

Unaudited Financial Statements and Management's Discussion & Analysis

For the quarterly period ended August 31, 2023

BIOQUAL, INC.

Prepared by:

**Chris Kirk
Chief Financial Officer**

BIOQUAL, INC.

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BIOQUAL, INC.**UNAUDITED BALANCE SHEETS, AUGUST 31, 2023 AND MAY 31, 2023**

ASSETS	August 31, 2023	May 31, 2023
CURRENT ASSETS:		
Cash and cash equivalents	\$ 6,435,817	\$ 7,279,356
Accounts receivable:		
Trade	20,066,953	17,451,629
Unbilled – current	2,115,626	3,189,883
Prepaid expenses	2,958,196	2,019,004
Total current assets	<u>31,576,592</u>	<u>29,939,872</u>
PROPERTY AND EQUIPMENT:		
Leasehold improvements	11,787,465	11,781,747
Furniture, fixtures and equipment	18,908,397	18,841,101
Total	30,695,862	30,622,848
Less accumulated depreciation and amortization	<u>(18,430,358)</u>	<u>(17,790,984)</u>
Property and equipment, net	<u>12,265,504</u>	<u>12,831,864</u>
OTHER ASSETS:		
Security Deposits	18,551	18,551
Goodwill	1,028,408	1,028,408
Operating lease right-of-use assets	16,602,070	17,498,170
Cash value of officers' life insurance policies	-	-
Total other assets	<u>17,649,029</u>	<u>18,545,129</u>
TOTAL	<u>\$ 61,491,125</u>	<u>\$ 61,316,865</u>
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	\$ 3,076,685	\$ 1,594,010
Accrued compensation and related liabilities	1,242,480	2,304,290
Accrued income taxes	-	-
Operating lease liabilities, current	2,597,885	3,441,982
Deferred revenue	708,857	956,875
Total current liabilities	<u>7,625,907</u>	<u>8,297,157</u>
Deferred income taxes	239,900	239,900
Operating lease liabilities, non-current	15,112,217	15,166,190
Total liabilities	<u>22,978,024</u>	<u>23,703,247</u>
STOCKHOLDERS' EQUITY		
Preferred stock - par value of \$1.00 per share; 500,000 shares authorized; no shares issued and outstanding		
Common stock - par value of \$.01 per share; 5,000,000 shares authorized; 1,599,408 shares issued; 894,416 shares outstanding	15,994	15,994
Additional paid-in capital	7,364,934	7,364,934
Retained earnings	32,173,413	31,273,930
Treasury stock, at cost	<u>(1,041,240)</u>	<u>(1,041,240)</u>
Total stockholders' equity	<u>38,513,101</u>	<u>37,613,618</u>
TOTAL	<u>\$ 61,491,125</u>	<u>\$ 61,316,865</u>

See Management's Discussion and Analysis.

BIOQUAL, INC.
 UNAUDITED STATEMENTS OF OPERATIONS
 FOR THE THREE MONTHS ENDED AUGUST 31,

	<u>2023</u>	<u>2022</u>
REVENUES:		
Contract revenues	<u>\$ 15,578,922</u>	<u>\$ 15,810,574</u>
Total Revenues	<u>15,578,922</u>	<u>15,810,574</u>
OPERATING EXPENSES:		
Contract	12,555,112	12,106,538
General and administrative	<u>1,856,635</u>	<u>1,749,721</u>
Total Operating Expenses	<u>14,411,747</u>	<u>13,856,259</u>
OPERATING INCOME	1,167,175	1,954,315
INTEREST INCOME	<u>74,008</u>	<u>1,345</u>
INCOME BEFORE INCOME TAXES	1,241,183	1,955,660
PROVISION FOR INCOME TAXES	<u>(341,700)</u>	<u>(572,100)</u>
NET INCOME	<u>\$ 899,483</u>	<u>\$ 1,383,560</u>
BASIC EARNINGS PER SHARE	\$ 1.01	\$ 1.55
DILUTED EARNINGS PER SHARE	<u>\$ 1.01</u>	<u>\$ 1.55</u>
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING FOR BASIC EARNINGS PER SHARE	894,416	894,416
EFFECT OF DILUTIVE SECURITIES – OPTIONS WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING FOR DILUTED EARNINGS PER SHARE	<u>(10)</u>	<u>(11)</u>
	<u>894,406</u>	<u>894,405</u>

See Management's Discussion and Analysis.

