UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the quarterly period ended June 30, 2004.

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the transition period from _____ to _____.

Commission File Number 001-16537

ORASURE TECHNOLOGIES, INC.

(Exact Name of Registrant as Specified in Its Charter)

DELAWARE	**36-4370966**
(State or Other Jurisdiction of Incorporation or Organization)	**(IRS Employer Identification No.)**
220 East First Street, Bethlehem, Pennsylvania	**18015**
(Address of Principal Executive Offices)	**(Zip code)**

(610) 882-1820
(Registrant's Telephone Number, Including Area Code)

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

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☒ No ☐

Number of shares of Common Stock, par value $.000001 per share, outstanding as of July 30, 2004: 44,531,038

Item 1. FINANCIAL STATEMENTS

ORASURE TECHNOLOGIES, INC.
BALANCE SHEETS
(Unaudited)

	June 30, 2004	December 31, 2003
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 13,436,835	$ 30,695,177
Short-term investments	52,603,352	33,328,610
Accounts receivable, net of allowance for doubtful accounts of $183,839 and $359,158	6,808,832	8,233,869
Inventories	4,762,765	4,003,519
Prepaid expenses and other	987,089	922,820
Total current assets	78,598,873	77,183,995
PROPERTY AND EQUIPMENT, net	6,140,095	6,471,209
PATENTS AND PRODUCT RIGHTS, net	2,454,057	1,886,171
OTHER ASSETS	589,765	609,932
	$ 87,782,790	$ 86,151,307
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 1,130,151	$ 1,126,423
Accounts payable	1,842,631	3,511,148
Accrued expenses	7,693,042	5,375,851
Total current liabilities	10,665,824	10,013,422
LONG-TERM DEBT	1,889,082	2,456,454
OTHER LIABILITIES	238,140	172,142
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock, par value $.000001, 25,000,000 shares authorized, none issued	—	—
Common stock, par value $.000001, 120,000,000 shares authorized, 44,530,565 and 44,260,931 shares issued and outstanding	45	44
Additional paid-in capital	209,535,520	204,867,765
Deferred compensation	(3,592,713)	(614,515)
Accumulated other comprehensive loss	(362,719)	(173,704)
Accumulated deficit	(130,590,389)	(130,570,301)
Total stockholders' equity	74,989,744	73,509,289
	$ 87,782,790	$ 86,151,307

The accompanying notes are an integral part of these statements.

ORASURE TECHNOLOGIES, INC.
STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
REVENUES:				
Product	$ 13,122,039	$ 9,437,555	$ 25,410,907	$ 17,780,519
Licensing and product development	92,674	191,303	212,414	458,975
	13,214,713	9,628,858	25,623,321	18,239,494
COST OF PRODUCTS SOLD	5,524,736	3,820,875	10,715,266	7,400,991
Gross profit	7,689,977	5,807,983	14,908,055	10,838,503
COSTS AND EXPENSES:				
Research and development	1,513,617	1,965,275	3,280,774	4,019,986
Sales and marketing	3,780,765	2,737,397	7,431,481	4,972,534
General and administrative	2,446,174	1,657,369	4,572,146	3,522,990
	7,740,556	6,360,041	15,284,401	12,515,510
Operating loss	(50,579)	(552,058)	(376,346)	(1,677,007)
INTEREST EXPENSE	(39,981)	(47,208)	(71,394)	(95,813)
INTEREST INCOME	230,022	83,373	435,781	168,946
FOREIGN CURRENCY GAIN (LOSS)	7,625	(3,796)	1,332	(3,796)
Income (loss) before income taxes	147,087	(519,689)	(10,627)	(1,607,670)
INCOME TAXES	4,961	10,564	9,461	15,443
NET INCOME (LOSS)	$ 142,126	$ (530,253)	$ (20,088)	$ (1,623,113)
EARNINGS (LOSS) PER SHARE:				
BASIC	$ 0.00	$ (0.01)	$ (0.00)	$ (0.04)
DILUTED	$ 0.00	$ (0.01)	$ (0.00)	$ (0.04)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:				
BASIC	44,465,017	38,412,351	44,368,443	38,330,924
DILUTED	45,334,105	38,412,351	44,368,443	38,330,924

The accompanying notes are an integral part of these statements.

ORASURE TECHNOLOGIES, INC.
STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
	2004	**2003**
OPERATING ACTIVITIES:		
Net loss	$ (20,088)	$ (1,623,113)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Stock based compensation expense	197,952	33,900
Depreciation and amortization	1,204,290	1,269,505
Loss on disposition of property and equipment	6,599	—
Write-off of inventory	327,866	328,412
Changes in assets and liabilities:		
Accounts receivable	1,425,037	(1,116,775)
Inventories	(1,087,112)	(410,189)
Prepaid expenses and other assets	(64,269)	234,088
Accounts payable and accrued expenses	(112,410)	1,557,330
Net cash provided by operating activities	1,877,865	273,158
INVESTING ACTIVITIES:		
Purchases of short-term investments	(36,322,110)	(10,181,924)
Proceeds from the sale of short-term investments	16,874,400	7,048,399
Purchases of property and equipment	(599,789)	(730,844)
Purchase of patent and product rights	—	(250,000)
Increase in other assets	(623)	(450)
Net cash used in investing activities	(20,048,122)	(4,114,819)
FINANCING ACTIVITIES:		
Borrowings of term debt	—	211,590
Repayments of term debt	(563,644)	(541,373)
Proceeds from issuance of common stock	1,491,606	1,518,996
Net cash provided by financing activities	927,962	1,189,213
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH	(16,047)	18,634
NET DECREASE IN CASH AND CASH EQUIVALENTS	(17,258,342)	(2,633,814)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	30,695,177	4,364,308
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 13,436,835	$ 1,730,494

The accompanying notes are an integral part of these statements.

1. The Company

We develop, manufacture and market oral specimen collection devices using our proprietary oral fluid technologies, diagnostic products including *in vitro* diagnostic tests, and other medical devices. These products are sold in the United States and internationally to various clinical laboratories, hospitals, clinics, community-based organizations and other public health organizations, distributors, government agencies, physicians' offices, and commercial and industrial entities.

2. Summary of Significant Accounting Policies

Basis of Presentation. The accompanying financial statements are unaudited and, in the opinion of management, include all adjustments (consisting only of normal and recurring adjustments) necessary for a fair presentation of the results for these interim periods. These financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2003. Results of operations for the three-month and six-month periods ended June 30, 2004 are not necessarily indicative of the results of operations expected for the full year.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents. We consider all highly liquid investments with a purchased maturity of ninety days or less to be cash equivalents. As of June 30, 2004 and December 31, 2003, cash equivalents consisted of certificates of deposit, commercial paper and U.S. government and agency obligations.

Short-term Investments. We consider all short-term investments to be available-for-sale securities, in accordance with Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities." These securities are comprised of certificates of deposits, commercial paper, U.S. government and agency obligations, state and local government agency obligations, corporate bonds, and asset-backed obligations with purchased maturities greater than ninety days. Available-for-sale securities are carried at fair value, based upon quoted market prices, with unrealized gains and losses reported in stockholders' equity as a component of accumulated other comprehensive loss.

The following is a summary of our available-for-sale securities at June 30, 2004 and December 31, 2003:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
June 30, 2004				
Certificates of deposit	$ 18,819,476	$ 306	$ (25,557)	$ 18,794,225
Commercial paper	3,098,101	—	(410)	3,097,691
Government and agency bonds	18,787,160	—	(59,871)	18,727,289
State and local government agency obligations	676,909	612	(351)	677,170
Corporate bonds	7,683,494	—	(47,260)	7,636,234
Asset-backed obligations	3,698,935	—	(28,192)	3,670,743
Total available-for-sale securities	$ 52,764,075	$ 918	$ (161,641)	$ 52,603,352
December 31, 2003				
Certificates of deposit	$ 14,047,127	$ 1,167	$ (5,586)	$ 14,042,708
Commercial paper	1,296,941	121	—	1,297,062
Government and agency bonds	14,483,893	7,667	—	14,491,560
State and local government agency obligations	629,999	1,118	(3)	631,114
Corporate bonds	2,867,261	1,641	(2,736)	2,866,166
Total available-for-sale securities	$ 33,325,221	$ 11,714	$ (8,325)	$ 33,328,610
At June 30, 2004, maturities of investments were as follows:				
Less than one year	$ 48,989,489	$ 918	$ (125,069)	$ 48,865,338
1 – 2 years	3,774,586	—	(36,572)	3,738,014
Total available-for-sale securities	$ 52,764,075	$ 918	$ (161,641)	$ 52,603,352

Inventories. Inventories are stated at the lower of cost or market determined on a first-in, first-out basis and are comprised of the following:

	June 30, 2004	December 31, 2003
Raw materials	$ 3,186,201	$ 2,862,169
Work-in-process	891,605	486,284
Finished goods	684,959	655,066
	$ 4,762,765	$ 4,003,519

Revenue Recognition. We recognize product revenues when there is persuasive evidence that an arrangement exists, the price is fixed or determinable, title has passed and collection is reasonably assured. Product revenues are net of allowances for any discounts or rebates. We do not grant price protection or product return rights to our customers, except for warranty returns. Historically, returns arising from warranty issues have been infrequent and immaterial. Accordingly, we expense warranty returns as incurred.

Up-front licensing fees are deferred and recognized ratably over the related license period. Product development revenues are recognized over the period in which the related product development efforts are performed. Amounts received prior to the performance of product development efforts are recorded as deferred revenues. Grant revenue is recognized as the related work is performed and costs are incurred. We record shipping and handling charges billed to our customers as product revenue and the related expense as cost of products sold.

Significant Customer Concentration. For both the three-month and six-month periods ended June 30, 2004, one customer accounted for 25 percent of total revenues as compared to 13 percent and 7 percent, respectively, for the same periods of 2003. The same customer accounted for approximately 33 percent and 23 percent of accounts receivable as of June 30, 2004 and December 31, 2003, respectively.

For the three-month and six-month periods ended June 30, 2004, another customer accounted for 10 percent and 13 percent, respectively, of total revenues as compared to 20 percent in each of the same periods of 2003. This customer accounted for approximately 2 percent and 8 percent of accounts receivable at June 30, 2004 and December 31, 2003, respectively.

Research and Development. Research and development costs are charged to expense as incurred.

Foreign Currency Translation. Pursuant to SFAS No. 52, "Foreign Currency Translation," the assets and liabilities of our foreign operations are translated from euros into U.S. dollars at current exchange rates as of the balance sheet date, and revenues and expenses are translated at average exchange rates for the period. Resulting translation adjustments are reflected in accumulated other comprehensive loss, which is a separate component of stockholders' equity.

Earnings (Loss) Per Common Share. We have presented basic and diluted earnings (loss) per common share pursuant to SFAS No. 128, "Earnings per Share." In accordance with SFAS No. 128, basic earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of shares outstanding during the period. Diluted earnings (loss) per share is computed in a manner similar to basic earnings (loss) per share except that the weighted average number of shares outstanding is increased to include incremental shares from the assumed conversion or exercise of all dilutive securities, such as common stock options, warrants, and unvested restricted stock. The number of incremental shares is calculated by assuming that outstanding stock options and warrants were exercised and unvested restricted shares were vested, and the proceeds from such exercises or conversions were used to acquire shares of common stock at the average market price during the reporting period.

The computations of basic and diluted earnings (loss) per share are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Net income (loss)	$ 142,126	$ (530,253)	$ (20,088)	$ (1,623,113)
Weighted average shares of common stock outstanding:				
Basic	44,465,017	38,412,351	44,368,443	38,330,924
Dilutive effect of stock options, warrants and restricted shares	869,088	—	—	—
Diluted	45,334,105	38,412,351	44,368,443	38,330,924
Earnings (loss) per share:				
Basic	$ 0.00	$ (0.01)	$ (0.00)	$ (0.04)
Diluted	$ 0.00	$ (0.01)	$ (0.00)	$ (0.04)

As a result of our losses in the three-month period ended June 30, 2003 and the six-month periods ended June 30, 2004 and 2003, outstanding common stock options, warrants and unvested restricted stock, representing 4,592,419, 5,777,270 and 4,592,419 shares were excluded from the computation of diluted loss per common share during each of these periods, respectively, as their inclusion would have been anti-dilutive.

Stock-Based Compensation. We account for stock-based compensation to employees and directors using the intrinsic value method in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. We account for stock-based compensation to nonemployees using the fair value method in accordance with SFAS No. 123, "Accounting for Stock-Based Compensation," and EITF Issue No. 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services."

We have elected to adopt the disclosure provisions of SFAS No. 123, as amended by SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure." Under SFAS No. 123, compensation expense related to stock awards granted to employees and directors is computed based on the fair value of the award at the date of grant using an option valuation methodology, typically the Black-Scholes option pricing model. Pursuant to the disclosure requirements of SFAS No. 123, had compensation expense for our common stock awards been determined based upon the fair value of the awards at the date of grant, our net income (loss) for the three-month and six-month periods ended June 30, 2004 and 2003 would have been as follows:

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
Net income (loss):				
As reported	$ 142,126	$ (530,253)	$ (20,088)	$ (1,623,113)
Add: stock-based employee compensation expense included in net loss	—	—	—	33,900
Deduct: total stock-based employee compensation expense determined under the fair value-based method for all awards	(1,258,565)	(1,070,225)	(2,443,287)	(2,224,046)
Pro forma	$ (1,116,439)	$ (1,600,478)	$ (2,463,375)	$ (3,813,259)
Basic and diluted income (loss) per share:				
As reported	$ 0.00	$ (0.01)	$ (0.00)	$ (0.04)
Pro forma	$ (0.03)	$ (0.04)	$ (0.06)	$ (0.10)

Other Comprehensive Income (Loss). We follow SFAS No. 130, "Reporting Comprehensive Income." This statement requires the classification of items of other comprehensive income (loss) by their nature and disclosure of the accumulated balance of other comprehensive income (loss), separately from accumulated deficit and additional paid-in capital, in the stockholders' equity section of our balance sheet.

3. Patents and Product Rights

In June 2004, we entered into a sublicense agreement with a third party, pursuant to which we have been granted a limited, worldwide, non-exclusive sublicense to certain HIV-2 patents held by such party. The agreement requires us to pay the third party a one-time non-refundable license fee of $900,000, of which $600,000 and $300,000 is payable by September 30, 2004 and June 30, 2005, respectively. We recorded the $900,000 as additional Patent and Product Rights in the accompanying balance sheet at June 30, 2004 and are amortizing this amount through June 30, 2014. The $900,000 obligation is included in Accrued Expenses.

Under the terms of this sublicense agreement, we are also obligated to pay royalties based upon a percentage of our net sales of certain products which incorporate the technology covered by the licensed patents. Commencing in June 2005, our minimum annual royalty obligation is $100,000, increasing to $300,000 in the second contract year and $500,000 for the third contract year through 2018, when the last of the applicable patents expire. Royalties from our commercial sale of products covered by the sublicense can be credited against these minimum royalty obligations.

4. Accrued Expenses:

	June 30, 2004	December 31, 2003
Royalties	$ 2,175,327	$ 1,428,816
Payroll and related benefits	1,624,535	1,449,151
Advertising	905,315	474,817
License fees	900,000	—
Deferred revenue	705,956	705,817
Laboratory testing fees	376,373	305,647
Professional fees	362,590	222,710
Other	642,946	788,893
	$ 7,693,042	$ 5,375,851

At June 30, 2004 and December 31, 2003, accrued royalties are primarily attributed to launching two new products during 2003. License fees at June 30, 2004 are related to the new sublicense agreement which we entered into in June 2004, as discussed in Note 3.

5. Stockholders' Equity

During the six-month period ended June 30, 2004, we granted 410,000 restricted shares of our common stock to certain key officers. These shares are nontransferable and are subject to vesting requirements, in varying increments, over varying periods of time, spanning one to ten years. Upon granting of these restricted shares, deferred compensation expense equivalent to the market value at the date of grant was charged to stockholders' equity and is being amortized over the related vesting period during which the restrictions lapse. In connection with these restricted share grants, we recorded $3,176,150 of deferred compensation during the six-month period ended June 30, 2004. Amortization of deferred compensation related to these and previous grants was $134,180 and $197,952 during the three-month and six-month periods ended June 30, 2004, respectively. No such expense was recorded in the same periods of 2003.

6. Commitments and Contingencies

On June 22, 2004, Michael J. Gausling resigned from his position as President, Chief Executive Officer and a Director of the Company and his successor was named. Pursuant to a transition agreement we entered into with Mr. Gausling in March 2004, he will continue to be employed by the Company for the purpose of transferring his responsibilities to his successor as needed until December 31, 2004, unless his employment is terminated earlier for cause, as defined in the transition agreement. During the remainder of 2004, Mr. Gausling will receive his annual base salary of $325,000, will be entitled to full executive benefits under our group health and other benefit arrangements, and will be entitled to a cash bonus under our 2004 Self-Funding Annual Bonus Plan payable, if at all, at the same time as other executives participating in the plan receive bonuses. Mr. Gausling was also granted a non-qualified option to purchase 100,000 shares of common stock, pursuant to our 2000 Stock Award Plan. During 2005, Mr. Gausling will receive salary continuation payments in an aggregate amount of $325,000, payable in four equal installments at the end of each fiscal quarter during 2005. Also, if Mr. Gausling elects to obtain continuing coverage under our health benefit plan pursuant to COBRA beginning January 1, 2005, we will reimburse Mr. Gausling for the cost of his COBRA premiums for the 12-month period ending December 31, 2005.

In June and July 2004, we entered into several new employment agreements with certain officers of our Company. Under the terms of these agreements, we are required to pay each individual a base salary for continuing employment with our Company, through either 2006 or 2007. Collectively, these employment agreements and the transition agreement discussed above require salary payments of $893,345 during the remaining six months of 2004 and $1,786,690, $930,845 and $200,000 in the years ending December 31, 2005, 2006 and 2007, respectively.

