years beginning after November 15, 2008. FASB ASC 815-10 requires enhanced disclosures about derivative instruments and hedging activities to allow for a better understanding of their effects on an entity's financial position, financial performance, and cash flows. Among other things, this standard requires disclosures of the fair values of derivative instruments and associated gains and losses. The adoption of this standard did not have a material effect on the financial statements.

Bostwick Laboratories, Inc.

Summary of Accounting Policies (continued)

Recently Issued Accounting Standards (continue)

In December, 2007, the FASB issued FASB ASC 810-10-65 (Prior authoritative literature: SFAS No. 160, "*Noncontrolling Interests in Consolidated Financial Statements*", an amendment of ARB No. 51). FASB ASC 810-10-65 will change the accounting and reporting for minority interests which will be characterized as noncontrolling interests and classified as a component of equity. This new consolidation method significantly changes the accounting for transactions with minority interest shareholders. This standard is effective for fiscal years beginning on or after December 15, 2008 and did not have a material impact on the Company's financial statements.

In June 2009, the FASB issued FASB ASC 810-10-65 (Prior authoritative literature: SFAS No. 167, "*Amendments to FASB Interpretation No. 46(R)*") which amends the consolidation guidance applicable to a variable interest entity ("VIE"). This standard also amends the guidance governing the determination of whether an enterprise is the primary beneficiary of a VIE, and is therefore required to consolidate an entity, by requiring a qualitative analysis rather than a quantitative analysis. Previously, the standard required reconsideration of whether an enterprise was the primary beneficiary of a VIE only when specific events had occurred. This standard is effective for fiscal years beginning after November 15, 2009. Early adoption is prohibited. The Company is currently evaluating the potential impact of the adoption of this standard on its financial statements, but does not expect it to have a material effect.

Bostwick Laboratories, Inc.

Notes to Financial Statements

1. **Property and Equipment** Property and Equipment consist of the following:

	2009	2008
Land	\$ 3,118,500	\$ 3,118,500
Buildings	18,146,034	18,139,996
Equipment	20,412,164	17,333,156
Software	5,971,074	4,130,976
Furniture and fixtures	1,421,735	1,165,011
Leasehold and building improvements	633,973	493,865
Automobiles	135,131	187,258
	49,838,611	44,568,762
Less accumulated depreciation	(14,966,671)	(10,058,157)
	\$34,871,940	\$34,510,605

2. **Note Receivable** The Company had a note receivable from a software vendor in connection with a judgment against that vendor. Payments under the note are \$8,836 monthly, including interest at 6% through 2009. There was no outstanding balance as of December 31, 2009. The outstanding balance was \$43,527 at December 31, 2008.
3. **Lines of Credit and Notes Payable** During 2009, the Company made several amendments to a previous line of credit agreement with Bank of America. The result of which renewed the A line of credit for \$9,001,000 and the B line of credit for \$2,999,000, and extended their availability through June 30, 2010. Both lines have an interest rate of LIBOR 1 Month Fixed Rate plus 4%. Total amounts outstanding under the lines at December 31, 2009 were \$7,001,000 and \$2,999,000 for Lines A and B, respectively. Total amounts outstanding under the lines at December 31, 2008 were \$12,001,000 and \$2,999,000 for Lines A and B, respectively.

Bostwick Laboratories, Inc.

Notes to Financial Statements (continued)

3. Lines of Credit and Notes Payable (continued)

During 2008, the Company entered into an agreement with a related party for \$5,500,000, with advances available up to \$8,000,000 (See Note 11). The interest rate is three month LIBOR plus 1.75%, which is payable semi-annually. The note matures upon the closing of a qualified initial public offering.

The Company has a term loan agreement with Bank of America for \$12,750,000 with principal and interest paid monthly through February 15, 2017 with remaining principal balance plus any interest then due repaid. The Company has a second Term Loan Agreement with Bank of America for \$8,032,500 with principal and interest paid monthly, with remaining principal balance plus interest due on the maturity date of August 30, 2017. The interest rate for both Term loan agreements is LIBOR based. Interest rate at December 31, 2009 was 4.23% for the \$12,750,000 Term loan and 1.74% for the \$8,032,000 Term loan. The balance outstanding for the \$12,750,000 Term loan was \$11,308,416 and \$11,867,546 at December 31, 2009 and 2008, respectively. The balance outstanding for the \$8,032,000 Term loan was \$7,259,784 and \$7,603,048 at December 31, 2009 and 2008, respectively. The Term loans are secured by a first lien deed of trust with respect to real property and improvements of the Company's New York and Arizona facilities respectively.