BIOQUAL, Inc.**Unaudited Statements of Stockholders' Equity**

	Common Stock		Treasury Stock		Additional Paid-In Capital	Retained Earnings	Total
	Shares	Amount	Shares	Amount			
Balance, June 1, 2023	1,599,408	15,994	704,992	(1,041,240)	7,364,934	31,273,930	37,613,618
Net Income	-	-	-	-	-	899,483	899,483
Balance August 31, 2023	1,599,408	15,994	704,992	(1,041,240)	7,364,934	32,173,413	38,513,101

	Common Stock		Treasury Stock		Additional Paid-In Capital	Retained Earnings	Total
	Shares	Amount	Shares	Amount			
Balance, June 1, 2022	1,599,408	15,994	704,992	(1,041,240)	7,364,934	31,332,798	37,672,487
Net Income	-	-	-	-	-	1,383,560	1,383,560
Balance August 31, 2022	1,599,408	15,994	704,992	(1,041,240)	7,364,934	32,716,359	39,056,047

See Management's Discussion and Analysis.

BIOQUAL, INC.
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED AUGUST 31,

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$ 899,483	\$ 1,383,560
Adjustments to reconcile net income to net cash used by operating activities:		
Depreciation and amortization	\$ 639,374	\$ 462,468
Amortization of operating lease right-of-use asset	\$ 896,100	\$ (2,481,654)
(Increase) decrease in		
Accounts receivable	\$ (1,541,067)	\$ 336,158
Prepaid expenses	\$ (939,192)	\$ 372,580
Security deposits	\$ -	\$ -
Increase (decrease) in		
Accounts payable	\$ 1,482,675	\$ (1,746,264)
Accrued compensation and related liabilities	\$ (1,061,810)	\$ (908,851)
Operating lease liabilities	\$ (898,070)	\$ 2,511,162
Accrued income taxes	\$ -	\$ -
Deferred revenue	\$ (248,018)	\$ 701,611
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (770,525)</u>	<u>\$ 630,770</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	<u>\$ (73,014)</u>	<u>\$ (616,223)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>\$ (73,014)</u>	<u>\$ (616,223)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividend paid	<u>\$ -</u>	<u>\$ -</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>\$ -</u>	<u>\$ -</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>\$ (843,539)</u>	<u>\$ 14,547</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>\$ 7,279,356</u>	<u>\$ 2,184,245</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 6,435,817</u>	<u>\$ 2,198,792</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period for:		
Income Taxes	<u>\$ -</u>	<u>\$ -</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Recognition of ROU asset	<u>\$ -</u>	<u>\$ 3,345,331</u>
Recognition of operating lease liability	<u>\$ -</u>	<u>\$ 3,345,331</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Interim Financial Statements

In the opinion of management, all adjustments consisting only of normal recurring accruals necessary for a fair presentation of such amounts have been included. The results of operations for the quarter are not necessarily indicative of results for the year.

Reclassifications

Certain reclassifications have been made to the prior year presentation to conform to the current year presentation.

Items of Note

In the first quarter of fiscal year 2024, which commenced on June 1, 2023, the Company realized net income of \$899,483 compared to net income of \$1,383,560 for the first quarter of fiscal year 2023. See Results of Operations below for more detail on the change in net income.

Subsequent to the end of the first quarter of fiscal year 2024, the National Institute of Allergy and Infectious Diseases (NIAID) provided \$8,889,803 of funding for the fourth option year of the contract entitled "Animal Care and Laboratory Support Services to the Vaccine Research Center". The seven-year contract has a maximum potential funding amount of \$69,174,672 including all options. The cumulative funding of the contract increased from \$33,692,280 to \$42,582,083. The funding covers costs incurred from September 28, 2023, through September 27, 2024. There are, however, no assurances that any other options will be exercised under this contract.