7. Geographic Area Information

Under the disclosure requirements of SFAS No. 131, “Segment Disclosures and Related Information,” we operate within one segment. Our products are sold principally in the United States and Europe. Segmentation of operating income and identifiable assets is not applicable since our revenues outside the United States are export sales and we do not have significant operating assets outside the United States.

The following table represents total revenues by geographic area (amounts in thousands):

	For the three months ended June 30,		For the six months ended June 30,	
	2004	2003	2004	2003
United States	$11,797	$8,385	$22,722	$15,904
Europe	908	911	1,984	1,535
Other regions	510	333	917	800
	$13,215	$9,629	$25,623	$18,239

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Statements below regarding future events or performance are "forward-looking statements" within the meaning of the Federal securities laws. These include statements about expected revenues, earnings, expenses, cash flow or other financial performance, products, markets, and regulatory filings and approvals. Forward-looking statements are not guarantees of future performance or results. Factors that could cause actual performance or results to be materially different from those expressed or implied in these statements include: ability to market products; impact of competitors, competing products and technology changes; ability to develop, commercialize and market new products; market acceptance of oral fluid testing products and up-converting phosphor technology products; ability to fund research and development and other projects and operations; ability to obtain and maintain new or existing product distribution channels (including our ability to implement a direct sales effort or alternative distribution method for OraQuick® in the hospital market); reliance on sole supply sources for critical product components; availability of related products produced by third parties; ability to obtain and timing of obtaining necessary regulatory approvals; ability to comply with applicable regulatory requirements; history of losses and ability to achieve sustained profitability; volatility of our stock price; uncertainty relating to patent protection and potential patent infringement claims; availability of licenses to patents or other technology; ability to enter into international manufacturing agreements; obstacles to international marketing and manufacturing of products; ability to sell products internationally; loss or impairment of sources of capital; ability to meet financial covenants in agreements with financial institutions; ability to retain qualified personnel; exposure to product liability and other types of litigation; changes in international, federal or state laws and regulations; changes in relationships with strategic partners and reliance on strategic partners for the performance of critical activities under collaborative arrangements; changes in accounting practices or interpretation of accounting requirements; customer inventory practices and consolidations; equipment failures and ability to obtain needed raw materials and components; the impact of terrorist attacks, war and civil unrest; ability to identify, complete and realize the full benefits of potential acquisitions; and general business, political and economic conditions. These and other factors that could cause the forward-looking statements to be materially different are described in greater detail in our filings with the Securities and Exchange Commission, including our registration statements, our Annual Report on Form 10-K for the year ended December 31, 2003 and our Quarterly Reports on Form 10-Q. Although forward-looking statements help to provide information about future prospects, they may not be reliable. The forward-looking statements are made as of the date of this Report and we undertake no duty to update these statements.

The following discussion should be read in conjunction with the financial statements contained herein and the notes thereto, along with the Section entitled, "Critical Accounting Policies and Estimates," set forth below.

Overview

Our Company operates primarily in the worldwide $22 billion *in vitro* diagnostics business. We develop, manufacture and market oral fluid specimen collection devices using proprietary oral fluid technologies, diagnostic products including immunoassays, and other *in vitro* diagnostic tests. We also manufacture and sell a medical device for the removal of warts and other benign skin lesions by cryosurgery, or freezing.

Our diagnostic product offerings primarily target the infectious disease and substance abuse testing segments of the *in vitro* diagnostic market, and are used in both laboratories as well as the emerging, and rapidly growing, point-of-care marketplace. Our OraSure® and Intercept® oral fluid collection devices, and their related assays, are processed in a laboratory, while the OraQuick® rapid HIV antibody test and UP*link*® oral fluid rapid drug detection system are designed for use at the point-of-care. Our cryosurgical products, which are sold under the names Histofreezer® and Freeze Off™, are also used at the point-of care.

In vitro diagnostics have traditionally used blood or urine as the bodily fluids upon which tests are conducted. However, we have targeted the use of oral fluid in our products as a differentiating competitive factor, and believe that it provides a significant competitive advantage over blood and urine. Our oral fluid tests have sensitivity and specificity comparable to blood and/or urine tests. In addition, because of their ease of use, non-invasive and dignified nature, and cost effectiveness, we believe these tests represent a competitive alternative to the more traditional testing methods in the diagnostic space.

During the first six months of 2004, we continued to increase our sales and gain market acceptance for most of our products.

Sales into the infectious disease testing market during the second quarter and first six months of 2004 increased significantly due to the continued market acceptance of our OraQuick® device. This resulted largely from sales directly to various public health organizations, sales to the Centers for Disease Control and Prevention ("CDC") for further distribution in the public health market, and sales to Abbott Laboratories ("Abbott") for distribution primarily to hospitals. There were also international sales of this product during these periods.

In 2003, the CDC placed purchase orders totaling approximately $4.0 million for 500,000 OraQuick® devices, with equal amounts to be shipped in 2003 and 2004. We expect to complete our shipment of devices in satisfaction of these orders by September 30, 2004, and we will pursue an additional bulk purchase order from the CDC during the second half of 2004.

In the first quarter of 2004, our agreement with Abbott to distribute OraQuick® in the United States was converted from co-exclusive to non-exclusive. Abbott has continued to purchase and sell OraQuick® devices in the United States throughout the first six months of 2004. Early in the second quarter, we established our internal sales force for selling OraQuick® directly into the hospital market. This sales force is comprised of a Director, Hospital Sales and a small team of field representatives that are focusing their sales efforts on the larger metropolitan markets in the United States. The success of this effort will impact the future sales of OraQuick®. We also intend to address the market potential of physicians' offices by engaging one or more distribution partners, as we believe it would be impractical to build and sustain an internal sales force large enough to adequately service that market. We believe that the combination of our direct sales efforts and sales to Abbott and our other distribution partners will help us gain significant market penetration with OraQuick® in the hospital, physicians' office and other markets for rapid HIV testing in the United States.

During 2003, two competitors received U.S. Food and Drug Administration ("FDA") approval for rapid HIV tests. Based on their current FDA approvals, we expect that these tests will be sold, and will compete with our OraQuick® test, primarily in the hospital market in the United States.

During March 2004, we received FDA approval to use the OraQuick® test to detect HIV-2 antibodies in finger stick whole blood and venipuncture whole blood samples, HIV-1 antibodies in oral fluid samples and both HIV-1 and HIV-2 antibodies in plasma samples. In June 2004, we received FDA approval to use the OraQuick® test to detect antibodies to HIV-2 in oral fluid and we also obtained a CLIA (Clinical Laboratory Improvements Amendments of 1988) waiver for the OraQuick® HIV-1/2 test for all specimen types except plasma. Under CLIA, laboratories are precluded from performing *in vitro* diagnostic tests unless there is in effect for such laboratories a certificate issued by the U.S. Department of Health and Human Services applicable to the category of examination or procedure performed. A CLIA waiver allows non-laboratory customers to use the waived products that may not have been available for use by these customers without complying with the quality control and other requirements mandated for certified laboratories under CLIA.

Additionally, in June 2004 we received a nonexclusive, worldwide sublicense to certain HIV-2 patents held by Bio-Rad Laboratories ("Bio-Rad"). We believe that the recent FDA approvals, together with the sublicense from Bio-Rad, will provide a significant competitive advantage by allowing us to sell a versatile rapid HIV test that is capable of detecting antibodies to both the HIV-1 and HIV-2 strains of the virus in oral fluids, finger stick whole blood, venous whole blood and plasma.

In mid July 2004, we received data from an investigational clinical trial that may indicate a higher rate of unconfirmed positive results from the use of our OraQuick® test in oral fluid samples than was shown in the clinical data that we compiled, including data from Company-sponsored trials and independent CDC studies, in support of our FDA approval of an oral fluid claim. Similar results were not indicated for blood samples tested with the device. We have commenced a technical and procedural assessment to understand this situation. Our plan had been to launch

a new OraQuick® HIV-1/2 test with all claims, including oral fluid, in August of 2004. However, we now intend to delay the commercial launch of an oral fluid OraQuick® HIV-1/2 test until our assessment is completed and appropriate corrective measures are taken, if any are needed. At this time, we are unable to predict how long the commercial launch of our oral fluid OraQuick® HIV-1/2 test will be delayed or what effect, if any, the delay will have on our revenues, results of operations or cash flow.

In late June 2004, we were requested to respond to a Request for Proposal ("RFP") issued by the Substance Abuse and Mental Health Services Administration ("SAMHSA") for the sole source supply of oral fluid rapid HIV tests along with lab-based oral fluid test kits for confirmatory testing purposes. SAMHSA intends to use these products for HIV testing throughout the United States in the drug rehabilitation and treatment and criminal justice markets. Whether we are able to complete a bulk sale of OraQuick® devices and OraSure® test kits to SAMHSA pursuant to the RFP, and the timing of any such sale, may depend upon the resolution of the OraQuick® oral fluid assessment described above.

Sales to the substance abuse testing market also increased during the second quarter and first six months of 2004, reflecting the growing acceptance of our Intercept® collection device and related oral fluid drug assays, as corporate and criminal justice customers continued to shift to oral fluid and away from traditional urine-based drug testing. We expect continuing growth in the utilization of our Intercept® product line, primarily in the United States and United Kingdom. This increase was partially offset by lower sales of our drug assays to the forensic toxicology market.

In March 2004, the FDA responded to our application for 510(k) clearance of the UP*link*® rapid oral fluid drugs of abuse detection system, by indicating that additional performance data would be needed in order to obtain clearance. We are evaluating the FDA's requirements and whether any modifications to our UP*link*® system will be required in order to provide that data. At this time, we cannot predict when we will be able to resubmit an application for 510(k) clearance of the UP*link*® system. However, the absence of 510(k) clearance will not affect our ability to sell the UP*link*® system internationally. In April 2004, we launched our UP*link*® system in Germany and other European countries, primarily in the roadside testing market, with our partner, Dräger Safety.

In April 2004, SAMHSA published proposed guidelines that would, if adopted, include oral fluid testing as an accepted drug testing method for federal employees. We have responded to SAMHSA's proposed guidelines with a comment letter and await the final guidelines that will apply to both our Intercept® and UP*link*® drugs of abuse test. We are unable to predict at this time as to whether additional modifications may be required to bring our UP*link*® or Intercept® drug testing systems into compliance with the guidelines when finally adopted or what affect, if any, non-compliance with the final guidelines will have on our product offerings outside of the federal workplace.

Sales to the cryosurgical systems market during the second quarter and first six months of 2004 have grown substantially, largely because we entered the consumer or over-the-counter ("OTC") market. The cryosurgical systems market represents sales of Histofreezer® into both the domestic and international physicians' office markets and sales of the OTC formulation of this product, called Freeze Off™, to our partner, Medtech Holdings, Inc. ("Medtech"). Medtech distributes Freeze Off™ to consumers under its Compound W® trademark.

While we are pleased with the level of Freeze Off™ sales and hope that they continue at the same or higher levels, these sales were received in anticipation of the wart season in the U.S., which runs from Spring to Fall. Since the sales of Freeze Off™ during the first six months of 2004 reflect the seasonality of this product, they may not continue at the same level during each of the remaining quarters in 2004.

Sales to the insurance risk assessment market continued to decline in the second quarter of 2004, primarily as a result of the loss of urine assay sales to our largest customer, Lab*One*. These products have experienced substantial competitive pressure from "home-brew" assays internally developed by this customer. Sales of these products are not expected to recover. We anticipate little growth and we may continue to experience declines in the insurance risk assessment market until we are successful in developing new oral fluid based diagnostic tests for additional predictive health markers desired by the insurance industry.

In March 2004, we received the final FDA approval to transfer the manufacture of our Intercept® and OraSure® collection devices and our oral fluid Western blot HIV-1 confirmatory test from Oregon to our facilities in Bethlehem, Pennsylvania. We expect that this transfer will reduce our annual operating expenses and improve our ability to control the quality of the transferred products.

Because of the regulatory approvals needed for most of our products, we often are required to rely on sole source providers for critical components and materials. This is particularly true for our OraQuick® test and oral fluid Western blot HIV-1 confirmatory product. If we are unable to obtain necessary components or materials from these sole sources, the time required to develop replacements and obtain the required FDA approvals could disrupt our ability to sell the affected products. In addition, any delay or interruption in our ability to manufacture the oral fluid Western blot HIV-1 confirmatory test would adversely affect sales of our OraSure® oral fluid collection device, as our customers are not expected to purchase OraSure® devices if an oral fluid Western blot HIV-1 confirmatory test is not readily available.

Results of Operations

Three months ended June 30, 2004 compared to June 30, 2003

Total revenues increased 37% to approximately $13.2 million in the second quarter of 2004 from approximately $9.6 million in the comparable quarter in 2003, primarily as a result of increased sales of our Freeze Off™ and Histofreezer® cryosurgical products, OraQuick® rapid HIV-1 antibody test and Intercept® oral fluid drug test, partially offset by lower sales in the insurance risk assessment market. Product revenues for the second quarter of 2004 increased 39% to approximately $13.1 million compared to approximately $9.4 million for the second quarter of 2003. International sales accounted for 11% of total revenues in the second quarter of 2004.

The table below shows the amount of total revenues (in thousands, except %) generated in each of our principal markets and by licensing and product development activities.

	Three Months Ended June 30,				
	Dollars			Percentage of Total Revenues	
	2004	2003	Percent Change Inc. (Dec.)	2004	2003
Market revenues					
Insurance risk assessment	$ 1,905	$ 2,458	(22)%	14%	26%
Infectious disease testing	3,970	2,703	47	30	28
Substance abuse testing	2,389	1,835	30	18	19
Cryosurgical systems	4,858	2,442	99	37	25
Product revenues	13,122	9,438	39	99	98
Licensing and product development	93	191	(51)	1	2
Total revenues	$ 13,215	$ 9,629	37%	100%	100%

Sales to the insurance risk assessment market decreased 22% to approximately $1.9 million in the second quarter of 2004 as a result of lower sales of our urine assays and OraSure® oral fluid collection devices. We expect that sales of our insurance assays, including our oral fluid assays, will continue to come under competitive pressure. Our laboratory customers have reduced and are expected to continue to reduce their purchases of these products and instead use lower cost, internally-developed (i.e., “home-brew’) assays or testing products purchased from our competitors. We do not expect to recover this business, and our revenues are expected to be negatively impacted by as much as $1.0 million in 2004, when compared to 2003 revenues in the insurance risk assessment market.

Sales to the infectious disease testing market increased 47% to approximately $4.0 million in the second quarter of 2004, primarily as a result of the continued strength of our OraQuick® rapid HIV-1 antibody test in the public health marketplace. We sell the OraQuick® test directly to public health entities and to the CDC, which in turn distributes the product in the public health marketplace. OraQuick® sales totaled approximately $2.3 million and $1.1 million in

the second quarters of 2004 and 2003, respectively. OraSure® sales totaled approximately $1.6 million in each of the second quarters of 2004 and 2003. During the second half of 2004, we will pursue an additional bulk purchase order for OraQuick® from the CDC and a bulk purchase order for both OraQuick® and OraSure® test kits from SAMHSA. Whether we are able to secure a bulk sale to SAMHSA and the timing of any such sale may depend on the resolution of the OraQuick® oral fluid assessment, described elsewhere in this Report.

In order to improve penetration of our OraQuick® test in the hospital market, we have added an internal sales force that sells directly to hospitals, which is a primary market targeted by Abbott Laboratories, our non-exclusive distribution partner in the U.S. We believe that expanding our direct sales efforts will provide us with greater control over distribution and a higher margin contribution from this product, and will allow us to provide marketing support for hospital customers. We are also evaluating the use of one or more distributors to help us penetrate the physicians' office market.

In the second quarter of 2004, we recorded OraQuick® sales of approximately $925,000 to the CDC and approximately $720,000 in direct sales of OraQuick® to the U.S. public health market. We also had OraQuick® sales of approximately $400,000 to Abbott, approximately $230,000 to the international marketplace, and approximately $65,000 directly to hospital customers. OraQuick® revenues from the hospital market during the second quarter were generated by our new direct sales force, which was not fully deployed until early in the second quarter of 2004. Consequently, we do not believe that the sales level obtained from hospitals to be predictive of future results.

Although sales of our OraQuick® test are expected to increase, such sales are expected to negatively impact sales of our OraSure® oral fluid collection device in the infectious disease testing market. Customers who now or in the future may purchase our OraSure® device for HIV-1 testing may elect instead to purchase our OraQuick® test. It is not possible at this time, however, to estimate the timing or extent of such change in purchasing patterns or the financial impact of replacing OraSure® sales with sales of our OraQuick® test.

In March 2004, we received approval from the FDA for use of the OraQuick® device to detect HIV-2 antibodies in finger stick and venipuncture whole blood samples, HIV-1 antibodies in oral fluid samples and both HIV-1 and HIV-2 antibodies in plasma samples. In June 2004, we received approval from the FDA for use of the OraQuick® device to detect antibodies to HIV-2 in oral fluid and we received a CLIA waiver for the OraQuick® HIV-1/2 device for use with oral fluids, finger stick whole blood and venipuncture whole blood.

In June 2004, we received a worldwide, non-exclusive sublicense to certain HIV-2 patents held by Bio-Rad that provides us rights to sell a test to detect antibodies to the HIV-2 virus on the OraQuick® platform. The sublicense expires upon the expiration of the last-to-expire licensed patent, is royalty bearing and requires upfront and milestone based fees and minimum annual royalties.

We believe that an OraQuick® device which is approved for detecting antibodies to both HIV-1 and 2 in oral fluid, finger stick and venous whole blood, and plasma samples, and is CLIA-waived for use with all sample types except plasma, will enhance the versatility of our OraQuick® test, provide a significant competitive advantage, and allow us to more fully implement a strategy to sell OraQuick® internationally.

In mid July 2004, we received data from an investigational clinical trial that may indicate a higher rate of unconfirmed positive results from the use of our OraQuick® test in oral fluid samples than was shown in the clinical data that we compiled, including data from Company-sponsored trials and independent CDC studies, in support of our FDA approval of an oral fluid claim. Similar results were not indicated for blood samples tested with the device. We have commenced a technical and procedural assessment to understand this situation. Our plan had been to launch a new OraQuick® HIV-1/2 test with all claims, including oral fluid, in August of 2004. However, we now intend to delay the commercial launch of an oral fluid OraQuick® HIV-1/2 test until our assessment is completed and appropriate corrective measures are taken, if any are needed. At this time, we are unable to predict how long the commercial launch of our oral fluid OraQuick® HIV-1/2 test will be delayed or what effect, if any, the delay will have on our revenues, results of operations or cash flow.