During 2008, the Company entered into a Term loan Agreement with GE Capital for \$1,804,000 with principal and interest paid monthly beginning March 1, 2008 through February 1, 2018. The interest rate is 7.26%. The balance outstanding was \$1,754,462 and \$1,782,270 at December 31, 2009 and 2008, respectively. The Term Loan is secured by a commercial deed of trust with respect to real property and improvements of the Company's Tennessee facility.

The Company has a term loan agreement with Bank of America for \$230,461. The balance outstanding under this note was \$128,361 and \$161,776 at December 31, 2009 and 2008 respectively. The interest rate is 6.50%, payable in 60 equal payments through April 2012. The Company has a second a term loan agreement with Bank of America for \$2,319,633. The interest rate is 5.90%, payable in 60 equal payments maturing in December 2013. The balance outstanding under the note was \$1,472,750 and \$1,908,649 at December 31, 2009 and 2008, respectively. The term loans are secured by equipment.

During 2008, the Company entered into three term loan agreements with Bank of America. The first agreement is for \$795,223, with an interest rate of 4.92%, payable in 60 equal payments beginning in April 2008 through March 2013. The second agreement is for \$278,813, with an interest rate of 4.83%, payable in 36 equal payments beginning in April 2008 through March 2011. The third agreement is for \$460,933, with an interest rate of 5.43%, payable in 60 equal payments beginning in June 2008 through May 2013. The balances outstanding at December 31, 2009 were \$538,790, \$121,094 and \$328,238, respectively. The balances outstanding at December 31, 2008 were \$688,013, \$212,847 and \$413,365, respectively. These Term Loans are secured by equipment.

Bostwick Laboratories, Inc.

Notes to Financial Statements (continued)

**3. Lines of Credit
and Notes
Payable
(continued)**

During 2009, the Company entered into two term loan agreements with BB&T Equipment Finance Corporation. The first agreement is for \$793,773, with an interest rate of 6.7%, payable in 60 equal payments beginning in October 2009 through September 2014. The second agreement is for \$209,790, with an interest rate of 6.46%, payable in 60 equal payments beginning in January 2010 through December 2015. The outstanding balances at December 31, 2009 were \$771,363 and \$209,790, respectively. These Term Loans are secured by equipment.

During 2009, the Company entered into an installment agreement with Microsoft Financing. The agreement is for \$527,858, payable in 36 equal payments of \$14,663, beginning March 2009 through March 2012.

The following table summarizes the maturities of the Company's lines of credit and Notes Payable for the years ended December 31,

2010	\$ 12,203,800
2011	2,262,433
2012	2,240,782
2013	7,037,818
2014	1,522,865
Beyond	14,553,729
Total	\$ 39,821,427

Both the Credit Facility and all Term loans issued by Bank of America contain covenants regarding certain financial ratios the Company must meet. The Company obtained a waiver through December 31, 2009 in conjunction with certain of these requirements. As of December 31, 2009, the Company is in compliance with all other covenants.

**4. Interest Rate
Swap
Agreement**

During 2007, the Company entered into an interest rate swap agreement with Bank of America with respect to the \$12,750,000 and \$8,032,500 term loans. The Company exchanged its variable interest rate of LIBOR plus 1.5% for a 5.53% fixed rate. The Company recorded \$1,531,096 in interest income and \$2,455,697 in interest expense relating to recording the liability of \$2,254,718 and \$3,785,814 for the fair market value of the swap agreement for the years ended December 31, 2009 and 2008, respectively.

Bostwick Laboratories, Inc.

Notes to Financial Statements (continued)

5. Leasing Arrangements

The Company leases two office facilities in Virginia from unrelated parties. The first expires in May 2010, while the second expires in October 2011. In 2009, the Company entered into a third lease in Virginia with an unrelated party expiring in November 2014. All three leases provide for annual rent escalations over the lease term. The Company leases office facilities in London, England from an unrelated third party. The lease expires December 2014. During 2008, the Company entered into an office lease in Texas with an unrelated party that expires in January 2014. In 2009, the Company entered into a second lease in Texas from an unrelated party that expires in February 2014. The Company also entered as a lease in Maryland with an unrelated party, that expires in August 2012 and provides for rent escalations over the lease term. The Company rents office space for its Florida operations from a related party which expires in 2016 (See Note 11).

Total rent expense under all operating leases was \$3,477,901, \$2,766,397 and \$2,437,931 for the years ended December 31, 2009, 2008 and 2007, respectively.