Subsequent to the end of the first quarter of fiscal year 2024, the NIAID issued a new task order under the contract entitled "Simian Vaccine Evaluation Units (SVEUs)". The total obligated funding for the task order is \$1,999,460 which covers costs through August 31, 2025.

Based on fiscal year 2023 earnings, the Board of Directors declared a cash dividend of \$0.50 per share for shareholders of record on October 6, 2023. The dividend will be paid on October 27, 2023. This amount is \$0.50 per share less than the \$1.00 per share cash dividend paid on October 27, 2022.

COVID-19 and Other Disease Related Work

BIOQUAL staff have been listed as co-authors of several peer reviewed COVID-19 related articles in scientific journals. Certain data included in the articles were obtained during studies performed in our laboratories. Several of the articles are available for review on the Company's website (www.bioqual.com).

BIOQUAL continues to attract COVID-19 related contracts due to its experience working with the virus and its capacity to perform research in a Biosafety Level 3 (BSL-3) environment. Approximately 20% of the revenues generated this quarter were in support of COVID-19 related research. The Company is also performing in-vivo and in-vitro studies to assist the federal government, universities and commercial organizations with their research efforts to develop vaccines and therapies against other diseases including AIDS, Zika, Chikungunya, Influenza, and

others. The Company believes it has the capacity and resources to support all of these efforts simultaneously.

Results of Operations

Three Months Comparison

The \$231,652 decrease in revenues to \$15,578,922 for the quarter ended August 31, 2023, compared to \$15,810,574 for the quarter ended August 31, 2022, is primarily the result of a decrease in contract activity in commercial contracts of approximately \$606,000 compared to the first quarter of the previous fiscal year. This decrease was partially offset by revenues for government contracts which increased by approximately \$420,000 compared to the first quarter of the previous fiscal year. Additionally, there was a decrease in revenues for grants of approximately \$46,000.

The \$448,574 increase in Contract expenses for the quarter ended August 31, 2023, primarily reflects increases in materials compared to similar costs incurred in the first quarter of the previous fiscal year.

The \$106,914 increase in General and Administrative (G&A) expenses for the quarter ended August 31, 2023, primarily reflects increases in administrative labor and accounting costs, compared to similar costs incurred in the first quarter of the previous fiscal year.

Liquidity and Capital Resources

During the first three months of fiscal year 2024, the Company directed approximately \$73,000 towards capital expenditures compared to approximately \$616,000 in the first three months of fiscal year 2023. These expenditures were necessary to provide additional equipment for research being performed in the Company's laboratories. The Company has been able to continue to fund all of these expenditures through the use of available cash provided by profits.

During the next nine months, the Company estimates the aggregate purchase price of equipment to upgrade older equipment, enhance its capabilities, add nonhuman primate and small animal caging, and to renovate animal housing space will total approximately \$1,300,000.

The Company is obligated, as lessee, under non-cancelable operating leases covering its facilities and certain equipment at various dates through 2029. Rent expense for the first three months of fiscal year 2024 was approximately \$1,154,000. As of August 31, 2023, the total lease payments are approximately \$17,700,000 through 2029.

Other than the items mentioned above, the Company does not anticipate other substantial capital and other expenditures during fiscal year 2024. However, if the Company is awarded new contracts that require additional equipment or animal enclosures during that period, the Company believes it will have sufficient capital resources to provide for the purchase of the equipment.

BIOQUAL has a \$2,000,000 line of credit with M&T Bank available to help cover costs of its daily operations. The line of credit is due on demand and renewable annually. As of August 31, 2023, there was no balance due on the line of credit. The interest rate on funds drawn on the line of credit is the prime rate plus .25%, which as of August 31, 2023, was 8.75%. On August 31, 2023, the

Company had a balance of cash and cash equivalents of \$6,435,817. With the above line of credit and the cash resources expected to be available as a result of collection of accounts receivable, the Company believes it will have sufficient capital resources to provide for daily operations and its capital needs through the end of fiscal year 2024.