Sales to the substance abuse testing market increased 30% to approximately $2.4 million in the second quarter of 2004, primarily as a result of increased sales of our Intercept® oral fluid drug testing service in the U.S. workplace

and criminal justice market and sales of our UP*link*® rapid point-of-care oral fluid drug detection system to Dräger Safety. Sales of Intercept® into the U.S. workplace and criminal justice markets increased 45% and 81% to approximately $720,000 and $491,000, respectively, in the second quarter of 2004, compared to 2003. Partially offsetting these increases were lower than expected sales of our drug assays into the forensic toxicology market, which were down 15% compared to the same period in 2003.

In April 2004, we launched our UP*link*® rapid oral fluid drug detection system, including assays for the detection of drugs of abuse commonly identified by the National Institute for Drug Abuse ("NIDA") as the NIDA-5 (i.e. cocaine, opiates, amphetamines/methamphetamines, PCP and marijuana) with our partner, Dräger Safety. This product is being initially sold to the roadside testing market in Europe. Revenues from this product were approximately $129,000 in the second quarter of 2004.

Sales of our products in the cryosurgical systems market (which includes both the physicians' office and OTC markets) increased 99% to approximately $4.9 million in the second quarter of 2004, compared to 2003. This increase was primarily the result of $3.3 million in sales of our OTC cryosurgical system, called Freeze Off™, to Medtech, the owner of the Compound W® line of wart removal products. In 2003, we entered into a distribution agreement with Medtech following receipt of FDA 510(k) clearance for the sale of our cryosurgical system in the OTC market in the U.S. The Freeze Off™ product was launched by Medtech in the third quarter of 2003, and there were $1.2 million of sales to Medtech during the three months ended June 30, 2003.

The Freeze Off™ product is being sold under Medtech's Compound W® trademark. Our five-year distribution agreement with Medtech requires minimum purchases of at least $2.0 million each year over the life of the contract in order for Medtech to maintain its exclusive distribution rights to the OTC market in the U.S. However, based on additional purchase orders received to date, we expect sales of Freeze Off™ to Medtech to total at least $5.0 million during the second half of 2004.

Sales of our Histofreezer® product to physicians' offices in the U.S. increased 50% to approximately $1.2 million in the second quarter of 2004, when compared to the same period in 2003, primarily as a result of higher distributor sales. We are investing in promotional programs to raise the brand awareness of Histofreezer® in the U.S. professional marketplace and expect our 2004 full-year revenues for this product to increase over 2003. Sales of Histofreezer® in the international market declined by 22% to approximately $352,000, but on an annual basis are expected to remain at approximately the 2003 levels until we are able to secure additional distributors in countries where this product is currently not sold.

It is possible that sales of the Freeze Off™ product in the U.S. OTC market may reduce the number of individuals that will seek to obtain treatment of their warts by a physician, which in turn could negatively affect sales of our Histofreezer® product in the professional market. To date, we have not seen evidence of this and it is not possible at this time to estimate the timing or financial impact of such a change, if it occurs at all.

Licensing and product development revenues decreased by 51% to $93,000 during the second quarter of 2004, compared to the same period in 2003, primarily as a result of lower payments for our collaborative UP*link*® and oral fluid research project with The University of Pennsylvania, under a grant awarded by the National Institutes of Health. The current phase of this grant expired in June 2004 and we have recently been advised that our share of the funding for the next grant year, which runs through June 2005, will approximate $308,000.

Gross margin in the second quarter of 2004 was approximately 58%, a decrease from the gross margin of 60% recorded in the second quarter of 2003. Gross margin was positively affected by more efficient utilization of our manufacturing capacity, offset by a less favorable product sales mix and higher production costs associated with products recently transferred to our Bethlehem, Pennsylvania manufacturing facility and our recently-launched UP*link*® oral fluid drug detection system.

Research and development expenses decreased 23% to approximately $1.5 million in the second quarter of 2004 from approximately $2.0 million in the same period in 2003, primarily as a result of a decrease in expenses related to the transfer of manufacturing operations to our Bethlehem, Pennsylvania facilities, and lower clinical trial and staffing related expenses.

Sales and marketing expenses increased 38% to approximately $3.8 million in the second quarter of 2004 from approximately $2.7 million in the same period in 2003. This increase was primarily the result of higher product advertising expenditures, costs associated with the deployment of our hospital sales force and increased staffing related expenses. Partially offsetting these increases was a reduction of our bad debt expense.

Included in advertising expenses for the second quarters of 2004 and 2003 were amounts payable to Medtech as reimbursement for marketing expenses incurred for the Freeze Off™ product, totaling approximately $736,000 and $243,000, respectively. Pursuant to our agreement with Medtech, we will continue to co-invest in Medtech's marketing activities for the Freeze Off™ product, and we will reimburse Medtech, on a declining basis over the first four years of the agreement, for a portion of Medtech's out-of-pocket costs of advertising and promoting this product in the OTC market. We expect sales and marketing expenses to increase substantially during 2004 as a result of the further deployment of our new hospital sales force and additional investment required to increase sales and market acceptance of our OraQuick®, Intercept® and Histofreezer® products.

General and administrative expenses increased 47% to approximately $2.4 million in the second quarter of 2004 from approximately $1.7 million in the same period in 2003. This increase was primarily attributable to transition costs for the retirement of our former Chief Executive Officer and the additional costs of hiring our new Chief Executive Officer, increased legal fees related to patent matters, increased staffing related expenses and increased professional fees related to compliance with the requirements of the Sarbanes-Oxley Act of 2002. General and administrative expenses are expected to increase further in 2004 as a result of the additional compensation for our new Chief Executive Officer, including approximately $450,000 of non-cash charges associated with a restricted stock grant, and costs associated with complying with the requirements of the Sarbanes-Oxley Act of 2002.

In July 2004, we filed a lawsuit against Schering-Plough Healthcare Products, Inc. ("Schering-Plough") for infringement of several of our patents that cover our Histofreezer® and Freeze Off™ products. This suit relates to the Dr. Scholls® Freeze Away™ wart removal product sold by Schering-Plough in the United States OTC market, which competes with our Freeze Off™ product. This litigation is expected to result in a significant increase in legal fees during the term of the litigation. At this time, we cannot predict how long the term of the litigation will last.

Interest expense decreased to $40,000 in the second quarter of 2004 from $47,000 in the same period in 2003, primarily as a result of lower outstanding debt balances. Interest income increased to $230,000 in the second quarter of 2004 from $83,000 in the same period in 2003, as a result of substantially larger balances available for investment.

During the second quarters of 2004 and 2003, we recorded provisions for foreign income taxes of approximately $5,000 and $11,000, respectively.

Results of Operations

Six months ended June 30, 2004 compared to June 30, 2003

Total revenues increased 40% to approximately $25.6 million for the six months ended June 30, 2004 from approximately $18.2 million in the comparable period in 2003, primarily as a result of increased sales of our Freeze Off™ and Histofreezer® cryosurgical products, OraQuick® rapid HIV-1 antibody test and Intercept® oral fluid drug test, partially offset by lower sales in the insurance risk assessment market. Product revenues for the first six months of 2004 increased 43% to approximately $25.4 million compared to approximately $17.8 million for the same period in 2003. International sales accounted for 11% of total revenues during the first six months of 2004.

The table below shows the amount of total revenues (in thousands, except %) generated in each of our principal markets and by licensing and product development activities.

	Six Months Ended June 30,				
	Dollars			Percentage of Total Revenues	
	2004	2003	Percent Change Inc. (Dec.)	2004	2003
Market revenues					
Insurance risk assessment	$ 4,190	$ 5,460	(23)%	16%	30%
Infectious disease testing	7,307	5,472	34	29	30
Substance abuse testing	4,583	3,429	34	18	19
Cryosurgical systems	9,331	3,419	173	36	19
Product revenues	25,411	17,780	43	99	98
Licensing and product development	212	459	(54)	1	2
Total revenues	$ 25,623	$ 18,239	40%	100%	100%

Sales to the insurance risk assessment market decreased 23% to approximately $4.2 million for the six months ended June 30, 2004 as a result of lower sales of our urine assays and OraSure® oral fluid collection devices. We expect that sales of our insurance assays, including our oral fluid assays, will continue to come under competitive pressure. Our laboratory customers have reduced and are expected to continue to reduce their purchases of these products and instead use lower cost, internally-developed (i.e., “home-brew’) assays or testing products purchased from our competitors. We do not expect to recover this business, and our revenues are expected to be negatively impacted by as much as $1.0 million in 2004, when compared to 2003 revenues in the insurance risk assessment market.

Sales to the infectious disease testing market increased 34% to approximately $7.3 million for the six months ended June 30, 2004, primarily as a result of the continued strength of our OraQuick® rapid HIV-1 antibody test in the public health marketplace. We sell the OraQuick® test directly to public health entities and to the CDC, which in turn distributes the product in the public health marketplace. OraQuick® sales totaled approximately $4.5 million and $2.5 million in the first six months of 2004 and 2003, respectively. OraSure® sales totaled approximately $2.8 million and $3.0 million in the first six months of 2004 and 2003, respectively. During the second half of 2004, we will pursue an additional bulk purchase of OraQuick® from the CDC and a bulk purchase order for both OraQuick® and OraSure® test kits from SAMHSA. Whether we are able to secure a bulk sale to SAMHSA and the timing of any such sale may depend on the resolution of the OraQuick® oral fluid assessment, described elsewhere in this Report.

In order to improve penetration of our OraQuick® test in the hospital market, we have added an internal sales force that sells directly to hospitals, which was a primary market targeted by Abbott Laboratories, our non-exclusive distribution partner in the U.S. We believe that expanding our direct sales efforts will provide us with greater control over distribution and a higher margin contribution from this product, and will allow us to provide marketing support for hospital customers. We are also evaluating the use of one or more distributors to help us penetrate the physicians’ office market.

In the first six months of 2004, we recorded OraQuick® sales of approximately $1.6 million to the CDC, approximately $1.3 million in direct sales of OraQuick® to the U.S. public health market and approximately $1.0 million to Abbott. We also sold approximately $450,000 of OraQuick® to the international marketplace and approximately $65,000 directly to hospital customers. OraQuick® revenues from the hospital market during the first six months of 2004 were generated by our new direct sales force, which was not fully deployed until early in the second quarter of 2004. Consequently, we do not believe that the sales level obtained from hospitals to be predictive of future results.

Although sales of our OraQuick® test are expected to increase, such sales are expected to negatively impact sales of our OraSure® oral fluid collection device in the infectious disease testing market. Customers who now or in the future may purchase our OraSure® device for HIV-1 testing may elect instead to purchase our OraQuick® test. It is not possible at this time, however, to estimate the timing or extent of such change in purchasing patterns or the financial impact of replacing OraSure® sales with sales of our OraQuick® test.

In March 2004, we received approval from the FDA for use of the OraQuick® device to detect HIV-2 antibodies in finger stick and venipuncture whole blood samples, HIV-1 antibodies in oral fluid samples and both HIV-1 and HIV-2 antibodies in plasma samples. In June 2004, we received approval from the FDA for use of the OraQuick® device to detect antibodies to HIV-2 in oral fluid and we received a CLIA waiver for the OraQuick® HIV-1/2 device for use with oral fluids, finger stick whole blood and venipuncture whole blood.

In June 2004, we received a worldwide, non-exclusive sublicense to certain HIV-2 patents held by Bio-Rad that provides us rights to sell a test to detect antibodies to the HIV-2 virus on the OraQuick® platform. The sublicense expires upon the expiration of the last-to-expire licensed patent, is royalty bearing and requires upfront and milestone based fees and minimum annual royalties.

We believe that an OraQuick® device which is approved for detecting antibodies to both HIV-1 and 2 in oral fluid, finger stick whole blood, venous whole blood, and plasma, and is CLIA-waived for use with all sample types except plasma, will enhance the versatility of our OraQuick® test, provide a significant competitive advantage, and allow us to more fully implement a strategy to sell OraQuick® internationally.

In mid July 2004, we received data from an investigational clinical trial that may indicate a higher rate of unconfirmed positive results from the use of our OraQuick® test in oral fluid samples than was shown in the clinical data that we compiled, including data from Company-sponsored trials and independent CDC studies, in support of our FDA approval of an oral fluid claim. Similar results were not indicated for blood samples tested with the device. We have commenced a technical and procedural assessment to understand this situation. Our plan had been to launch a new OraQuick® HIV-1/2 test with all claims, including oral fluid, in August of 2004. However, we now intend to delay the commercial launch of an oral fluid OraQuick® HIV-1/2 test until our assessment is completed and appropriate corrective measures are taken, if any are needed. At this time, we are unable to predict how long the commercial launch of our oral fluid OraQuick® HIV-1/2 test will be delayed or what effect, if any, the delay will have on our revenues, results of operations or cash flow.

Sales to the substance abuse testing market increased 34% to approximately $4.6 million in the six months ended June 2004, primarily as a result of increased sales of our Intercept® oral fluid drug testing service in the U.S. workplace and criminal justice markets and sales of our UP*link*® drug detection system to Dräger Safety. Sales of Intercept® into the U.S. workplace and criminal justice markets increased 64% and 55% to approximately $1.4 million and $766,000, respectively, in the six months ended June 2004, compared to 2003. Partially offsetting these increases were lower than expected sales of our drug assays into the forensic toxicology market, which were down 12% compared to the same period in 2003.

In April 2004, we launched our UP*link*® rapid oral fluid drug detection system, including assays for the detection of drugs of abuse commonly known as the NIDA-5 (i.e. cocaine, opiates, amphetamines/methamphetamines, PCP and marijuana) with our partner, Dräger Safety. This product is being initially sold to the roadside testing market in Europe. Revenues from this product were approximately $270,000 for the six months ended June 2004.

Sales of our products in the cryosurgical systems market (which includes both the physicians' office and OTC markets) increased 173% to approximately $9.3 million in the six months ended June 2004, compared to 2003. This increase was primarily the result of $6.4 million in sales of our OTC cryosurgical system, called Freeze Off™, to Medtech, the owner of the Compound W® line of wart removal products. In 2003, we entered into a distribution agreement with Medtech following receipt of FDA 510(k) clearance for the sale of our cryosurgical system in the OTC market in the U.S. The Freeze Off™ product was launched by Medtech in the third quarter of 2003, and there were $1.2 million of sales to Medtech during the six-months ended June 30, 2003.

The Freeze Off™ product is being sold under Medtech's Compound W® trademark. Our five-year distribution agreement with Medtech requires minimum purchases of at least $2.0 million each year over the life of the contract in order for Medtech to maintain its exclusive distribution rights to the OTC market in the U.S. However, based on additional purchase orders received to date, we expect sales of Freeze Off™ to Medtech to reach at least $5.0 million during the second half of 2004.

Sales of our Histofreezer® product to physicians' offices in the U.S. increased 61% to approximately $2.2 million in the six months ended June 2004, when compared to the same period in 2003, primarily as a result of higher distributor sales. We are investing in promotional programs to raise the brand awareness of Histofreezer® in the U.S. professional marketplace and expect our 2004 full-year revenues for this product to increase over 2003. Sales of Histofreezer® in the international market declined by 13% to approximately $740,000, but on an annual basis are expected to remain at approximately 2003 levels until we are able to secure additional distributors in countries where this product is currently not sold.

It is possible that sales of the Freeze Off™ product in the U.S. OTC market may reduce the number of individuals that will seek to obtain treatment of their warts by a physician, which in turn could negatively affect sales of our Histofreezer® product in the professional market. To date, we have not seen evidence of this and it is not possible at this time to estimate the timing or financial impact of such a change, if it occurs at all.

Licensing and product development revenues decreased by 54% to $212,000 during the six months ended June 30, 2004, compared to the same period in 2003, primarily as a result of lower payments for our collaborative UP*link*® and oral fluid research project with The University of Pennsylvania, under a grant awarded by the National Institutes of Health. The current phase of this grant expired in June 2004 and we have recently been advised that our share of the funding for the next grant year, which runs through June 2005, will approximate $308,000.

Gross margin for the six months ended June 30, 2004 was approximately 58%, a decrease from the gross margin of 59% recorded in the comparable period in 2003. Gross margin was positively affected by more efficient utilization of our manufacturing capacity, offset by a less favorable product sales mix and higher production costs associated with products recently transferred to our Bethlehem, Pennsylvania manufacturing facilities and our recently-launched UP*link*® oral fluid drug detection system.

Research and development expenses decreased 18% to approximately $3.3 million in the six months ended June 30, 2004 from approximately $4.0 million in the same period in 2003, primarily as a result of a decrease in expenses related to the transfer of manufacturing operations to our Bethlehem, Pennsylvania facilities and lower clinical trial and staffing related expenses.

Sales and marketing expenses increased 49% to approximately $7.4 million in the six months ended June 30, 2004 from approximately $5.0 million in the same period in 2003. This increase was primarily the result of higher product advertising expenditures, costs associated with the deployment of our hospital sales force, increased staffing related expenses and higher travel and entertainment expenses. Partially offsetting these increases was a reduction of our bad debt expense.

Included in advertising expenses for the first six months of 2004 and 2003 were amounts payable to Medtech as reimbursement for marketing expenses incurred for the Freeze Off™ product totaling approximately $1.3 million and $243,000, respectively. Pursuant to our agreement with Medtech, we will continue to co-invest in Medtech's marketing activities for the Freeze Off™ product, and we will reimburse Medtech, on a declining basis over the first four years of the agreement, for a portion of Medtech's out-of-pocket costs of advertising and promoting this product in the OTC market. We expect sales and marketing expenses to increase substantially during 2004 as a result of the further deployment of our new hospital sales force, and additional investment required to increase sales and market acceptance of our OraQuick®, Intercept® and Histofreezer® products.