The Company also leases office fixtures and equipment. A portion of these leases are classified as capital leases and, accordingly, are included in property and equipment shown in the accompanying balance sheet, as follows:

<i>December 31,</i>	2009	2008
Equipment	\$3,519,491	\$3,022,998
Less accumulated depreciation	1,734,657	1,309,337
	\$1,784,834	\$1,713,661

Bostwick Laboratories, Inc.

Notes to Financial Statements (continued)

5. Leasing Arrangements (continued)

Future minimum lease payments and the present value thereof under capitalized leases and future minimum rentals under all non-cancelable operating leases with remaining terms in excess of one year as of December 31, 2009 are as follows:

<i>Years Ending December 31,</i>	Capital Leases	Operating Leases
2010	\$ 635,532	\$ 2,969,722
2011	542,206	3,041,646
2012	194,428	2,108,032
2013	12,261	1,529,965
2014	—	1,390,547
Beyond	—	836,324
Total	\$1,384,427	11,876,236
Less amount representing interest	(94,428)	
Present value of minimum lease payments under capital leases	\$1,289,999	

6. Employee Benefit Plans

The Company maintains a defined contribution 401(k) plan, which covers substantially all employees. Eligible employees may defer the maximum amounts allowed under federal law. The Company may make discretionary contributions to the plan. Company contributions become fully vested after six years. The Company made no contributions for 2009. Company contributions to the plan for the years ended December 31, 2008 and 2007 were \$428,079, and \$251,899, respectively.

During 2008, the Company established a nonqualified deferred compensation plan for a select group of highly compensated employees. Eligible employees may defer the maximum amounts allowed under federal law. The Company may make discretionary contributions to the plan. Company contributions become fully vested after one year of plan enrollment. The Company made no contributions for 2009. Company contributions to the plan for the year ended December 31, 2008 was \$259,041. At December 31, 2009, the Company's net liability under the deferred compensation plan was \$2,569,488 and expense for the year ended December 21, 2009 was \$533,829.

Bostwick Laboratories, Inc.

Notes to Financial Statements (continued)

7. **Concentrations of Credit Risk** The Company, from time to time, may have funds on deposit with a financial institution in excess of federally insured limits. The Company has not experienced any losses on such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

The Company provides its services to physicians for patients, most of whom are insured under third-party payer agreements. The mix of receivables from third-party payers and patients (in percentages) at December 31, 2009 and 2008 is as follows:

<i>December 31,</i>	2009	2008
Medicare and Medicaid	35%	30%
Blue Cross Blue Shield	16	18
Commercial insurance and other	44	45
Patients	5	7
Total	100%	100%

8. **Income Taxes** Income tax expense (benefit) is composed of the following:

<i>Year Ended December 31,</i>	2009	2008	2007
Federal			
Current	\$ 2,214,630	\$ (61,886)	\$ 2,820,909
Deferred	323,075	627,247	417,447
State			
Current	-	(9,100)	411,490
Deferred	(105,651)	92,243	60,859
Total	\$ 2,432,054	\$ 648,504	\$ 3,710,705

Bostwick Laboratories, Inc.

Notes to Financial Statements (continued)

8. Income Taxes (continued)

The significant components of deferred income tax assets and liabilities are as follows:

<i>December 31,</i>	2009	2008
Current deferred tax assets (liabilities)		
Accounts payable and accrued expenses	\$ 9,359,617	\$ 6,680,189
Patient accounts receivable	(11,132,230)	(9,817,701)
Prepaid expenses	(789,035)	(509,865)
Supply inventory	(921,841)	(1,152,350)
Total current deferred tax asset (liability)	(3,483,489)	(4,799,727)
Long-term deferred tax assets (liabilities)		
Interest rate swap liability	878,438	1,474,953
Property and equipment	(1,969,260)	(928,373)
Nonqualified stock based compensation	862,181	435,367
Total long-term deferred tax asset (liability)	(228,641)	981,947
Net deferred tax liability	\$ (3,712,130)	\$ (3,817,780)

The effective tax rate on income taxes is reconciled to the statutory income tax rate as follows:

<i>Year Ended December 31,</i>	2009	2008	2007
Tax computed at the federal statutory rate	35.0%	34.0%	34.0%
State income taxes, net of federal benefit	4.3	5.0	5.0
Stock based compensation	-	33.6	20.0
Other	2.7	(9.6)	2.8
Effective rate	42.0%	63.0%	61.8%

Bostwick Laboratories, Inc.