The following provides additional information on select balance sheet items: 1) the \$2,615,324 increase in trade accounts receivable primarily reflects the impact of the increased volume of commercial contracts activity compared to the end of the previous fiscal year as well as a few large past due invoices for which we expect to be paid based on past experience with the clients; 2) the \$1,061,810 decrease in accrued compensation and related liabilities primarily reflects the payment of the accrued fiscal year 2023 bonuses during the first quarter of fiscal year 2024; 3) the \$1,482,675 increase in accounts payable reflects a higher total amount of outstanding invoices for the purchase of non-human primates (NHPs); 4) the \$1,074,257 decrease in unbilled receivables reflects the issuance of multiple invoices in the first three months of the fiscal year for unbilled receivables at May 31, 2023; and 5) the \$939,192 increase in prepaid expenses during the first quarter of fiscal year 2024 reflects the purchase of NHPs for future use not yet assigned to projects.

Notes to financial statements

Risks and uncertainties

Since the start of the pandemic, to keep up with the increased number of contracts and the increased complexity of the COVID related contracts, taking employee turnover into consideration, the Company has increased its workforce by approximately 40%. Coupled with the increased number of employees, in order to compete with the other laboratories seeking a similar workforce, the Company has had to alter its salary structure by increasing the pay rates of certain labor categories to attract and retain employees needed to enable the Company to meet the increased demand for its services. To date, the Company has been relatively successful in acquiring sufficient staffing to keep up with contract demand. There are, however, no assurances that the Company will be able to continue to hire a sufficient number of employees to meet future contract demand.

The Company continually monitors economic factors, including the labor market and the price of supplies, and adjusts its pricing to clients to try to minimize the potential adverse effect these increasing costs would have on its operating profit. However, there are no assurances that these pricing changes will fully offset the effect of adversely impacting economic factors on its operating profit.

Based on market demand, the Company has had to pay higher prices for certain critical items which has had an adverse impact on the results of operations. As a result of this and the impact of higher labor costs, the Company has put a temporary freeze on hiring non-revenue producing positions, as well as deciding not to rehire for several positions where there has been turnover. The Company believes that this reduction in staff will not hinder the completion of any of its work and will have a positive impact on the results of operations.

A significant part of the research support services provided by BIOQUAL requires the use of NHPs, which continue to be difficult to procure in adequate quantities to satisfy the demand for continuing COVID-19 vaccine and therapeutics development as well as research on other infectious diseases. The Company continues to work closely with its suppliers and is committing (by providing cash deposits) to the purchase of NHPs as soon as they become available in order to have a pipeline of

animals for future studies. China, a major breeder and supplier of NHPs, ceased exporting them in 2020. The resumption of exporting nonhuman primates by China would help alleviate the shortage of this important component of infectious disease research; however, there is no assurance that this will happen, and a continued shortage of NHPs could adversely affect the Company's ability to perform new projects.

Leases

The Company enters into leases as a lessee for certain buildings and equipment. The Company's leases typically have lease terms between three years and ten years and may include one or more renewal options. Under Accounting Standards Codification (ASC) Topic 842, *Leases*, at contract inception the Company determines whether a contract is or contains a lease and whether the lease should be classified as an operating or finance lease. Operating lease balances are included in the operating lease right-of-use assets and operating lease liabilities in the accompanying Balance Sheets for the quarter ended August 31, 2023, and the year ended May 31, 2023.

The Company recognizes operating lease right-of-use assets and operating lease liabilities based on the present value of the future minimum lease payments over the lease term at the commencement date. The Company uses its incremental borrowing rate based on the information available at the commencement date to determine the present value of future payments and the appropriate lease classification. Many of the Company's leases include renewal options aligned with any extended contract terms. The Company defines the initial lease term to include renewal options determined to be reasonably certain. When the Company adopted AC 842, it elected, as allowed by the standard, not to recognize a right-of-use asset and a lease liability for leases with an initial term of 12 months or less; it recognizes lease expense for these leases on a straight-line basis over the lease term. The Company also elected not to separate lease components from non-lease components and applied this to all material classes of leased assets.

Finance leases are not material to the Company's financial statements and the Company is not a lessor in any material arrangements. The Company does not have any material restrictions or covenants in the lease agreements, sale-leaseback transactions, land easements or residual value guarantees.