General and administrative expenses increased 30% to approximately $4.6 million in the six months ended June 30, 2004 from approximately $3.5 million in the same period in 2003. This increase was primarily attributable to increased legal fees related to patent matters and our arbitration proceedings with Abbott, transition costs for the retirement of our former Chief Executive Officer, the additional costs of hiring our new Chief Executive Officer, increased staffing related expenses and increased professional fees related to compliance with the requirements of the Sarbanes-Oxley Act of 2002. General and administrative expenses are expected to increase further in 2004 as a result of the additional costs associated with the additional compensation for our new Chief Executive Officer, including approximately $450,000 of non-cash charges associated with a restricted stock grant, and costs associated with complying with the requirements of the Sarbanes-Oxley Act of 2002.

In July 2004, we filed a lawsuit against Schering-Plough for infringement of several patents that cover our Histofreezer® and Freeze Off™ products. This suit relates to the Dr. Scholls® Freeze Away™ wart removal product sold by Schering-Plough in the United States OTC market, which competes with our Freeze Off™ product. This litigation is expected to result in a significant increase in legal fees during the term of the litigation. At this time, we cannot predict how long the term of the litigation will last.

Interest expense decreased to $71,000 in the first six months of 2004 from $96,000 in the same period in 2003 primarily as a result of lower outstanding debt balances. Interest income increased to $436,000 in the first six months of 2004 from $169,000 in the same period in 2003, as a result of substantially larger balances available for investment.

During the first six months of 2004 and 2003, we recorded provisions for foreign income taxes of approximately $9,000 and $15,000, respectively.

Liquidity and Capital Resources

	June 30, 2004	December 31, 2003
	(In thousands)	
Cash and cash equivalents	$13,437	$ 30,695
Short-term investments	52,603	33,329
Working capital	67,933	67,171

Our cash, cash equivalents and short-term investments increased approximately $2.0 million during the first six months of 2004 to approximately $66.0 million at June 30, 2004, primarily as a result of positive cash flow from operations of approximately $1.9 million and proceeds from the exercise of stock options of approximately $1.5 million, partially offset by our purchase of approximately $600,000 of equipment and approximately $564,000 of debt repayments. At June 30, 2004, our working capital was approximately $67.9 million.

Net cash provided by operating activities was approximately $1.9 million in the first six months of 2004. This resulted from a decrease of approximately $1.4 million in accounts receivable, primarily related to increased collection efforts, depreciation and amortization of approximately $1.2 million and non-cash charges of approximately $526,000 related to stock-based compensation expense and provisions for excess and obsolete inventories, offset by inventory increases of $1.1 million, a reduction of accounts payable and accruals of $112,000, prepaid expense increases of $64,000 and the approximate $20,000 loss for the period. Accounts receivable are expected to grow as our sales increase and the proportion of sales increase to parties such as the CDC, hospitals and Medtech, which have 60-day payment terms.

Net cash used in investing activities during the first quarter of 2004 was approximately $20.0 million. We purchased a net amount of $19.4 million of short-term investments and purchased approximately $600,000 of property and equipment.

Capital expenditures are anticipated to increase during 2004 to approximately $2.0 million as a result of additional expenditures we intend to make for the purchase and installation of manufacturing and research and development equipment. We also expect to purchase additional information systems equipment and to upgrade certain older equipment in 2004.

Net cash provided by financing activities was approximately $928,000, reflecting the proceeds of approximately $1.5 million received from the sale of common stock pursuant to the exercise of stock options, offset by approximately $564,000 of loan principal repayments.

In September 2002, we entered into a $10.9 million credit facility (the “Credit Facility”) with Comerica Bank. The Credit Facility, when originally executed, was comprised of an $887,000 mortgage loan, a $3.0 million term loan, a $3.0 million non-revolving equipment line of credit, and a $4.0 million revolving working capital line of credit.

In September 2003, we executed an amendment to the Credit Facility. Pursuant to this amendment, the $3.0 million non-revolving equipment line of credit (the "Original Non-Revolving Line") was replaced with a new $4.0 million non-revolving line of credit for the purchase of both capital equipment and software (the "New Non-Revolving Line"). As a result, the Original Non-Revolving Line has expired and any new non-revolving borrowings for equipment or software will be made under the New Non-Revolving Line. Borrowings outstanding under the Original Non-Revolving Line at the time of the amendment will not be applied against the credit limit for the New Non-Revolving Line and will remain payable in accordance with their original terms. The amendment also extended the maturity date of the $4.0 million revolving working capital line of credit by one year, and provided for certain modifications to our financial covenants under the Credit Facility. The term loan and mortgage were not affected by the amendment.

The $887,000 mortgage loan matures in September 2012, bears interest at an annual floating rate equal to Comerica's prime rate (4% at June 30, 2004), and is repayable in fixed monthly principal and interest installments of $7,426 through September 2007, at which time the interest rate and fixed monthly repayment amount will be reset for the remaining 60 monthly installments. The outstanding balance of the loan at June 30, 2004 was $792,692.

The $3.0 million term loan matures in March 2006, bears interest at a fixed rate of 4.97% and is repayable in forty-two consecutive equal monthly principal payments of $71,429, plus interest. The outstanding balance of the loan at June 30, 2004 was $1.5 million.

Under the New Non-Revolving Line, we can borrow up to $4.0 million to finance eligible equipment and software purchases through December 31, 2004. Interest on outstanding borrowings accrues at a rate, selected at our option, equal to Comerica's prime rate, 180-day or 360-day LIBOR plus 2.625%, or the 4-year Treasury Note Rate plus 2.30%, determined at the time of each borrowing. Borrowings are repayable in 48 (for equipment purchases) or 36 (for software purchases) consecutive, equal monthly principal installments, plus interest. We had no outstanding borrowings under this facility at June 30, 2004.

As of June 30, 2004, we had an outstanding balance of $412,192 under the Original Non-Revolving Line consisting of four individual loans of (i) $107,872 with a fixed annual interest rate of 5.07%, (ii) $152,420 with a floating annual interest rate equal to Comerica's prime rate of 4.0% at June 30, 2004, (iii) $74,719 with a floating annual interest rate equal to Comerica's prime rate of 4.0% at June 30, 2004, and (iv) $77,181 with a floating annual interest rate equal to Comerica's prime rate of 4.0% at June 30, 2004.

Under the revolving working capital line of credit, we can borrow up to $4.0 million to finance working capital and other needs. Interest on outstanding borrowings accrues at a rate, selected at our option, equal to Comerica's prime rate less 0.25%, or 30-day LIBOR plus 2.55%, determined at the time of the initial borrowing. Borrowings are repayable by September 10, 2004, with interest payable monthly. We had no outstanding borrowings under this facility at June 30, 2004.

All borrowings under the Credit Facility are collateralized by a first priority security interest in all of our assets, including present and future accounts receivable, chattel paper, contracts and contract rights, equipment and accessories, general intangibles, investments, instruments, inventories, and a mortgage on our manufacturing facility in Bethlehem, Pennsylvania. Borrowings under the equipment and software non-revolving line and the revolving working capital line are limited to commercially standard percentages of equipment and software purchases and accounts receivable, respectively. The Credit Facility contains certain covenants that set forth minimum requirements for our quick ratio, liquidity, and tangible net worth. We were in full compliance with all covenants at June 30, 2004 and expect to remain in compliance with all covenants during 2004. The Credit Facility also restricts our ability to pay dividends, to make certain investments, to incur additional indebtedness, to sell or otherwise dispose of a substantial portion of assets, and to merge or consolidate operations with an unaffiliated entity, without the consent of Comerica.

We have entered into a ten-year facility lease with Tech III Partners, LLC ("Tech Partners"), an entity owned and controlled by two of our former executive officers. Under the terms of this operating lease, we began leasing a 48,000 square-foot facility in October 2002 at a base rent of $780,000 per year, increasing to $858,240 per year, during the initial ten-year term. The base rental may be increased after the fifth year of the initial term in order to reflect changes in the interest rate on debt incurred by Tech Partners to finance construction of the leased facilities. We have not guaranteed any debt incurred by Tech Partners. The lease also provides us with options to renew the lease for an additional five years at a rental rate of $975,360 per year, and to purchase the facility at any time during the initial ten-year term based on a formula set forth in the lease. We are evaluating whether to exercise our option under the lease to purchase the facility.

The combination of our current cash position and available borrowings under our Credit Facility is expected to be sufficient to fund our operating and capital needs for the foreseeable future. However, our cash requirements may vary materially from those now planned due to many factors, including, but not limited to, the scope and timing of strategic acquisitions, the cost and timing of the expansion of our manufacturing capacity, the progress of our research and development programs, the scope and results of clinical testing, the magnitude of capital expenditures, changes in existing and potential relationships with business partners, the time and cost of obtaining regulatory approvals, the costs involved in obtaining and enforcing patents, proprietary rights and any necessary licenses, the cost and timing of expansion of sales and marketing activities, the timing of market launch of new products, market acceptance of new products, competing technological and market developments, the potential exercise of our options to purchase one, or both, of our leased facilities in Bethlehem, Pennsylvania, and other factors.

Certain Relationships and Related Transactions

In connection with the announcement that Mike Gausling, our former President and Chief Executive Officer, intended to retire from the Company by the end of 2004, in March 2004, we entered into a transition agreement with Mr. Gausling, which replaced and terminated his employment agreement. In June 2004, Mr. Gausling resigned from his position as President, Chief Executive Officer and a member of the Board, and his successor was named.

Pursuant to his transition agreement, Mr. Gausling will continue to be employed by our Company until December 31, 2004, unless his employment is terminated for cause (as defined therein). During 2004, Mr. Gausling will receive an annual base salary of $325,000, will be entitled to full executive benefits under our group health and other benefit arrangements, and will be entitled to a cash bonus under our 2004 Self-Funding Annual Bonus Plan payable, if at all, at the same time as other executives participating in the plan receive bonuses. Mr. Gausling was also granted a non-qualified option to purchase 100,000 shares of common stock, pursuant to our 2000 Stock Award Plan.

During 2005, Mr. Gausling will receive salary continuation payments in an aggregate amount of $325,000, payable in four equal installments at the end of each fiscal quarter during 2005. If Mr. Gausling elects to obtain continuing coverage under our health benefit plan pursuant to COBRA beginning January 1, 2005, we will reimburse Mr. Gausling for the cost of his COBRA premiums for the 12-month period ending December 31, 2005.

Contractual Obligations and Commercial Commitments

The following sets forth our approximate aggregate obligations at June 30, 2004 for future payments under contracts and other contingent commitments, for the years ending December 31, 2004 and beyond:

Contractual Obligations	Total	Payments due by December 31, 2004	2005	2006	2007	2008	Thereafter
Long-term debt[1]	$ 3,019,233	$ 565,115	$ 1,130,071	$ 478,806	$ 138,062	$ 122,249	$ 584,930
Operating leases[2]	7,181,876	749,329	890,892	780,000	783,108	798,854	3,179,693
Employment contracts[3]	3,810,880	893,345	1,786,690	930,845	200,000	—	
Purchase obligations[4]	4,426,081	4,060,016	366,065	—	—	—	—
Minimum commitments under contracts[5]	7,800,000	50,000	325,000	525,000	725,000	725,000	5,450,000
Total contractual obligations	$ 26,238,070	$ 6,317,805	$ 4,498,718	$ 2,714,651	$ 1,846,170	$ 1,646,103	$ 9,214,623

1 Represents principal repayments required under notes payable to our lenders.

2 Represents payments required under our operating leases.

3 Represents salary, retention bonus or severance payments payable under the terms of employment agreements executed by us with certain officers.

4 Represents payments required by non-cancelable purchase orders related to inventory, capital expenditures and other goods or services.

5 Represents payments required pursuant to certain research, licensing and royalty agreements executed by the Company.

Critical Accounting Policies and Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires that we make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, we evaluate our judgments and estimates, including those related to bad debts, inventories, investments, intangible assets, accruals, income taxes, revenue recognition, restructuring costs, contingencies, and litigation. We base our judgments and estimates on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Our significant accounting policies are described in Note 2 to the financial statements included in our 2003 Annual Report on Form 10-K filed with the Securities and Exchange Commission. We consider the following accounting estimates, which have been discussed with our Audit Committee, to be most critical in understanding the more complex judgments that are involved in preparing our financial statements and the uncertainties that could impact our results of operations, financial condition, and cash flows.

Revenue Recognition. We follow U.S. Securities and Exchange Commission Staff Accounting Bulletin No. 104, "Revenue Recognition in Financial Statements" ("SAB 104"). This bulletin draws on existing accounting rules and provides specific guidance on revenue recognition for up-front non-refundable licensing and development fees. We license certain products or technology to outside third parties, in return for which we receive up-front licensing fees. Some of these fees can be significant. In accordance with SAB 104, we are required to defer immediate recognition of these fees as revenue and instead ratably recognize this revenue over the related license period.

We also enter into research and development contracts with corporate, government and/or private entities. These contracts generally provide for payments to us upon achievement of certain research or development milestones. Product development revenues from these contracts are recognized only if the specified milestone is achieved and accepted by the customer and payment from the customer is probable. Any amounts received prior to the performance of product development efforts are recorded as deferred revenues. Recognition of revenue under these contracts can be sporadic, as it is the result of achieving specific research and development milestones. Furthermore, revenue from future milestone payments will not be recognized if the underlying research and development milestone is not achieved.

We recognize product revenues when there is persuasive evidence that an arrangement exists, the price is fixed or determinable, title has passed and collection is reasonably assured. Product revenues are net of allowances for any discounts or rebates. We do not grant price protection or product return rights to our customers, except for warranty returns. Where a product fails to comply with its limited warranty, we can either replace the product or provide the customer with a refund of the purchase price or credit against future purchases. Historically, returns arising from warranty issues have been infrequent and immaterial. Accordingly, we expense warranty returns as incurred. While such returns have been immaterial in the past, we cannot guarantee that we will continue to experience the same rate of warranty claims as we have in the past. Any significant increase in product warranty claims could have a material adverse impact on our operating results for the period in which the claims occur.

Allowance for Uncollectible Accounts Receivable. Accounts receivable are reduced by an estimated allowance for amounts that may become uncollectible in the future. On an ongoing basis, we perform credit evaluations of our customers and adjust credit limits based upon the customer's payment history and creditworthiness, as determined by a review of their current credit information. We also continuously monitor collections and payments from our customers.

Based upon historical experience and any specific customer collection issues that are identified, we use our judgment to establish and evaluate the adequacy of our allowance for estimated credit losses, which was $183,839 at June 30,

2004. While credit losses have been within our expectations and the allowance provided, these losses can vary from period to period (approximately $89,000, $213,000, and $5,000 for the years ended December 31, 2003, 2002 and 2001, respectively). Furthermore, there is no assurance that we will experience credit losses at the same rates as we have in the past. Also, at June 30, 2004, approximately $2.4 million or 35% of our accounts receivable were due from two major customers. Any significant changes in the liquidity or financial position of these customers, or others, could have a material adverse impact on the collectibility of our accounts receivable and future operating results.

Inventories. Our inventories are valued at the lower of cost or market, determined on a first-in, first-out basis, and include the cost of raw materials, labor and overhead. The majority of our inventories are subject to expiration dating. We continually evaluate the carrying value of our inventories and when, in the opinion of management, factors indicate that impairment has occurred, either the inventories' carrying value is reduced or the inventories are completely written off. We base these decisions on the level of inventories on hand in relation to our estimated forecast of product demand, production requirements over the next twelve months and the expiration dates of raw materials and finished goods. During the years ended December 31, 2003, 2002 and 2001, we wrote-off inventory which had a cost of approximately $500,000, $1.4 million, and $600,000, respectively, as a result of manufacturing scrap levels and product expiration issues. Forecasting product demand can be a complex process, especially for a new product such as our OraQuick® rapid HIV-1/2 antibody test. Although we make every effort to ensure the accuracy of our forecasts of future product demand, any significant unanticipated changes in demand could have a significant impact on the carrying value of our inventories and reported operating results.

Long-lived and Intangible Assets. Our long-lived assets are comprised of property and equipment and an investment in a nonaffiliated entity, and our intangible assets primarily consist of patents and product rights. Together, these assets have a net book value of approximately $9.2 million or 10.5% of our total assets at June 30, 2004. Our investment in a privately-held nonaffiliated company is recorded under the cost method of accounting, because we do not have a controlling interest in this company nor do we have the ability to exert significant influence over the operating and financial policies of this investee company. Property and equipment, patents and product rights are amortized on a straight-line basis over their useful lives, which we determine based upon our estimate of the period of time over which each asset will generate revenues. An impairment of long-lived or intangible assets could occur whenever events or changes in circumstances indicate that the net book value of these assets may not be recoverable. Events which could trigger an asset impairment include significant underperformance relative to expected historical or projected future operating results, significant changes in the manner of our use of an asset or in our strategy for our overall business, significant negative industry or economic trends, shortening of product life-cycles or changes in technology, and negative financial performance of our nonaffiliated investee company. If we believe impairment of an asset has occurred, we measure the amount of such impairment by comparing the net book value of the affected assets to the fair value of these assets, which is generally determined based upon the present value of the expected cash flows associated with the use of these assets. If the net book value exceeds the fair value of the impaired assets, we would incur an impairment expense equal to this difference. We currently believe the future cash flows to be received from our long-lived and intangible assets will exceed their book value and, as such, we have not recognized any impairment losses through June 30, 2004. Any unanticipated significant impairment in the future, however, could have a material adverse impact on our balance sheet and future operating results.

Deferred Tax Assets. At December 31, 2003, we have federal net operating loss ("NOL") carryforwards of approximately $76.6 million. The deferred tax asset associated with these NOLs and other temporary differences is approximately $31.7 million at December 31, 2003. In assessing the realizability of deferred tax assets, we consider whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the period in which those temporary differences become deductible or the NOL can be utilized. We consider the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon our cumulative and recent history of losses and projections for future taxable income over the periods in which the deferred tax assets are deductible or able to be utilized, we believe that a full valuation allowance is necessary at this time. Our level of future profitability could cause us to conclude that all or a portion of the deferred tax asset will be realizable. Upon reaching such a conclusion, we would immediately record the estimated net realizable value of the deferred tax asset and would begin to provide for income taxes at a rate equal to our combined federal and state effective rates, which we believe would approximate 40%. Subsequent revisions to the estimated net realizable value of the deferred tax asset could cause our provision for income taxes to vary significantly from period to period.