Notes to Financial Statements (continued)

8. **Income Taxes (continued)** The Company files income tax returns in U.S. Federal, State and Local jurisdictions. With certain exceptions, the Company is no longer subject to U.S. Federal and state income tax examinations by tax authorities for years prior to 2005. At December 31, 2009, the Internal Revenue Service (IRS) had concluded its examination of the Company's Federal income tax returns for the years 2008, 2007 and 2006. The Company is currently appealing a tax assessment for tax years 2007 and 2006 of approximately \$818,000 relating to capitalization of inventory. It is anticipated that this appeal will be completed in 2010. The Company adopted the provisions of FIN 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109" on January 1, 2007 with no material impact to the financial statements. The Company recognizes interest and penalties related to uncertain tax positions in income tax expense in the statement of income.

The Company had no unrecognized tax benefits at December 31, 2009 that would affect the annual effective tax rate.

9. **Fair Value Measurements** Effective November 3, 2008, the Company adopted the guidance that has been codified under ASC 820-10 related to assets and liabilities recognized or disclosed in the financial statements at fair value on a recurring basis. ASC 820-10 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC 820-10 applies to other accounting pronouncements that require or permit fair value measurements, but does not require any new fair value measurements. The adoption of these provisions did not have a material effect on the Company's consolidated financial statements.

ASC 820-10 clarifies that fair value is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants based on the highest and best use of the asset or liability. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. ASC 820-10 requires valuation techniques to measure fair value that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized as follows:

Fair Value Hierarchy	Inputs to Fair Value Methodology
Level 1	Quoted prices in active markets for identical assets or liabilities
Level 2	Quoted prices for similar assets or liabilities; quoted markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the financial instrument; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from, or corroborated by, observable market information
Level 3	Pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption is unobservable or when the estimation of fair value requires significant management judgment

Bostwick Laboratories, Inc.

Notes to Financial Statements (continued)

9. Fair Value Measurements (continued)

The Company categorizes financial instruments as follows in the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement of the asset or (liability):

As of December 31, 2009				
	Quoted Market Prices in Active Markets (Level 1)	Internal Models with Significant Observable Market Parameters (Level 2)	Internal Models with Significant Unobservable Market Parameters (Level 3)	Total Fair Value Reported in Financial Statements
Interest rate swap agreements	\$ -	\$(2,254,718)	\$ -	\$(2,254,718)

As of December 31, 2008				
	Quoted Market Prices in Active Markets (Level 1)	Internal Models with Significant Observable Market Parameters (Level 2)	Internal Models with Significant Unobservable Market Parameters (Level 3)	Total Fair Value Reported in Financial Statements
Interest rate swap agreements	\$ -	\$(3,785,814)	\$ -	\$(3,785,814)

10. Dividends

On October 3, 2007 the Company declared a cash dividend of approximately \$0.72 per share on 20,054,053 shares outstanding. The dividend was paid on October 12, 2007.

11. Stock Options and Stock Awards

In 2004, the Company's Board of Directors reserved 2,222,222 of the outstanding shares of the Company's common stock for issuance under an employee stock incentive plan. Under the plan, certain of the Company's employees are eligible to receive incentive awards in the form of stock options. The options vest up to 3 years and expire 10 years from the date of grant. No options were granted, and no options were exercised during the years ended December 31, 2006 and 2005. In January 2007, the Company granted 1,280,840 options vesting over 2 years and expiring 10 years from the date of grant. During 2007, the Company offered to redeem from employees vested stock options for \$1 per share. As a result, 182,350 options were redeemed. In February 2008, the Company granted 821,050 non-statutory stock options under the 2008 stock incentive plan, which generally provides for a 4 year vesting period.

Bostwick Laboratories, Inc.

Notes to Financial Statements (continued)

11. Stock Options and Stock Awards (continued)

The fair value of each stock option award is estimated using a Black-Scholes option pricing model based on certain assumptions including expected term, risk-free interest rate, stock price volatility, and dividend yield. The expected life of the options granted to employees is calculated based on the Simplified Method as allowed under Staff Accounting Bulletin No. 107 (SAB 107). The risk-free interest rate is based on the U.S. Treasury rates at the date of grant with maturity dates approximately equal to the expected term at the grant date. The historical volatility of comparable size companies in the same industry is used as the basis for the volatility assumption. Excluding the one time dividend payment made in 2007, the Company had never paid cash dividends and thus assumed a 0% dividend yield.