The components of total lease cost and other supplemental lease information are presented in the following tables:

	<u>For the Three Months Ended August 31, 2023</u>
Components of lease cost:	
Operating lease costs	1,154,168
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	1,156,123
Lease liabilities arising from obtaining ROU assets (subsequent to adoption)	
Operating leases	3,356,096
Weighted average remaining lease terms and discount rates are presented in the following table:	
Weighted average remaining lease term (in years):	<u>August 31, 2023</u>
Operating leases	4.46
Weighted average discount rate (annual):	
Operating leases	5.53%

The following table presents a maturity analysis of the Company's operating liabilities at August 31, 2023

	Operating Leases
Year 1	4,683,074
Year 2	4,729,513
Year 3	4,281,828
Year 4	3,091,562
Year 5	1,907,405
Thereafter	1,300,082
Total lease payments	19,993,464
Less: imputed interest	<u>(2,283,362)</u>
Present value of lease liabilities	17,710,102

Revenue recognition accounting

Billings under cost-based government contracts are calculated using provisional rates which permit recovery of indirect costs. These rates are subject to audit on an annual basis by the government agencies' cognizant audit agency. The cost audits will result in the negotiation and determination of the final indirect cost rates which the Company may use for the years audited. The final rates, if different from the provisional rates, may create a receivable or a liability.

As of August 31, 2023, the Company had negotiated final settlements on indirect cost rates through May 2020. The Company periodically reviews its cost estimates and experience rates. Adjustments, if needed, are made and reflected in the period in which the estimates are revised. In the opinion of management, redetermination of any cost-based contracts for the open years will not have any material effect on the Company's financial position or results of operations.

Changes in estimates related to contracts with performance obligation(s) accounted for using the output method on fixed-price-milestone (FP-M) type contracts, that is primarily based on a proportion of study-related procedures and/or tests, are recognized in the period in which such changes are made on a cumulative catch-up basis. This basis recognizes in the current period the cumulative effect of the changes on current and prior periods based on the performance obligations' related proportionate progress towards completion.

For the three months ended August 31, 2023, there were no material modifications recorded related to work previously performed on FP-M type contracts prior to the execution of formal modifications or amendments. A significant change in one or more estimates could affect the profitability of one or more of the performance obligations.

Remaining Performance Obligations: Remaining performance obligations represent the expected value (transaction price) of executed contracts, both funded and unfunded, less revenue recognized to date. Remaining performance obligations do not include future potential purchase or work orders expected to be awarded under Master Service Agreement (MSA) or similar agreements.

As of August 31, 2023, the Company expects to recognize a majority of the remaining performance obligations over the next 12 months.

Disaggregation of Revenues: The Company disaggregates revenue by customer-type and contract-type as these categories best represent how the nature, timing and uncertainty of the Company's revenue and cash flows are affected by the U.S. government procurement environment and economic factors.

Disaggregated revenue by customer-type and contract type was as follows:

Disaggregated revenue:

Revenue by Customer Type and Contract Type	Three Months Ended August 31, 2023
National Institutes of Health (NIH)	
Cost-Plus-Fixed-Fee	\$ 2,966,297
Fixed-Price-Per-Unit and Time-And-Materials	15,188
Fixed-Price-Milestone	-
Total National Institutes of Health	<u>2,981,485</u>
Commercial and Other	
Cost-Plus-Fixed-Fee	82,184
Fixed-Price-Per-Unit and Time-And-Materials	11,114,959
Fixed-Price-Milestone	1,400,294
Total Commercial and Other	<u>12,597,437</u>
Total Revenues	<u>\$ 15,578,922</u>

Cost-plus-fixed-fee (CPFF) contracts are generally lower risk and have lower profits. Time-and-materials (T&M) and fixed-price-per-unit (FP-U) contracts are also low risk, but profits may vary depending on actual labor costs compared to negotiated contract billing rates. FP-M contracts offer the potential for higher profits while increasing the Company's exposure to risk of cost overruns.

Contract Assets and Liabilities: Contract assets include unbilled contract receivables, which is the amount of revenue recognized that exceeds the amount billed to the customer, and right to payment is not just subject to the passage of time. Contract assets also include incremental fulfillment costs where, under certain fixed-price contracts, costs are incurred usually at the beginning of the contract performance, where the single performance obligation has not yet been completely satisfied. Contract liabilities consist of deferred revenue.