Contingencies. In the ordinary course of business, we have entered into various contractual relationships with strategic corporate partners, customers, distributors, research laboratories and universities, licensors, licensees, suppliers, vendors and other parties. As such, we could be subject to litigation, claims or assessments arising from any or all of these relationships. We account for contingencies such as these in accordance with Statement of Financial Accounting Standards No. 5, "Accounting for Contingencies" ("SFAS No. 5"). SFAS No. 5 requires us to record an estimated loss contingency when information available prior to issuance of our financial statements indicates that it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Accounting for contingencies arising from contractual or legal proceedings requires that we use our best judgment when estimating an accrual related to such contingencies. As additional information becomes known, our accrual for a loss contingency could fluctuate, thereby creating variability in our results of operations from period to period. Likewise, an actual loss arising from a loss contingency which significantly exceeds the amount accrued for in our financial statements could have a material adverse impact on our operating results for the period in which such actual loss becomes known.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We do not hold any amounts of derivative financial instruments or derivative commodity instruments and accordingly, we have no material market risk to report under this Item.

Our holdings of financial instruments are comprised of certificates of deposit, commercial paper, U.S. government and agency obligations, state and local government agency obligations, corporate bonds, and asset-backed obligations. All such instruments are classified as available for sale securities. Our debt security portfolio represents funds held temporarily pending use in our business and operations. We seek reasonable assuredness of the safety of principal and market liquidity by investing in rated fixed income securities while at the same time seeking to achieve a favorable rate of return. Market risk exposure consists principally of exposure to changes in interest rates. If changes in interest rates would affect the investments adversely, we could decide to hold the security to maturity or sell the security. Our holdings are also exposed to the risks of changes in the credit quality of issuers. We typically invest in the shorter end of the maturity spectrum.

We do not currently have any foreign currency exchange contracts or purchase currency options to hedge local currency cash flows. We have operations in The Netherlands which are subject to foreign currency fluctuations. As currency rates change, translation of the statement of operations for this operation from euros to U.S. dollars affects year-to-year comparability of operating results. Sales denominated in a foreign currency represented approximately $408,000 and $823,000 or 3.1% and 3.2% of our total revenues for the three months and six months ended June 30, 2004, respectively. We do not expect the risk of foreign currency fluctuations to be material.

Item 4. CONTROLS AND PROCEDURES.

(a) Evaluation of Disclosure Controls and Procedures. The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as of June 30, 2004. Based on that evaluation, the Company's management, including such officers, concluded that the Company's disclosure controls and procedures were effective in timely alerting them to material information relating to the Company, which is required to be included in its periodic filings with the Securities and Exchange Commission.

(b) Changes in Internal Control Over Financial Reporting. The evaluation referred to in paragraph (a) of this Item did not identify any change in the Company's internal control over financial reporting that occurred during the quarter ended June 30, 2004 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

In July 2004, we commenced a patent infringement lawsuit against Schering-Plough Healthcare Products, Inc. ("Schering-Plough"). Additional information regarding this lawsuit is set forth in the Section entitled, "Item 5. Other Information," below.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At our 2004 Annual Meeting of Stockholders (the "Annual Meeting") held on May 18, 2004, the following individuals were elected by the votes indicated as Class I directors of the Company for terms expiring at the 2007 Annual Meeting of Stockholders:

Nominee	Votes For	Votes Withheld
Carter H. Eckert	34,119,768	6,037,383
Frank G. Hausmann	35,281,144	4,876,007
Douglas G. Watson	36,767,266	3,389,885

At the Annual Meeting, stockholders also approved an amendment to the OraSure Technologies, Inc. 2000 Stock Award Plan (the "Plan"), which increased the number of shares authorized for issuance under the Plan by 3,000,000 shares, from 4,300,000 shares to 7,300,000 shares, plus other shares that become available under the terms of the Plan. Voting results on the amendment were as follows: 18,176,178 shares were voted for the amendment, 9,260,282 shares were voted against this amendment, and 118,289 shares abstained. There were 16,871,194 broker non-votes.

Item 5. OTHER INFORMATION

On July 23, 2004, we filed a lawsuit against Schering-Plough for infringement of several of our patents relating to the technology for the cryosurgical removal (i.e., freezing) of warts and other benign skin lesions. The suit was commenced in the United States District Court for the Eastern District of Pennsylvania, and alleges that Schering-Plough's manufacture and sale of its Dr. Scholls® Freeze Away™ cryosurgical wart removal product in the United States over-the-counter market infringes the following United States patents: Nos. 5,738,682; 6,092,527 and 4,865,028. We are requesting injunctive relief and the payment of damages, and intend to file an application for a preliminary injunction in order to stop the further sale of the Freeze Away™ product by Schering-Plough in the United States during the pendency of the litigation.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits.

Exhibits are listed on the attached Exhibit Index following the signature page of this Report.

(b) Reports on Form 8-K.

Current Report on Form 8-K, dated April 27, 2004, (i) announcing the retirement of R. Sam Niedbala, the Company's Executive Vice President and Chief Science Officer, and (ii) reporting our announcement of financial results for the quarter ended March 31, 2004.

Current Report on Form 8-K, dated June 24, 2004, reporting our announcement of (i) the receipt of a worldwide, non-exclusive sublicense from Bio-Rad Laboratories under certain patents related to the Human Immunodeficiency Virus,

Type 2 (“HIV-2”); (ii) the appointment of Douglas A. Michels as our President and Chief Executive Officer and a member of our Board of Directors; and (iii) the receipt of U.S. Food and Drug Administration (“FDA”) approval of our OraQuick® Rapid HIV-1/2 Antibody Test for use in detecting HIV-2 in oral fluid samples.

Current Report on Form 8-K, dated June 28, 2004, reporting our announcement of the receipt of FDA approval of a CLIA (Clinical Laboratory Improvements Amendments of 1988) waiver for our OraQuick® Rapid HIV-1/2 Antibody Test.

SIGNATURES

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

ORASURE TECHNOLOGIES, INC.

/s/ Ronald H. Spair

Date: August 3, 2004

Ronald H. Spair
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

/s/ Mark L. Kuna

Date: August 3, 2004

Mark L. Kuna
Vice President and Controller
(Principal Accounting Officer)

EXHIBIT INDEX

Exhibit	
10.1	Distribution Agreement, dated as of April 24, 2003, between OraSure Technologies, Inc. and Medtech Holdings, Inc.*
10.2	OraSure Technologies, Inc. 2000 Stock Award Plan, as amended effective as of May 18, 2004.**
10.2.1	Form of Restricted Share Grant Agreement.**
10.3	Employment Agreement, dated as of June 22, 2004, between OraSure Technologies, Inc. and Douglas A. Michels.**
10.4	Employment Agreement, dated as of July 1, 2004, between OraSure Technologies, Inc. and Ronald H. Spair.**
10.5	Employment Agreement, dated as of July 1, 2004, between OraSure Technologies, Inc. and P. Michael Formica.**
10.6	Employment Agreement, dated as of July 1, 2004, between OraSure Technologies, Inc. and Joseph E. Zack.**
10.7	Employment Agreement, dated as of July 1, 2004, between OraSure Technologies, Inc. and Jack E. Jerrett.**
31.1	Certification of Douglas A. Michels required by Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as amended.
31.2	Certification of Ronald H. Spair required by Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as amended.
32.1	Certification of Douglas A. Michels required by Rule 13a-14(b) or Rule 15d-14(b) under the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Ronald H. Spair required by Rule 13a-14(b) or Rule 15d-14(b) under the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Portions of this Exhibit were omitted and filed separately with the Securities and Exchange Commission pursuant to an application for confidential treatment.

** Management contract or compensatory plan or arrangement.

Exhibit 10.1

Portions of this Exhibit were omitted and filed separately with the Securities and Exchange Commission pursuant to an application for confidential treatment. Such portions are marked by a series of asterisks.

Execution Copy

DISTRIBUTION AGREEMENT

THIS DISTRIBUTION AGREEMENT (this "Agreement") is made and entered into this 24th day of April 2003, by and between Medtech Holdings, Inc., a Delaware corporation with principal offices at 90 North Broadway, Irvington, New York 10533 ("Distributor"), and OraSure Technologies, Inc., a Delaware corporation with principal offices at 220 East First Street, Bethlehem, Pennsylvania 18015-1360 ("OSUR").

BACKGROUND

OSUR has exclusive rights to develop, manufacture, market, sell and distribute the Product (as defined below) for the treatment of ordinary warts and plantar warts by means of a refrigerant. OSUR desires to grant to Distributor the right to market, sell and distribute the Product under the Distributor Trademarks (as defined below) on an exclusive basis in certain markets within certain geographic territories, and Distributor desires to accept such rights, all in accordance with the terms and subject to the conditions contained in this Agreement.

NOW, THEREFORE, in consideration of the foregoing, and of the mutual promises and covenants contained in this Agreement, OSUR and Distributor, intending to be legally bound, hereby agree as follows:

1. DEFINITIONS.

1.1 "Affiliate" means, when used with reference to either Distributor or OSUR, any person or entity directly or indirectly controlling, controlled by or under common control with Distributor or OSUR, as the case may be. For purposes of this Agreement, "control" (including with correlative meanings "controlling," "controlled by," or "under common control with") means: (a) the direct or indirect ownership, in the aggregate, of at least 50% of the outstanding voting securities of an entity; (b) the right to receive directly or indirectly, in the aggregate, at least 50% of the profits or earnings of an entity; or (c) the right or power, directly or indirectly, to direct or cause the direction of the policy decisions of an entity, whether by ownership of voting securities, contract or otherwise.

1.2 "Assembly Contractor" means Koninklijke Utermöhlen N.V., or any successor or assignee thereof or other contractor designated by OSUR to assemble the Product purchased hereunder.

1.3 "Business Day" means any day other than a Saturday, Sunday or day on which the Federal Reserve Bank of Philadelphia is closed.

1.4 "Contract Year" means, with respect to the first Contract Year, the period beginning on the Effective Date and ending on December 31, 2003 and, with respect to each subsequent Contract Year, the calendar year beginning on the date immediately following the end of the preceding Contract Year.

1.5 “Distributor Fiscal Year” means each successive period of twelve (12) months beginning on each April 1 during the Term (as defined in Section 11.1 hereof).

1.6 “Effective Date” means the date first written above.

1.7 “FDA” means the United States Food and Drug Administration, or any successor thereto.

1.8 “OTC Market” means the over-the-counter or consumer market within the Territory for selling Product through retail outlets in the Territory for ultimate purchase and home use by consumers in the Territory without the assistance or intervention of, or any prescription from, a medical professional or health care practitioner.

1.9 “Product” means the patented cryosurgical removal system that (i) is developed, assembled, manufactured, marketed and sold by OSUR or its Affiliates or designees pursuant to this Agreement, together with all modifications and improvements that may be made by OSUR to such product from time to time, for the purpose of treating ordinary warts and plantar warts, and (ii) meets the Specifications.

1.10 “Quarterly Period” means each successive period of three (3) months in a Contract Year with the first such three (3) month period beginning on the first day of a calendar year.

1.11 “Specifications” means the Product specifications set forth in Exhibit 1.11 to this Agreement, as such specifications may be modified or amended pursuant to Section 8.4 of this Agreement.

1.12 “Territory” means the United States and Canada, and their respective territories and possessions.

1.13 “Unit” means a single unit of Product as described in the Specifications.

2. APPOINTMENT.

2.1 Distribution Rights. In accordance with the terms and subject to the conditions contained in this Agreement, OSUR hereby grants to Distributor, on an exclusive basis during the Term (as defined in Section 11.1 hereof), the right to market, promote, sell and distribute the Product solely in the OTC Market in the Territory, and Distributor hereby accepts such rights.

2.2 Reservation of Rights. Distributor acknowledges and agrees that nothing in this Agreement shall preclude OSUR from importing, marketing, manufacturing, promoting, using, selling or distributing the Products outside the Territory, or outside of the OTC Market in the Territory, either directly or indirectly through one or more distributors, sub-distributors or agents for any purpose.

2.3 Subdistributors. In exercising its rights hereunder, Distributor may engage subdistributors or agents as provided in this Section 2.3. Distributor shall enter a written agreement with each sub-distributor or agent, requiring the sub-distributor or agent to comply with Distributor’s obligations under this Agreement with respect to distribution of the Product in the OTC Market in the Territory. Upon request, Distributor shall provide a copy of the sub-distributor or agent agreement to OSUR. Distributor’s use of sub-distributors or agents does not relieve Distributor of any obligations under this Agreement.

2.4 Right of First Negotiation. The parties acknowledge that there may be opportunities to distribute the Product in the OTC Market in countries outside the Territory. If, during the Term, either party identifies such an opportunity with respect to a country outside the Territory, and OSUR elects to distribute the Product in the OTC Market in such country, and is not precluded or limited (by contract or otherwise) in granting distribution rights to Distributor to the Product in the OTC Market in such country, OSUR will notify Distributor of its desire to distribute the Product in the OTC Market in such country (the "Product Notice") and may (at its option) provide Distributor a form of distribution agreement or summary of terms, which will state (among other items) the price, term, minimum purchase requirements, and other principal terms under which OSUR is willing to grant Distributor rights to the Product in the OTC Market in such country. For a period of thirty (30) days following the date of the Product Notice, the parties shall negotiate in good faith regarding the terms and conditions of a distribution agreement with respect thereto. If, following such 30-day period, the parties have not executed and delivered a mutually acceptable form of distribution agreement, then (i) Distributor's right of first negotiation with respect to all countries outside the Territory under this Section 2.4 shall terminate and (ii) OSUR shall be free to offer the right to distribute the Product in the OTC Market in any country outside the Territory. Schedule 2.4 herein is a complete and accurate list (as of the date of this Agreement) of all countries outside the Territory where OSUR's Histofreezer® wart removal system is sold or where agreement has been reached by OSUR with a third party to distribute such product.

2.5 Independent Contractor. Distributor is, and at all times shall be, an independent contractor. Nothing contained in this Agreement shall be construed as constituting Distributor as an agent, partner, joint venturer or employee of OSUR, or cause OSUR to be liable for any of the debts or obligations of Distributor, nor shall Distributor have the right or authority to act for or incur any liability or obligation of any kind, express or implied, in the name of or on behalf of OSUR or its Affiliates.

3. OBLIGATIONS.

3.1 By Distributor.

3.1.1 Level of Effort. Distributor shall use commercially reasonable efforts to market, promote, sell and distribute the Product in the OTC Market. In connection therewith, Distributor shall maintain, at its own expense, an adequately trained staff to enable Distributor to fulfill its obligations under this Agreement.

3.1.2 Restrictions. During the Term, Distributor shall not, directly or indirectly, import, promote, market, use, sell or otherwise distribute or provide (or arrange any promotion, marketing, use, sale, distribution or provision of) the Product (a) in any country or territory outside of the Territory (unless Distributor has acquired additional distribution rights to such countries or territories from OSUR) or (b) in any market other than the OTC Market. Distributor shall notify OSUR of any sale or order of Product or other occurrence that violates this Section 3.1.2 promptly upon learning thereof.

3.1.3 Sales Leads Outside of the Territory or OTC Market. Distributor shall

refer to OSUR all sales leads that come to its attention with respect to the use of the Product outside of the Territory or OTC Market and, as soon as reasonably possible, inform OSUR of the identity of such sales lead.

3.1.4 Product Labeling; Supporting Materials; Training. Distributor shall ensure that all Product purchased hereunder is distributed into the OTC Market only with the labeling, inserts and instructions approved in writing by OSUR. Distributor shall produce and use sufficient quantities of promotional materials, including sales aids, brochures, product briefs, advertisements and similar materials relating to the Product (including references and/descriptions on its website) for purposes of promoting, marketing, selling and distributing the Product in the OTC Market; provided that all such materials (in print, electronic or any other type of media) shall be subject to the written approval of OSUR prior to their use (which approval shall not be unreasonably withheld or delayed). In addition, Distributor shall provide appropriate customer support to maintain and foster customer satisfaction.

3.1.5 Compliance with Laws. Distributor shall comply with all applicable treaties, laws, rules and regulations in connection with its promotion, marketing, use, sale or distribution of the Product in the OTC Market, its supply of the Distributor Components (as defined below) and its performance of its obligations under this Agreement. Without limiting the generality of the foregoing, Distributor shall comply with all applicable FDA or other regulatory approvals, clearances or registrations obtained by OSUR for the sale or distribution of the Product in the OTC Market.

3.1.6 Competition. During the Term, Distributor and its Affiliates shall not, directly or indirectly, (a) import, market, manufacture, use, promote, sell, distribute or purchase any cryosurgical wart or lesion removal product that directly competes with the Product (a “Competing Product”) or (b) engage in, provide services for or acquire or hold an interest in any company, entity or business (as owner, stockholder, partner, co-venturer, director, officer, employee, consultant or otherwise) that imports, manufactures, markets, promotes, sells or distributes a Competing Product. Notwithstanding the foregoing, nothing contained herein shall be deemed to prevent or preclude an entity not party to this Agreement from acquiring an equity ownership interest in Distributor (the “Acquiring Party”) under circumstances where such Acquiring Party becomes an Affiliate of Distributor and has a business, existing prior to such acquisition, under which it imports, markets, manufactures, uses, promotes, sells or distributes a Competing Product. In the event of such an acquisition by an Acquiring Party, OSUR shall have the right to terminate this Agreement upon not less than twelve (12) months prior written notice to Distributor. If any provision of this Section 3.1.6 shall be held unenforceable because of scope, duration or area of its applicability, it shall be deemed modified to the extent necessary to make it enforceable, while preserving its intent.

