



9600 MEDICAL CENTER DRIVE • ROCKVILLE, MARYLAND 20850-3336  
FAX 301-251-1260 • 301-251-0633 • [www.bioqual.com](http://www.bioqual.com)

Dear Shareholder,

I share with you my disappointment that BIOQUAL's fiscal year had a revenue and profit downturn, as has happened to many industries during the last several months. This is the first time in fourteen years that BIOQUAL has not increased its annual revenues. However, the Company did maintain profitability in fiscal year 2010 (ended May 31, 2010). For fiscal year 2010, revenues decreased from \$28,247,895 to \$23,783,030. Net income decreased from \$1,322,209 or \$1.46 basic earnings per share (EPS) to \$416,415 or \$.46 basic EPS. BIOQUAL's cash position remains strong and total stockholders' equity has increased during fiscal year 2010. For a more in depth discussion relating to the fiscal year 2009 results, please visit our website at [www.bioqual.com](http://www.bioqual.com).

BIOQUAL's Board of Directors declared a cash dividend of \$0.16 per share for shareholders of record on, September 21, 2010, payable at close of business on October 12, 2010. This is the tenth dividend declared by BIOQUAL and the seventh consecutive annual dividend.

BIOQUAL, Inc. is continuing to provide quality research, development and consulting services to Government, university and commercial contract clients. In recent years there have been some changes in government contract mechanisms. Historically, BIOQUAL's government contracts have typically been cost plus fixed fee multiyear agreements. These generally supported continuing laboratory and animal research for Government investigators. Labor and materials utilization were predictable with protocols and needs being balanced to the contracted levels. In recent procurements, contracts are being issued calling for "Indefinite Delivery/Indefinite Quantity" task orders. This places the Company in a position where it must maintain a cadre of individuals capable of stepping up to tasks requiring experience and knowledge across disciplines, without any assurance that there will be task orders that utilize those capabilities. An example is a program where the Company is eligible to bid on future tasks because of its experience and expertise. This multi-contractor program has three parts and guarantees a minimum of a combined \$300,000 revenues to BIOQUAL by contract year seven and has a combined maximum limit of \$120,000,000. The Company is presenting proposals for task order requests relevant to BIOQUAL's expertise. The indefinite nature of this type of contract has caused BIOQUAL and similar companies to adjust its management controls to apply more stringent cost controls and to operate in an environment with significantly reduced funding backlogs. BIOQUAL has demonstrated its capacity to adapt to the

Government's contracting changes and has shown its ability to continue to compete successfully for new work and to maintain profitability.

In my September 24, 2009 letter, I discussed BIOQUAL's exploration of a new thrust into commercial analysis of endocrine disruptors. The Environmental Protective Agency (EPA) had established the Endocrine Disruptor Screening Program (EDSP) and BIOQUAL, through its 19 years of evaluating potential contraceptive compounds, had developed a number of assays that would be useful in endocrine disruption analyses. BIOQUAL is currently repeating selected assays proposed by the EPA exactly to EPA protocol specifications as well as evaluating in-house protocols that may be more effectively used for end results. The EPA has issued no new test orders recently, and none seem to be expected for a few months. It is anticipated that a new list of 100 chemicals will be published soon. The EPA would then have to issue new testing orders. Until issued, this will delay commercial evaluation of the compounds. BIOQUAL's staff is carefully monitoring, both technically and financially, the developments of this potential opportunity.

BIOQUAL's web site has recently been upgraded to provide more detailed information regarding the Company's activities, capabilities, news, and financial information. Furthermore, BIOQUAL stock (BIOQ or BIOQ.PK) is quoted on the pink sheets and can be found by logging on to: [www.pinksheets.com](http://www.pinksheets.com) and using the symbol BIOQ.

Statements herein that are not descriptions of historical facts are forward-looking and subject to risk and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors including risks relating to the ability of the Company to continue to extend government contracts and obtain new government or commercial contracts; uncertainties relating to clinical trials; dependence on third parties; the Company's ability to contain costs; and future capital needs.

Sincerely,

John C. Landon, Ph.D.  
CEO/President

October 25, 2010