The components of contract assets and contract liabilities consisted of the following:

Contract asset and liabilities:

		August 31, 2023	June 1, 2023
Contract assets:	Balance sheet line item:		
Unbilled contract receivables ⁽¹⁾	Accounts receivable	\$2,115,626	\$ 3,189,883
Fulfillment costs	Prepaid expenses	1,748,126	676,250
		<u>\$3,863,752</u>	<u>\$ 3,866,133</u>
Contract liabilities:	Balance sheet line item:		
Deferred revenue	Deferred revenue	<u>\$ 708,857</u>	<u>\$ 956,875</u>

The decrease in "Contract liabilities- current" was primarily due to recognizing revenue on certain FP-M contracts.

During the three months ended August 31, 2023, the Company recognized revenue of approximately \$301,000 relating to amounts that were included as a contract liability at June 1, 2023.

During the three months ended August 31, 2023, the Company recognized approximately \$410,000 of amortization related to its fulfillment costs. The Company did not recognize any impairment losses on contract assets for the three months ended August 31, 2023.

- ⁽¹⁾ Balances include primarily timing differences between what the Company has billed or has the right to bill as of the period end as compared with the revenue recognized, on FP-M and CPFF type contracts.

Forward Looking Information

Statements herein that are not descriptions of historical facts are forward-looking and subject to risks and uncertainties. The forward-looking statements are neither promises nor guarantees, and one should not place undue reliance on these forward-looking statements because they involve known and unknown risks, uncertainties, and other factors, many of which are beyond the Company's control and which could cause actual results to differ materially from those expressed or implied by these forward-looking statements, including risks relating to the ability to continue to extend current government contracts; the Company's ability to obtain new government or commercial contracts; continued demand for the use of animal models in scientific research; the Company's ability to obtain sufficient numbers of animal models; the availability of adequate numbers of employees; the Company's ability to perform under its contracts in accordance with the requirements of the contracts; the actual costs incurred in performing the Company's contracts and its ability to manage its costs, including its capital expenditures; dependence on third parties; future capital needs; the ability to fund its capital needs through the use of its cash on hand and line of credit; and the future availability and cost of financing/capital sources to the Company.

“NEWS RELEASE”

FOR RELEASE: Immediately, October 20, 2023 Rockville, MD
 CONTACT: Mark G. Lewis, Ph.D., CEO (240-404-7654)

BIOQUAL PRESENTS UNAUDITED FINANCIAL RESULTS FOR FIRST QUARTER OF FISCAL YEAR 2024

	Three Months Ended August 31,	
	<u>2023</u>	<u>2022</u>
Revenue	\$ 15,578,922	\$ 15,810,574
Income Before Income Tax	\$ 1,241,183	\$ 1,955,660
Net Income	\$ 899,483	\$ 1,383,560
Basic Earnings per Share of Common Stock	\$ 1.01	\$ 1.55
Diluted Earnings per Share of Common Stock	\$ 1.01	\$ 1.55
Weighted Average Number of Shares Outstanding For Basic Earnings Per Share	894,416	894,416
Weighted Average Number of Shares Outstanding For Diluted Earnings Per Share	894,406	894,405

For more detail related to the fiscal year 2024 unaudited first quarter results, please visit our web site at www.bioqual.com.

Statements herein that are not descriptions of historical facts are forward-looking and subject to risks and uncertainties. The forward-looking statements are neither promises nor guarantees, and you should not place undue reliance on these forward-looking statements because they involve known and unknown risks, uncertainties, and other factors, many of which are beyond the Company's control and which could cause actual results to differ materially from those expressed or implied by these forward-looking statements, including risks relating to the ability to continue to extend current government contracts; the Company's ability to obtain new government or commercial contracts; continued demand for the use of animal models in scientific research; the Company's ability to obtain sufficient numbers of animal models; the availability of adequate numbers of employees; the Company's ability to perform under its contracts in accordance with the requirements of the contracts; the actual costs incurred in performing the Company's contracts and its ability to manage its costs, including its capital expenditures; dependence on third parties; future capital needs; the ability to fund its capital needs through the use of its cash on hand and line of credit; and the future availability and cost of financing/capital sources to the Company.