3.1.7 Marketing Plan. Distributor shall develop a written annual plan for the marketing and sale of the Product in the OTC Market and Territory. Distributor shall deliver such plan to OSUR within thirty (30) days after the date of this Agreement. In addition, Distributor shall provide OSUR with a written update of its marketing and sales plan at least sixty (60) days in advance of the commencement of each Distributor Fiscal Year during the Term, beginning with the Distributor Fiscal Year that begins on April 1, 2004.

3.2 By OSUR.

3.2.1 Regulatory Approvals; Compliance with Laws. The parties acknowledge that OSUR has obtained FDA clearance to manufacture, market, sell, use and distribute the Product in the OTC Market in the United States, but has not yet sought any required regulatory approval, clearance or registration in Canada. OSUR shall have no obligation to sell or supply Product to Distributor for sale or distribution in Canada, and Distributor shall have no right to distribute Product in Canada, until OSUR obtains any required regulatory approvals, clearances or registration for the import, distribution and sale of the Product in the OTC Market in Canada. OSUR shall use commercially reasonable efforts to obtain such required regulatory approvals, clearances and registrations for the Product in Canada, but there is no assurance, representation or warranty that OSUR will be successful in such efforts and its failure to obtain any such regulatory approval, clearance or registration in Canada shall not constitute a breach of this Agreement. OSUR shall use commercially reasonable efforts to maintain all approvals, clearances or registrations of the FDA and, to the extent obtained, any regulatory authority in Canada, for the manufacturing, marketing, sale, use or distribution of the Product in the OTC Market in the Territory. All such approvals, clearances and registrations shall be maintained in the name of OSUR. Distributor shall, at OSUR's expense, cooperate and provide reasonable assistance and technical support in obtaining and maintaining all such approvals, clearances and registrations. OSUR shall comply with all applicable treaties, laws, rules and regulations within the Territory, including the Quality System Regulations promulgated by the FDA, in connection with its provision of the Product to Distributor and its performance of its obligations under this Agreement.

3.2.2 Training. OSUR shall provide reasonable technical support and training to Distributor in the use and performance of the Product, which training shall be at times and places and for durations mutually agreed to by the parties.

3.3 Technical Support. OSUR shall provide and maintain, at its own expense, adequate support services and a staff properly trained in all aspects of the Product to provide the Distributor with such levels of technical support throughout the Term that are commercially reasonable in light of the then current and reasonably anticipated sales volumes of the Product in the OTC Market.

4. SUPPLY; ORDERING AND DELIVERY.

4.1 Requirements. In accordance with the terms and subject to the conditions contained in this Agreement, OSUR shall assemble and sell to Distributor, and Distributor shall purchase from OSUR, all of Distributor's requirements for the Product to be marketed, sold, used or distributed in the OTC Market in the Territory. OSUR's obligation to assemble and supply Product to Distributor shall be subject to Distributor's compliance with its obligation to supply Distributor Components as set forth in Section 4.2 below.

4.2 Supply of Distributor Components. Distributor shall supply, at its sole cost, the following components and deliver such components to the Assembly Contractor, for use in packaging and assembling Products purchased hereunder (the "Distributor Components"):

(i) Boxes for each Unit of Product with labeling approved by OSUR;

(ii) Package inserts or instructions in form approved by OSUR;

(iii) Shipping case (standard corrugated);

(iv) Shipping case label in form approved by OSUR;

(v) Security detection devices (Checkpoint or SensorMatic); and

(vi) Transparent tamper resistant labels for box lids (if required).

Distributor shall ensure that all Distributor Components are manufactured, stored and supplied in accordance with the Specifications and all applicable treaties, laws, rules and regulations within the Territory. Distributor shall supply Distributor Components with sufficient lead-times and in sufficient quantities as directed by OSUR to permit the packaging and assembly of Product purchased hereunder and delivery to Distributor in accordance with Distributor's Purchase Orders (as defined in Section 4.6).

4.3 Terms and Conditions. The terms and conditions of this Agreement shall control all sales of Product by OSUR to Distributor. No different or additional terms and conditions on any purchase order, acknowledgment or other transmittal, whether a standard business form or otherwise, utilized by Distributor or OSUR in connection with the sale by OSUR of Product to Distributor shall be construed or deemed to be an amendment of or supplement to this Agreement or otherwise binding on either Distributor or OSUR.

4.4 Prices.

4.4.1 Product Price.

(a) Subject to Sections 4.4.2 and 4.4.5, below, Distributor shall pay OSUR $*** for each Unit purchased hereunder (the "Price"), which Price was calculated pursuant to the following formula:

Price Calculation
(Per Unit)

****

(b) The Parties acknowledge that the Total Assembly Contractor Costs for Product to be distributed in Canada ("Canadian Product") may be different than as set forth above because of different or additional labeling requirements in Canada. OSUR shall use commercially reasonable efforts to minimize any increase in such costs for Canadian Product. In the event the Total Assembly Contractor Costs for Canadian Product are different than as set forth above, the Price for such Canadian Product shall be determined by incorporating such different costs in the foregoing formula and the Price, as recalculated, shall be the Price for Canadian Product. Nothing in this Section 4.4.1(b) shall affect the Price payable for Product to be distributed in the United States. Canadian Product purchased at a different Price determined in accordance with this Section 4.4.1(b) shall only be distributed by Distributor in Canada and all other Product purchased hereunder shall be distributed solely in the United States.

4.4.2 Price Increases. The applicable Price payable by Distributor for Product may be increased, at OSUR's option, at the beginning of the third Contract Year and each Contract Year thereafter during the Term, to an amount equal to the applicable Price then in effect, plus the cumulative percentage increase in the Index (as defined below) during the most recently completed 12-month period prior to delivery of the applicable Price Increase Notice (as defined below) for which the Index data (preliminary or final) is available. By December 1 of each Contract Year, OSUR will give Distributor notice of any increase in the Price (the "Price Increase Notice") for Product to be purchased during the following Contract Year. For purposes of this Agreement, "Index" shall mean the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for Urban Wage Earners and Clerical Workers (Base Year 1982-84=100) for All Urban Areas. In the event that the compilation and/or publication of the Index shall be transferred to any other governmental department, bureau, or agency, or shall be discontinued, then the index most nearly the same as the Index shall be used.

4.4.3 Taxes; Freight. Prices for Product are EX WORKS (Incoterms 2000) the Assembly Contractor's facilities and are exclusive of all sales, use, ad valorem and other similar taxes, customs, duties and other similar imports, fees and governmental charges, and freight, shipping and insurance charges. Any such charges shall be the sole responsibility of Distributor.

4.4.4 Advertising Participation. Distributor agrees to promote, market and advertise the Product in the OTC Market in the Territory and OSUR has agreed to participate in such activities. The text of all promotional, marketing and advertising materials, programs and messages shall be subject to review and approval by OSUR, which approval shall not be unreasonably withheld or delayed. ****

4.4.5 Price Adjustment Due to Cost Change. Immediately following the execution of this Agreement, OSUR agrees to employ commercially reasonable efforts to effect reduction in Total Assembly Contractor Costs reflecting the additional volume associated with Distributor's requirements hereunder. **** A Price adjustment hereunder shall take effect immediately after notice thereof is provided by OSUR to Distributor. This Section 4.4.5 shall be applied separately to the Total Assembly Contractor Costs and related Price for Canadian Product (as defined in Section 4.4.1(b)) and the Total Assembly Contractor Costs and related Price for Product to be distributed into the United States.

4.5 Initial Stocking Order. Distributor shall place an initial stocking order for and purchase at least 250,000 Units during the first Contract Year. Distributor shall effect such purchase through the delivery of a Purchase Order (as defined below) immediately following the execution of this Agreement. The parties shall use commercially reasonable efforts to complete delivery of 150,000 of such Units on or prior to June 30, 2003 and shipment of the remaining 100,000 units on or prior to September 30, 2003. Distributor shall pay for such Units in accordance with Section 6.1 hereof. Units purchased by Distributor under this Section 4.5 shall be applied towards Distributor's minimum purchase commitment for 2003 under Section 6.2.

4.6 Purchases of Product. Distributor shall order Product by issuing binding purchase orders (each, a "Purchase Order") to OSUR pursuant to the terms of this Agreement. Each Purchase Order shall be subject to Section 4.3 and shall state the quantity of Product to be purchased, delivery date(s), routing instructions, destination(s) and confirmation of the applicable price hereunder. OSUR shall indicate its acceptance or rejection of a Purchase Order within five (5) Business Days after receipt; provided that OSUR may reject a Purchase Order, in whole or in part, only if: (a) the Purchase Order fails to comply with the terms and conditions of this Agreement; (b) the delivery date is less than one hundred twenty (120) days from the date of OSUR's receipt of the Purchase Order (except for the initial stocking order under Section 4.5); or (c) the volume under the Purchase Order and all other accepted Purchase Orders covering the same period exceeds the volume in Distributor's then current forecast (delivered pursuant to Section 4.7) for such period by more than 50%. If requested by Distributor following Distributor's receipt of OSUR's rejection notice under clause (c) above, OSUR will use commercially reasonable efforts to deliver the excess volume of Product specified in the rejected Purchase Order, but OSUR's failure to so deliver the excess volume shall not be a breach of this Agreement. OSUR's sole obligation in filling any accepted Purchase Orders shall be to use commercially reasonable efforts to fill Distributor's orders for Product. In no event shall OSUR be liable to any third party for OSUR's failure to deliver Product to Distributor by any delivery due date set forth in any Purchase Order. Each Purchase Order shall be for a minimum of 50,000 Units.

4.7 Forecasts. Within thirty (30) days after the Effective Date, Distributor shall provide to OSUR a written forecast of Distributor's anticipated monthly requirements for Product during the 2003 calendar year. Thereafter, no later than sixty (60) days before the beginning of each Quarterly Period during the Term, Distributor shall provide OSUR with an additional, written forecast of Distributor's anticipated monthly requirements for the Product during the subsequent twelve (12) month period. Each forecast required to be delivered by Distributor under this Section 4.7 shall be nonbinding except for the first three (3) months of such forecast, which shall constitute a binding commitment to purchase by Distributor.

4.8 Shipment. OSUR shall ship Products EX WORKS (Incoterms 2000) the Assembly Contractor's facilities. All risk of loss, damage, spoilage, improper storage, mishandling and negligence for all Product shall pass to Distributor at the time of delivery to the shipper at the Assembly Contractor's facilities. Distributor shall maintain insurance covering the replacement value of such Product prior to payment of the Price therefor and shall name OSUR as an additional insured and loss payee in respect of such Product. If Distributor requests non-standard packaging, OSUR shall use reasonable efforts to accommodate that request, provided that Distributor provides all required packaging. OSUR shall ensure that all Products are suitably packed for shipment in OSUR standard containers. OSUR shall provide to Distributor, not less than three (3) Business Days in advance of each shipment, all necessary information relating to such shipment, including without limitation, the number of Units, cases, pallets and lot numbers.

4.9 Records. Distributor shall maintain accurate and complete records of each sale of the Product, including without limitation, the name and address of the purchaser, the date of purchase, quantity, type and batch numbers of Product sold in each country, total volume of Product sold in the Territory, and information regarding other products that compete with any of the Products in the Territory known to Distributor. Distributor shall maintain such records for at least three years from the date of sale, or such longer period as reasonably requested by OSUR. In addition to the foregoing, Distributor shall comply with all record-keeping requirements imposed by the FDA or other regulatory or governmental authorities in the Territory. Upon request, Distributor shall provide OSUR with copies of any records required to be maintained under this Section 4.9, including such records as may be necessary for OSUR to comply with all regulatory approvals related to the import, marketing, sale, use or distribution of the Products in the Territory and any other requirements of the FDA or other regulatory authority.

5. INTELLECTUAL PROPERTY.

5.1 Branding and Packaging. Product labeling, packaging and package inserts shall be in the form approved by the FDA or other regulatory authorities in the Territory, and shall use the Compound W trademark and trade dress of Distributor ("Distributor Trademarks"), in accordance with this Section 5.1. The parties shall cooperate in the design of the package labeling, packaging and inserts for Product, and the final Product labeling, packaging and inserts shall be subject to written approval by both parties, which shall not be unreasonably withheld or delayed. Distributor shall be responsible for supplying adequate quantities of all packaging, labeling and package inserts in accordance with Section 4.2. Distributor hereby consents to OSUR's use of the Distributor Trademarks on labeling, package inserts and packaging used to assemble and ship the Product.

5.2 Promotional Materials. OSUR hereby consents to the use by Distributor of the OraSure® trademark and tradename (the "OSUR Trademark") on promotional materials solely for the purpose of promoting, marketing and selling the Product in the OTC Market in the Territory. No promotional materials bearing the OSUR Trademark may be used without OSUR's prior written approval.

5.3 No Other Rights; Allocation of Goodwill. Except for the rights herein, neither party shall acquire any right, title, or interest in any trademark, trade name, logo or trade dress, copyright, patent, or any other intellectual property rights of the other party by reason of this Agreement. Distributor acknowledges and agrees that all use of any of the OSUR Trademark and all of the goodwill associated therewith shall inure solely to OSUR's benefit. OSUR acknowledges and agrees that all use of any of the Distributor Trademarks and all of the goodwill associated therewith shall inure solely to Distributor's benefit

5.4 Effect of Termination. Upon termination of this Agreement, both parties shall immediately cease all use of the other party's trademarks, trade names, logos and trade dress, except such use as is necessary to complete the manufacturing, assembly and sale of Product under open Purchase Orders at the time of termination, to complete the manufacturing and assembly of Product with OSUR's remaining inventory of components therefore and to sell off such party's Product inventory, as permitted under Section 11.3.4.

6. PAYMENT TERMS; MINIMUM PURCHASE COMMITMENTS.

6.1 Payment Terms. Distributor shall pay OSUR all amounts due under this Agreement no later than sixty (60) days from the date of an invoice from OSUR for such amounts based on actual (not prospective) shipment. Overdue amounts shall bear interest at a rate of one percent (1%) per month or such lower rate required by law, until paid. Distributor shall not have any right to set off or withhold any amounts due OSUR hereunder arising out of, or based upon, any counter-claim, breach of contract, tort or other action against OSUR.

6.2 Minimum Purchase Commitments. Distributor agrees to purchase at least 250,000 Units of Product under this Agreement during each Contract Year. To the extent Distributor purchases more than 250,000 Units in any Contract Year, such excess shall not be counted towards meeting Distributor's minimum purchase commitment in any subsequent Contract Year.

6.3 Failure to Meet Commitments. In the event Distributor fails to meet the applicable minimum purchase commitment set forth in Section 6.2. by the end of any Contract Year, OSUR shall have the right to convert the distribution rights granted to Distributor hereunder to non-exclusive rights, pursuant to Section 11.2.3. If Distributor fails to purchase at least 150,000 Units of Product in any Contract Year, OSUR shall have the right to terminate this Agreement, pursuant to Section 11.2.3.

7. WARRANTIES.

Limited Product Warranties. OSUR warrants to Distributor that: (a) the Product, when shipped, will conform to the specifications as set forth in the Specifications; (b) the Product shall be free from defects in materials and workmanship for a period equal to the stated shelf life for such Product (the "Warranty Period"); (c) the Product, when shipped, shall not be "adulterated" or "misbranded" as those terms are defined by or pursuant to the Federal Food, Drug, and Cosmetic Act, as amended; and (d) the Product, when shipped, will have been manufactured and otherwise handled in compliance with the Quality System Regulations then in effect, as promulgated by FDA.

7.2 OSUR DISCLAIMER. THE EXPRESS LIMITED WARRANTIES FOR THE PRODUCT SET FORTH IN SECTION 7.1. OF THIS AGREEMENT AND THE ADDITIONAL REPRESENTATIONS AND WARRANTIES SET FORTH IN SECTION 8.1.2 OF THIS AGREEMENT ARE IN LIEU OF ALL OTHER REPRESENTATIONS AND WARRANTIES, WHETHER EXPRESSED OR IMPLIED. OSUR HEREBY DISCLAIMS ANY AND ALL OTHER REPRESENTATIONS AND WARRANTIES OF ANY KIND, EXPRESSED OR IMPLIED, WHETHER ARISING FROM A COURSE OF DEALING OR USAGE OF TRADE, INCLUDING, WITHOUT LIMITATION, THE IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND NON-INFRINGEMENT.

7.3 Distributor's Warranty Remedies. During the Warranty Period, OSUR shall replace, at OSUR's expense, or at Distributor's option, refund or credit the purchase price of, any Product that does not comply with the limited warranty set forth in Section 7.1 of this Agreement. OSUR's obligation to replace defective Products or provide a credit or refund pursuant to this Section 7.3 shall not apply to any Products that have been subjected to misuse, mishandling, storage in a manner inconsistent with labeling, neglect, modification or unusual physical or chemical stress after delivery to Distributor or where any defect results from the Distributor Components. This Section 7.3 states Distributor's sole and exclusive remedy for failure of any Product to comply with the limited warranties set forth in Sections 7.1.

8. REPRESENTATIONS AND ADDITIONAL WARRANTIES; INDEMNIFICATION.

8.1 Representations and Additional Warranties.

8.1.1 By Distributor. Distributor represents and warrants to OSUR as follows: (a) Distributor has full corporate power and authority to enter into and carry out its obligations under this Agreement; (b) the execution, delivery and performance of this Agreement will not conflict with, are not inconsistent with and will not result in any breach of any terms, conditions or provisions of, or constitute (with due notice or lapse of time, or both) a default under any agreement, contract, document or instrument to which Distributor is a party or by which it is otherwise bound; (c) this Agreement has been duly executed and delivered by Distributor and constitutes the legal, valid and binding obligation of Distributor, enforceable against Distributor in accordance with its terms; and (d) no authorization, consent, approval or similar action of or by any third party is required for or in connection with Distributor's authorization, execution, delivery or performance of this Agreement; and (e) the use of the Distributor Trademarks will not constitute an infringement or dilution of a third party's trademark rights in the Territory.