The following table summarizes information about stock options activity:

	Weighted Average Exercise Price	Options Outstanding	Vested and Exercisable
Balance, December 31, 2005	\$ 2.50	314,344	78,586
Forfeited	2.50	(34,910)	(7,375)
Vested	-	-	103,435
Balance, December 31, 2006	2.50	279,434	174,646
Granted	5.24	1,280,440	-
Forfeited	4.30	(73,653)	(37,711)
Vested	5.01	-	1,046,625
Redeemed	5.24	(182,350)	(182,350)
Balance, December 31, 2007	4.71	1,303,871	1,001,211
Granted	15.00	821,050	-
Forfeited	10.08	(266,113)	(134,338)
Exercised	4.43	(7,377)	(7,377)
Vested	6.25	-	338,657
Balance, December 31, 2008	8.50	1,851,431	1,198,153
Granted	-	-	-
Forfeited	6.03	(157,144)	(52,707)
Exercised	-	-	-
Vested	15.00	-	259,629
Balance, December 31, 2009	\$ 8.18	1,694,287	1,405,075

Bostwick Laboratories, Inc.

Notes to Financial Statements (continued)

11. Stock Options and Stock Awards (continued)

The Company recorded \$1,095,517 and \$1,445,115 of stock compensation expense for the year ended December 31, 2009 and 2008, respectively. No stock option expense was recorded for 2006.

The fair value of stock options granted was determined using the following weighted-average assumptions as of grant date:

<i>Year Ended December 31,</i>	2009	2008	2007
Risk-free interest rate	-	2.81%	4.61%
Expected option life	-	5 Years	5 Years
Expected stock price volatility	-	36.3%	49.3%
Dividend yield	-	0%	0%

The following table summarizes information about stock options outstanding at December 31, 2009:

Exercise Price Per Share	Outstanding		Exercisable	
	Number Outstanding	Weighted Average Exercise Price Per Share	Number Exercisable	Weighted Average Exercise Price Per Share
\$2.50	244,459	\$ 2.50	244,459	\$ 2.50
\$5.24	871,403	5.24	871,403	5.24
\$15.00	578,425	15.00	289,213	15.00
	<u>1,694,287</u>	8.18	<u>1,405,075</u>	\$ 6.77

The following table reflects the remaining future employee stock based compensation expense for the stock options granted.

<i>Year Ended December 31,</i>	Amount
2010*	\$ 622,542
2011*	622,542
2012*	77,869
Total	\$1,322,953

* Stock based compensation expense based on vesting schedule.

Bostwick Laboratories, Inc.

Notes to Financial Statements (continued)

- 12. Related Party Transactions** In 2009 the Company entered into a lease agreement for a larger office facility in Florida with RGC, LLC, a related party of the Company's Chief Executive Officer. The facility is 37,600 square feet with current annual rent of \$564,000 escalating annually thereafter until its expiration in 2016. This lease includes a purchase option and a right of first refusal should another entity or person offer to buy the building. Lease expense was \$531,042, \$193,823 and \$187,813 for the years ended December 31, 2008, 2007 and 2006, respectively. The Company had unsecured receivable balances from related parties of \$12,450 and \$22,934 at December 31, 2009 and 2008, respectively. The Company does not accrue interest on the outstanding balances. During 2008, the Company entered into a note payable with its Chief Executive Officer for \$5,500,000. The Chief Executive Officer, who is also the majority shareholder of the Company, is employed under an employment agreement that provides for base salary, benefits and bonus compensation each year. In addition, the Chief Executive Officer is entitled to certain severance benefits upon the termination of his services.
- 13. Litigation** The Company has two open lawsuits: (1) the Company and one of its pathologists are among several named defendants in a dispute involving a claim of delayed diagnosis of prostate cancer. Management's review of the case indicates that we acted within medical norms. No trial date has been set and the case is currently in discovery. The Company's defending professional liability carrier has agreed to indemnify the Company without reservation. (2) The Company and one of its pathologists are named defendants in a dispute involving a claim of medical malpractice. The Company accrues litigation settlements when they become probable and reasonably estimable, which totaled \$500,000 as of December 31, 2008.
- 14. Contingencies** The Company is reimbursed for services provided to patients under certain programs administered by governmental agencies. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Company believes that it is in compliance in all material respects with all applicable laws and regulations and it is not aware of any significant pending or threatening claims involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid programs.
- 15. Subsequent Events** Subsequent to year end, the Company implemented a cost cutting initiative, which included a consolidation of laboratory operations. As a result, the Nashville, Tennessee facility was closed in February 2010.