8.1.2 By OSUR. OSUR represents and warrants to Distributor as follows: (a) OSUR has full corporate power and authority to enter into and carry out its obligations under this Agreement; (b) the execution, delivery and performance of this Agreement will not conflict with, are not inconsistent with and will not result in any breach of any terms, conditions or provisions of, or constitute (with due notice or lapse of time, or both) a default under any agreement, contract, document or instrument to which OSUR is a party or by which it is otherwise bound; (c) this Agreement has been duly executed and delivered by OSUR and constitutes the legal, valid and binding obligation of OSUR, enforceable against OSUR in accordance with its terms; (d) the manufacture, sale and use of the Product will not infringe upon, or constitute a misappropriation of, any third party's intellectual property rights; (e) no authorization, consent, approval or similar action of or by any third party is required for or in connection with OSUR's authorization, execution, delivery or performance of this Agreement; and (f) the use of the OSUR Trademark will not constitute an infringement or dilution of a third party's trademark rights in the Territory.

8.2 Indemnification.

8.2.1 By Distributor. Distributor shall indemnify, defend and hold harmless OSUR, its Affiliates, and the respective directors, officers, employees, agents and representatives of each of the foregoing, from and against any and all claims, suits and proceedings by a person or entity (other than a party to this Agreement or such party's Affiliates) (individually and

collectively, “Claims”), and any and all losses, obligations, damages, deficiencies, costs, penalties, liabilities, assessments, judgments, amounts paid in settlement, fines, and expenses (including court costs and reasonable fees and expenses of attorneys) in respect of any Claims (individually and collectively, “Losses”): (a) arising out of the negligence or willful misconduct of Distributor or its Affiliates, employees, agents or any other person for whose actions Distributor is legally liable; (b) for bodily injury, personal injury, death, property damage or other injury caused by or arising out of or in connection with the use, handling or storage of any Product by a consumer or other end-user in a manner inconsistent with the applicable package insert or labeling for such Product (including without limitation for any indication or intended use not explicitly described or claimed in the applicable Product insert) or any misuse, mishandling or improper storage of any Product by Distributor, any subdistributor or agent of Distributor; (c) arising out of or in connection with any promotional material, advertisement or claim made by Distributor or any subdistributor or agent of Distributor or product labeling, insert or packaging, which is not approved in writing in advance by OSUR; (d) arising out of or in connection with a material breach by Distributor of any of its obligations under this Agreement including any representations or warranties set forth in Section 8.1.1, or the acts or omissions of any distributor, subdistributor or agent of Distributor or any person or entity claiming to be acting pursuant to authority from Distributor; (e) the failure to manufacture or supply any Distributor Component in accordance with applicable law, the Specifications or as otherwise required under this Agreement; or (f) arising out of any claim that any of the Distributor Trademarks constitutes an infringement or dilution of a third party’s trademark rights in the Territory; provided, however, that Distributor shall have no liability to OSUR for any Claims or Losses to the extent that such Claims or Losses result from or arise out of: (i) the negligence or willful misconduct of OSUR or its Affiliates, employees, agents or any person for whose actions OSUR is legally liable; (ii) a material breach by OSUR of any of its obligations under this Agreement or its representations or warranties set forth in Section 8.1.2; or (iii) any occurrence for which OSUR has liability to Distributor pursuant to Section 8.2.2.

8.2.2 By OSUR. OSUR shall indemnify, defend and hold harmless Distributor, its Affiliates, and the respective directors, officers, employees, agents and representatives of each of the foregoing, from and against any and all Claims and Losses: (a) for bodily injury, personal injury, death, property damage or other injury caused by the defective design or manufacture of the Product (excluding the manufacture but not the design of the Distributor Components) or the inadequacy, inaccuracy and insufficiency of any product labeling approved in writing by OSUR prior to its use, including but not limited to “CAUTION” and “WARNING” labeling; (b) arising out of the negligence or willful misconduct of OSUR or its Affiliates, employees, agents or any other person for whose actions OSUR is legally liable; (c) arising out of or in connection with a material breach by OSUR of any of its obligations under this Agreement including any representations or warranties set forth in Section 8.1.2; (d) arising out of any claim that the OSUR Trademark constitutes an infringement or dilution of a third party’s trademark rights in the Territory; or (e) arising out of a claim that any of the manufacture, marketing, import, sale or use of the Product infringes upon any lawful patent rights; provided, however, that OSUR shall have no liability to Distributor for any Claims or Losses to the extent that such Claims or Losses result from or arise out of: (i) the negligence or willful misconduct of Distributor or its Affiliates, subdistributors, employees, agents or any person for whose actions Distributor is legally liable; (ii) a material breach by Distributor of any of its obligations under this Agreement including any representations or warranties set forth in Section 8.1.1; or (iii) any occurrence for which

Distributor has liability to OSUR pursuant to Section 8.2.1. In addition, OSUR shall have no liability to Distributor with respect to any Claims or Losses in connection with Product labeling under clause (a), above, if such labeling is not actually distributed with the Product or Distributor fails to comply with its obligations hereunder with respect to Product packaging, labeling, inserts, instructions and promotional materials, including Sections 3.1.4 and 4.2.

8.2.3 Indemnification Procedures. Each party shall provide prompt notice to the other of any actual or threatened Loss or Claim of which the other becomes aware; provided, that the failure to provide prompt notice shall only be a bar to recovering Losses or Claims to the extent that a party was prejudiced by such failure. In the event of any such actual or threatened Loss or Claim, each party shall provide the other information and assistance as the other shall reasonably request for purposes of defense, and each party shall receive from the other all necessary and reasonable cooperation in such defense including, but not limited to, the services of employees of the other party who are familiar with the transactions or occurrences out of which any such Loss or Claim may have arisen. It shall be a condition to indemnification that the indemnifying party be allowed to control the response to and any settlement or defense of any Claim, or the portion of any Claim, as to which indemnification is sought at the indemnifying party's sole expense and with counsel of its own choosing. After notice from the indemnifying party to the indemnified party of its election to assume the defense of a Claim, the indemnifying party will not be liable to the indemnified party for expenses incurred by the indemnified party in connection with such Claim under this Agreement, other than the indemnified party's reasonable costs of investigation or participation in such Claim, and except as provided below. The indemnified party shall have the right to employ its own counsel in any such Claim, but the fees and expenses of such counsel incurred after notice from the indemnifying party of its assumption of the defense of such Claim shall be at the expense of the indemnified party, unless (i) the employment of counsel by the indemnified party has been authorized by the indemnifying party, (ii) the indemnified party shall have reasonably concluded that there may be a conflict of interest between the indemnifying party and the indemnified party in the conduct of the defense of such Claim, or (iii) the indemnifying party shall not in fact have employed counsel to assume the defense of such Claim, in each of which cases the fees and expenses of the indemnified party's counsel shall be paid by the indemnifying party. Neither party shall have the right to settle any Claim or agree to the entry of any judgment or other relief without the prior consent of the other party, which consent shall not be withheld unreasonably; provided that the indemnifying party may settle any Claim or agree to the entering of any judgment or relief if such settlement, judgment or relief includes a complete release of the indemnified party from the Claims at issue.

8.3 Additional Rights for Claims of Infringement. Without limitation to any of the rights and obligations of OSUR and Distributor under Section 8.2 of this Agreement, if a third party asserts or threatens any Claim asserting: (a) that any of the manufacture, marketing, sale, use or distribution of the Product infringes upon, or constitutes a misappropriation of, such third party's intellectual property rights in the Territory, then OSUR may, at its option (i) procure for Distributor a license to continue selling the Product, (ii) modify such items to make them non-infringing, or (iii) if neither of the foregoing is commercially practicable, terminate this Agreement with respect to sale of the infringing item in the jurisdiction in which infringement is asserted.

8.4 Change in Design. OSUR may, with the written consent of the Distributor (not to be unreasonably withheld), improve or modify any feature of the Product or change in any manner the

technical specifications, features, design or performance of the Product. OSUR will use its reasonable efforts to inform the Distributor at least sixty (60) days in advance of any such changes. OSUR will not be obliged to make any change or upgrade in any Product shipped to the Distributor prior to the official introduction of any such change or upgrade. In the event of any change to the Product hereunder, the Specifications shall be amended to reflect such change and, as so amended, shall thereafter be deemed to be the Specifications for the Product under this Agreement. OSUR shall be responsible for obtaining all FDA or other regulatory approvals, clearances or registrations required in the OTC Market in the Territory as a result of any change to the Product. Distributor shall have the right to submit suggested design changes and improvements to OSUR from time to time. OSUR shall consider such improvement suggestions in good faith.

8.5 Insurance. Distributor represents, warrants, and covenants that during the Term, it shall maintain general liability insurance, including contractual liability coverage of all of Distributor's obligations under this Agreement, and products liability/completed operations coverage with a minimum aggregate limit of $10 million and a minimum limit per occurrence of $5 million. Such insurance shall be evidenced by one or more certificates of insurance delivered to OSUR on an annual basis, naming OSUR as an additional insured and loss payee, and providing that OSUR shall receive at least thirty (30) days' prior written notice of cancellation or material change of any of the policies underlying such coverage. Any failure by Distributor to maintain the insurance coverage required by this Section 8.5 shall be a material breach of this Agreement.

9. RECALL; COMPLAINTS; REGULATORY COMPLIANCE.

9.1 Recall. Each party shall immediately notify the other in writing should it become aware of any defect or condition that may render any Product in violation of any applicable requirement of law or regulation in the Territory or that may constitute a deviation from the warranties made by OSUR in Section 7.1. Upon the determination of OSUR to recall the affected Product, OSUR and Distributor shall carry out any recall or replacement in full compliance with applicable laws and regulations and in the manner directed by OSUR in as expeditious a manner as possible and in such a way as to cause the least disruption and to preserve customer goodwill and the reputation of OSUR and Distributor. OSUR shall reimburse Distributor in full for all reasonable, direct costs of the recall or replacement of a Product, but only if the recall or replacement results from a defect in the manufacture, packaging, or labeling of the Product or from any OSUR breach of warranty, and not from any action taken or omitted by Distributor, its Affiliates or entities or persons directly controlled by Distributor or for which it is legally responsible. The direct costs for which OSUR shall reimburse Distributor shall be limited to direct and out-of-pocket costs, such as mailing and printing costs, freight, supervised destruction and other amounts paid or credited to third parties. OSUR shall have no liability to Distributor (or others) for indirect costs of the recall or replacement, such as lost profits, employee time, or overhead.

9.2 Consumer Communications and Complaints.

9.2.1 Communications. Distributor shall receive, collect, classify and organize routine communications from consumers, which do not require reporting to FDA. From time to time, but not less frequently than annually or when reasonably requested by OSUR, Distributor will provide OSUR with a summary report of such communications.

9.2.2 Complaints. Distributor shall notify OSUR promptly of the receipt of any complaints including any non-serious adverse events or reactions, improper performance or other performance related communications related to the Product and shall forward all such complaints, reports, adverse events and reactions to OSUR along with all related information available to Distributor, as soon as practicable and in no event later than ten (10) Business Days after receipt by Distributor; provided that Distributor shall notify OSUR of any deaths or serious adverse events or reactions within two (2) Business Days after receipt by Distributor. OSUR shall have primary responsibility for investigating and responding to all such complaints, adverse events and reactions and reporting, to the extent required, to FDA. Distributor shall have primary responsibility for investigating and responding to consumers and the trade. Distributor and OSUR shall cooperate as necessary and useful, to investigate and respond to all complaints of any nature. OSUR shall share its investigations and conclusions with Distributor within 10 Business Days after receipt of a potentially reportable complaint by OSUR. Information or data (if any) bearing on safety or performance of the Product in a material respect arising from sales outside the OTC Market or Territory by OSUR or any licensee or other party authorized by OSUR shall be summarized and provided to the Distributor as reasonably required by the mutual interests of the parties, but not less frequently than annually.

9.3 Regulatory Compliance. OSUR shall assume all responsibility for compliance with all regulatory requirements in the Territory for the handling of recalls and customer complaints, and adverse events and incidents, including, without limitation, required periodic device listing reports, the preparation of an Annual Review of Product Quality and adverse reaction reporting, to the extent required. OSUR and Distributor agree to cooperate and coordinate the logistics of any recall or field correction with due attention to requirements of the trade, public relations considerations and regulatory requirements.

10. CONFIDENTIALITY AND NON-USE OF INFORMATION.

10.1 Confidential Information.

10.1.1 Definition of "Confidential Information." As used in this Agreement, the term "Confidential Information" shall, subject to Section 10.2 of this Agreement, mean all technical (including, without limitation, Product specifications, design, components, compositions and formulations), financial (including, without limitation, any information obtained under Section 4.9 of this Agreement), commercial (including, without limitation, customer lists and identities) or other information of Distributor (or any of Distributor's Affiliates) or OSUR (or any of OSUR's Affiliates), as applicable, irrespective of the form of communication and whether or not disclosed prior to or after the Effective Date, other than information that was generally known or otherwise generally available to the public or the industry before disclosure to the other party, or information that becomes generally known to the public or the industry after such disclosure through no wrongful act or omission of the receiving party. Failure to mark or otherwise identify any information as confidential or proprietary shall not adversely affect its status as "Confidential Information."

10.1.2 Obligations of Confidentiality and Non-Use.

(a) During the Term and at all times thereafter, neither Distributor nor OSUR shall disclose any of the other party's Confidential Information. The foregoing shall not

prohibit disclosures: (i) made to such party's employees, agents or advisors who have a "need to know" the other party's Confidential Information to the extent necessary to perform such party's duties and obligations, or to enforce such party's rights, under this Agreement; or (ii) compelled to be made by any requirement of law or pursuant to any legal or investigative proceeding before any court, or governmental or regulatory authority, agency or commission so long as the party so compelled to make disclosure of Confidential Information pertaining to the other party provides prior written notice to such other party and uses its commercially reasonable efforts to cooperate with such other party to obtain a protective order or other similar determination with respect to such Confidential Information.

(b) During the Term and at all times thereafter, Distributor and OSUR shall not use any of the other party's Confidential Information for its own direct or indirect benefit, or the direct or indirect benefit of any third party, except that each of Distributor and OSUR may use the other party's Confidential Information to the extent necessary to perform its duties and obligations, or to enforce such party's rights, under this Agreement.

(c) Each of Distributor and OSUR shall (i) take reasonable steps, whether by instruction, agreement, or otherwise, to cause its employees, agents and advisors who may have access to Confidential Information of the other party, to comply with its obligations under this Section 10 and (ii) shall be liable for the breach of this Section 10 by any of its employees, agents or advisors who may have access to Confidential Information of the other party.

10.2 Exceptions. Confidential Information shall not include information that: (a) is available from governmental agencies under the United States Freedom of Information Act; (b) a party can prove on the basis of the written record, was known by the receiving party at time of disclosure; (c) the receiving party can prove on the basis of the written record to have been independently developed for the receiving party after the time of disclosure by employees or third parties who have not had access to corresponding Confidential Information; or (d) was received by the receiving party, without restriction, from a third party not under any obligation to the other party not to disclose it and otherwise not in violation of the other party's rights.

10.3 Remedies. Any breach of the restrictions contained in this Section 10 by either Distributor or OSUR is a material breach of this Agreement, which may cause irreparable harm to the other party entitling such other party to injunctive relief in addition to all other legal remedies.

10.4 Press Release. The parties acknowledge that it is their intention to issue a press release concerning the execution of this Agreement. The parties shall cooperate in the preparation of such a release, which shall be subject to approval (not to be unreasonably withheld or delayed) of both parties.

11. TERM AND TERMINATION.

11.1 Term. The term of this Agreement shall begin on the Effective Date and end on the last day of the fifth Contract Year or on such earlier date as this Agreement may be terminated pursuant to Section 11.2 of this Agreement (the "Initial Term"). Thereafter, this Agreement shall automatically be renewed for successive periods of one (1) year each (each, a "Renewal Term," and together with the Initial Term, the "Term") so long as Distributor has met its minimum purchase commitment under Section 6.2 for each Contract Year.

11.2 Termination.

11.2.1 By Reason of Material Breach. This Agreement may be terminated by either Distributor or OSUR upon notice if the other party materially breaches any term or condition of this Agreement (other than a breach covered by Section 11.2.2) and fails to remedy the breach within thirty (30) days after being given notice thereof.

11.2.2 By Reason of Failure to Pay Amounts Owing. Either OSUR or Distributor shall have the right to terminate this Agreement if the other party shall have failed to pay timely any amounts due under this Agreement which nonpayment has not been cured within thirty (30) days of receipt of notice thereof.

11.2.3 Failure to Meet Minimum Purchase Commitments. If Distributor fails to order, accept delivery and pay for the volume of Products identified in Section 6.2 as the minimum purchase commitment for any Contract Year, then OSUR shall have the right at any time to convert Distributor's rights hereunder to non-exclusive rights by giving Distributor written notice of such action at least thirty (30) days prior to the effective date of such action. If Distributor fails to order, accept delivery and pay for at least 150,000 Units of the Products in any Contract Year, then OSUR shall have the right to then terminate this Agreement by giving Distributor written notice of such action at least thirty (30) days prior to the effective date of such action.

11.2.4 By Reason of Bankruptcy or Similar Proceedings. This Agreement may be terminated in its entirety by either party upon notice if the other party: (a) becomes the subject of any voluntary or involuntary proceeding under the U.S. Bankruptcy Code or state insolvency proceeding and such proceeding is not terminated within sixty (60) days of its commencement; or (b) ceases to be actively engaged in business.

11.2.5 By Reason of Insurance Changes. If (i) OSUR experiences a material increase in the cost of obtaining or maintaining liability insurance coverage as a direct consequence of losses related to the sale or distribution of Product into the OTC Market and Distributor does not agree to an increase in the Price to reimburse OSUR for such increased costs, then OSUR shall have the right to terminate this Agreement upon not less than one hundred eighty (180) days written notice to Distributor, or (ii) OSUR is no longer able to obtain or maintain liability insurance coverage as a result of this Agreement or the sale or distribution of Product into the OTC Market, then OSUR shall have the right to terminate this Agreement immediately upon written notice to Distributor.

11.3 Effect of Termination.

11.3.1 Subsisting Obligations. Termination or expiration of this Agreement shall not relieve the parties of any obligation arising prior to the effective date of such termination or expiration and shall not constitute a waiver of any right of the parties under this Agreement as a result of breach or default.

11.3.2 Remedies Upon Breach. If this Agreement is validly terminated by either Distributor or OSUR pursuant to Section 11.2. of this Agreement, then subject to the limitations set forth in Sections 7.2, 7.3 and 12.5 of this Agreement, any and all rights and remedies available to the non-breaching party, whether under this Agreement, at law or in equity shall be preserved and survive the termination of this Agreement.

11.3.3 Return of Confidential Information. Upon expiration of this Agreement or its termination by either party, each party, as the other may direct, shall destroy or return to the other promptly all tangible materials provided to it by the other that embody the other's Confidential Information and shall erase or delete all such Confidential Information embodied in any magnetic, optical or similar medium or stored or maintained on any information storage or retrieval device, and shall provide an officer's certificate regarding such destruction, return, erasure or deletion. Notwithstanding the foregoing, and subject to the provisions set forth in Section 10 of this Agreement, each party's outside legal counsel may retain one (1) copy of such materials for archival purposes.

11.3.4 Inventory. Following expiration of this Agreement or its termination by either party, (i) Distributor may continue selling any inventory of Product remaining in its possession for a period of six (6) months after such expiration or termination and (ii) OSUR may complete, or cause the Assembly Contractor to complete, assembly of Product with its or the Assembly Contractor's remaining inventory of components and Distributor shall purchase such Product and any other finished Product inventory held by OSUR or the Assembly Contractor at the Price set forth therein and, at OSUR's request, all remaining components not then assembled into Product remaining in OSUR's or the Assembly Contractor's inventory at OSUR's cost therefor and Distributor may sell such Product and components without limitation as to time.

11.3.5 Survival. The following Sections shall survive expiration or termination of this Agreement for any reason: Section 1, 2.3 (last sentence only), 4.3, 4.4.1, 4.4.3, 4.8, 4.9, 5.3, 5.4, 7, 8, 9, 10, 11.3, and 12.

12. GENERAL PROVISIONS.

12.1 Currency. All amounts payable under this Agreement shall be paid in U.S. dollars, unless otherwise agreed in writing.

12.2 Governing Law. This Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the Commonwealth of Pennsylvania, without reference to conflict of laws principles of any jurisdiction.

12.3 Force Majeure. Notwithstanding anything to the contrary set forth herein, neither party shall be liable in damages, nor shall either party have the right to terminate this Agreement for any delay or default in performing any obligation hereunder, if such delay or default is caused by conditions beyond the control of the relevant party, including but not limited to, acts of God, governmental restrictions or regulations, wars or insurrections, strikes, fire, floods, work-stoppages, lack of materials, and unforeseen occurrences or other occurrences beyond the control of the affected party; provided, however, that the party so affected shall employ such reasonable actions to avoid or to remove such cause of non-performance, and shall continue performance under this Agreement with the utmost dispatch whenever the relevant cause is abated; and further provided that if either party is unable to fulfill any relevant obligation under this Agreement due to any such cause, and this situation continues for a period of ninety (90) days, then the other party hereto shall have the right to terminate this Agreement by written notice.

12.4 Assignment. This Agreement may not be assigned or otherwise transferred, nor may any right or obligation under this Agreement be assigned or transferred, by either of Distributor or OSUR to a third party without the prior written consent of the other party, which consent shall not be unreasonably withheld; provided, that either of Distributor or OSUR may transfer or assign its rights and obligations under this Agreement without consent to a successor to all or substantially all of its business or assets, whether by sale, merger, operation of law or otherwise or to the successor by purchase or otherwise of such party's line of business to which this Agreement relates.

12.5 Limitation of Liability. NEITHER PARTY SHALL BE LIABLE FOR ANY SPECIAL, INCIDENTAL, CONSEQUENTIAL OR INDIRECT DAMAGES ARISING IN ANY WAY OUT OF THIS AGREEMENT, HOWEVER CAUSED AND ON ANY THEORY OF LIABILITY, INCLUDING, WITHOUT LIMITATION, PUNITIVE DAMAGES, LOST PROFITS AND THE COST OF REPLACEMENT PRODUCT OR GOODS. THIS LIMITATION WILL APPLY EVEN IF THE OTHER PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGE. NOTHING IN THIS SECTION 12.5 SHALL PRECLUDE THE INCLUSION OF SPECIAL, INCIDENTAL, CONSEQUENTIAL OR INDIRECT DAMAGES INCURRED BY ANY PARTY ENTITLED TO INDEMNIFICATION UNDER SECTION 8.2 OF THIS AGREEMENT IN CONNECTION WITH ANY THIRD PARTY CLAIM, SUIT OR ACTION AGAINST SUCH PARTY WITHIN THE AMOUNT OF LOSSES INCURRED AS A RESULT OF SUCH THIRD PARTY CLAIM OR ACTION.

12.6 No Third Party Beneficiaries. Distributor and OSUR intend that only Distributor and OSUR will benefit from, and are entitled to enforce the provisions of, this Agreement. No third party beneficiary is intended under this Agreement.

12.7 Modifications; Waiver. No modification to this Agreement shall be effective unless such modification is in a writing, which is signed by a duly authorized representative of each of Distributor and OSUR. No waiver of any rights or breach or default under this Agreement shall be effective unless assented to in writing by the party to be charged with such waiver. The waiver of any breach or default shall not constitute a waiver of any other right hereunder or any subsequent breach or default.

12.8 Notices. Any required notices under this Agreement shall be given in writing at the address of each party set forth above, or to such other address as either party may substitute by written notice to the other in the manner contemplated in this Section 12.8, and shall be deemed given (a) when personally delivered; (b) if sent by recognized overnight courier service, on the next business day after deposit with such courier, properly addressed and fee prepaid; (c) if sent by U.S. certified mail, return receipt requested, on the fourth (4th) Business Day after deposit in the U.S. mail, properly addressed and postage prepaid; or (d) if sent by facsimile, upon and after the receipt of a machine-generated written confirmation report corresponding to the notice given evidencing the proper facsimile number of the receiving party, provided a copy of such notice is also sent by regular first-class U.S. mail. All notices shall be sent to the attention of the recipient's president.

12.9 Descriptive Headings. The headings of the several sections of this Agreement are intended for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

12.10 Severability. In the event that any provision of this Agreement becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Agreement shall continue in full force and effect without such provision; provided that this severability provision shall not be effective if it materially changes the economic benefit of this Agreement to either Distributor or OSUR.

12.11 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but both of which together shall constitute one and the same instrument. A facsimile transmission of a signed original shall have the same effect as delivery of the signed original.

12.12 Expenses. Except as otherwise expressly set forth in this Agreement, Distributor and OSUR shall bear their own respective expenses incident to the preparation, negotiation, execution and delivery of this Agreement and to the performance of their respective obligations under this Agreement.

12.13 Alternate Dispute Resolution.

12.13.1 Agreement to utilize Alternate Dispute Resolution . Except for matters which relate to the enforcement of Section 10 of this Agreement, which matters shall not be required to be submitted to mediation or arbitration, any controversy or claim between Distributor and OSUR arising out of or relating to this Agreement, or any breach of this Agreement, including without limitation, any claim that this Agreement, or any part thereof, is invalid, illegal or otherwise voidable or void, shall be submitted to neutral third party dispute resolution in the form of mediation before a mutually selected and agreed upon mediator who shall be neutral and experienced in the type of business contemplated herein. Should the parties be unable to agree on a mediator or should mediation fail, the parties shall then submit the dispute to arbitration before and in accordance with the then current commercial arbitration rules of the American Arbitration Association. Judgment upon an arbitration award may be entered in any court having competent jurisdiction and shall be binding, final and non-appealable. No punitive or exemplary damages shall be awarded against either Distributor or OSUR. This Section 12.13.1 shall be deemed to be self-executing, and in the event either party fails to appear at any properly noticed arbitration proceeding, an award may be entered against such party notwithstanding said failure to appear. Such arbitration shall take place in a neutral location as the parties may mutually agree. Each party shall bear its own costs incurred in connection with the mediation or arbitration proceeding.

12.13.2 Right to Seek Injunctive Relief Preserved. Nothing in the Agreement shall be construed as limiting or precluding either party from bringing any action in any court of competent jurisdiction for injunctive or other extraordinary relief as such party deems necessary or appropriate to compel the other party to comply with its obligations under Section 10 of this Agreement.

12.14 Entire Agreement. This Agreement constitutes the entire and exclusive agreement and understanding between Distributor and OSUR with respect to the subject matter of this Agreement, and supersedes and cancels all previous negotiations, agreements, and commitments, whether oral or in writing, in respect to the subject matter of this Agreement.

[The remainder of this page left blank]

IN WITNESS WHEREOF, the undersigned duly authorized officers of OSUR and Distributor, respectively, hereby execute this Agreement on the date first above written on behalf of OSUR and Distributor, respectively.

ORASURE TECHNOLOGIES, INC.

By: */s/ Mike Gausling*

Print Name: Mike Gausling
Title: President and CEO

MEDTECH HOLDINGS, INC.

By: */s/ Peter J. Anderson*

Print Name: Peter J. Anderson
Title: CFO

Exhibit 1.11

Product Specifications

Document Attached

Product Specifications

1 “Unit” of Product shall consist of:

Supplied by OSUR:

- 1 110ml aluminum canister filled with 80 ml of Cryogenic gas mixture, printed in 4 colors (drawing enclosed).
- 12 5-mm foam applicators packaged in a transparent zip lock bag (drawing enclosed)

Supplied by Distributor:

- 1 white virgin sulphate cardboard box (18 points) printed in 4 colors
  Artwork and labeling to be approved by OSUR
- 1 instructions for use leaflet printed in 4 colors
  Content to be approved by OSUR
- 1 shipping case (corrugated carton)
- 1 shipping case label Artwork and content to be approved by OSUR
- 2 transparent tamper evidence labels for the lids of the box (if required)
- 1 anti theft detector

(Drawings Omitted)

Exhibit 2.4

Countries outside the United States where the Histofreezer® wart removal system is sold:

Belgium
The Netherlands
Finland
Sweden
Norway
Denmark
Iceland
Germany
Austria
Switzerland
France
Spain
Portugal
Italy
Turkey
UK
Ireland
Greece
Romania
Slovenia
Cyprus
South Africa
Australia
Hong Kong
Singapore
South Korea
China
Israel
Mexico
Brazil

Exhibit 10.2

ORASURE TECHNOLOGIES, INC.

2000 STOCK AWARD PLAN

ARTICLE 1
ESTABLISHMENT AND PURPOSE
(Amended Effective as of May 18, 2004)

Establishment. Epitope, Inc. established this Plan as the Epitope, Inc. 2000 Stock Award Plan, effective as of February 15, 2000, subject to shareholder approval as provided in Article 17. Effective September 29, 2000, in connection with the merger of Epitope, Inc. with and into OraSure Technologies, Inc., the name of the Plan was changed to the OraSure Technologies, Inc. 2000 Stock Award Plan and the Plan was adopted as a stock option plan of OraSure Technologies, Inc.

1.1 Purpose. The purpose of the Plan is to promote and advance the interests of Corporation and its shareholders by enabling Corporation to attract, retain, and reward employees, outside advisors, and directors of Corporation and its subsidiaries. It is also intended to strengthen the mutuality of interests between such employees, advisors, and directors and Corporation's shareholders. The Plan is designed to meet this intent by offering stock options and other equity-based incentive awards, thereby providing a proprietary interest in pursuing the long-term growth, profitability, and financial success of Corporation.

ARTICLE 2
DEFINITIONS

2.1 Defined Terms. For purposes of the Plan, the following terms have the meanings set forth below:

"**Advisor**" means a natural person who is a consultant to or member of an Advisory Committee of Corporation or a Subsidiary, who provides bona fide services to Corporation and who is neither an employee of Corporation or a Subsidiary nor a Non-Employee Director. "Advisor" excludes any person who provides services to Corporation in connection with the offer or sale of securities in a capital raising transaction or to promote or maintain a market for Corporation's securities, and any other person excluded from the class of persons to whom securities may be offered pursuant to a registration statement on Form S-8 or any successor form of registration statement.

"**Advisory Committee**" means a scientific advisory committee to Corporation or a Subsidiary.

"**Award**" means an award or grant made to a Participant of Options, Stock Appreciation Rights, Restricted Awards, Performance Awards, or Other Stock-Based Awards pursuant to the Plan.

"**Award Agreement**" means an agreement as described in Section 6.4.

"**Board**" means the Board of Directors of Corporation.

"**Code**" means the Internal Revenue Code of 1986, as amended and in effect from time to time, or any successor thereto, together with rules, regulations, and interpretations promulgated thereunder. Where the context so requires, any reference to a particular Code section will be construed to refer to the successor provision to such Code section.

"**Committee**" means the committee appointed by the Board to administer the Plan as provided in Article 3 of the Plan.

"**Common Stock**" means the Common Stock, no par value, of Corporation or any security of Corporation issued in substitution, in exchange, or in lieu of such stock.

"**Continuing Restriction**" means a Restriction contained in Sections 6.7, 6.8, and 16.4 of the Plan and any other Restrictions expressly designated by the Committee in an Award Agreement as a Continuing Restriction.

"**Corporation**" means OraSure Technologies, Inc., a Delaware corporation, or any successor corporation. As to awards granted or other action taken prior to September 29, 2000, "Corporation" includes Epitope, Inc., as predecessor to OraSure Technologies, Inc.

"**Deferred Compensation Option**" means a Nonqualified Option granted with an option price less than Fair Market Value on the date of grant pursuant to Section 7.9 of the Plan.

"**Disability**" means the condition of being "disabled" within the meaning of Section 422(c)(6) of the Code. However, the Committee may change the foregoing definition of "Disability" or may adopt a different definition for purposes of specific Awards.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended and in effect from time to time, or any successor statute. Where the context so requires, any reference to a particular section of the Exchange Act, or to any rule promulgated under the Exchange Act, shall be construed to refer to successor provisions to such section or rule.

"**Fair Market Value**" means with respect to Common Stock, on a particular day, without regard to any restrictions (other than a restriction which, by its terms, will never lapse), the mean between the reported high and low sale prices, or, if there is no sale on such day, the mean between the reported bid and asked prices, of Shares of the Common Stock on that day or, if that day is not a trading day, the last prior trading day, on the securities exchange or automated securities interdealer quotation system on which such Shares have been traded.

"**Incentive Stock Option**" or "**ISO**" means any Option granted pursuant to the Plan that is intended to be and is specifically designated in its Award Agreement as an "incentive stock option" within the meaning of Section 422 of the Code.

"**Non-Employee Director**" means a member of the Board who is not an employee of Corporation or any Subsidiary.

"**Nonqualified Option**" or "**NQO**" means any Option, including a Deferred Compensation Option, granted pursuant to the Plan that is not an Incentive Stock Option.

"**Option**" means an ISO, an NQO, or a Deferred Compensation Option.

"**Other Stock-Based Award**" means an Award as defined in Section 11.1.

"**Participant**" means an employee of Corporation or a Subsidiary, an Advisor, or a Non-Employee Director who is granted an Award under the Plan.

"**Performance Award**" means an Award granted pursuant to the provisions of Article 10 of the Plan, the Vesting of which is contingent on performance attainment.

"**Performance Cycle**" means a designated performance period pursuant to the provisions of Section 10.3 of the Plan.

"**Performance Goal**" means a designated performance objective pursuant to the provisions of Section 10.4 of the Plan.

"**Plan**" means this OraSure Technologies, Inc. 2000 Stock Award Plan, as set forth herein and as it may be amended from time to time.

"**Reporting Person**" means a Participant who is subject to the reporting requirements of Section 16(a) of the Exchange Act.

"**Restricted Award**" means a Restricted Share or a Restricted Unit granted pursuant to Article 9 of the Plan.

"**Restricted Share**" means an Award described in Section 9.1(a) of the Plan.

"**Restricted Unit**" means an Award of units representing Shares described in Section 9.1(b) of the Plan.

"**Restriction**" means a provision in the Plan or in an Award Agreement which limits the exercisability or transferability, or which governs the forfeiture, of an Award or the Shares, cash, or other property payable pursuant to an Award.

"**Retirement**" means:

(a) For Participants who are employees, retirement from active employment with Corporation and its Subsidiaries at or after age 50, or such earlier retirement date as approved by the Committee for purposes of the Plan;

(b) For Participants who are Non-Employee Directors, termination of membership on the Board after attaining age 50, or such earlier retirement date as approved by the Committee for purposes of the Plan; and

(c) For Participants who are Advisors, termination of service as an Advisor after attaining age 50, or such earlier retirement date as approved by the Committee for purposes of the Plan.

However, the Committee may change the foregoing definition of "Retirement" or may adopt a different definition for purposes of specific Awards.

"**Share**" means a share of Common Stock.

"**Stock Appreciation Right**" or "**SAR**" means an Award to benefit from the appreciation of Common Stock granted pursuant to the provisions of Article 8 of the Plan.

"**Subsidiary**" means any "subsidiary corporation" of Corporation within the meaning of Section 424 of the Code, namely any corporation in which Corporation directly or indirectly controls 50 percent or more of the total combined voting power of all classes of stock having voting power.

"**Vest**" or "**Vested**" means:

(a) In the case of an Award that requires exercise, to be or to become immediately and fully exercisable and free of all Restrictions (other than Continuing Restrictions);

(b) In the case of an Award that is subject to forfeiture, to be or to become nonforfeitable, freely transferable, and free of all Restrictions (other than Continuing Restrictions);

(c) In the case of an Award that is required to be earned by attaining specified Performance Goals, to be or to become earned and nonforfeitable, freely transferable, and free of all Restrictions (other than Continuing Restrictions); or

(d) In the case of any other Award as to which payment is not dependent solely upon the exercise of a right, election, exercise, or option, to be or to become immediately payable and free of all Restrictions (except Continuing Restrictions).

2.2 Gender and Number. Except where otherwise indicated by the context, any masculine or feminine terminology used in the Plan shall also include the opposite gender; and the definition of any term in Section 2.1 in the singular shall also include the plural, and vice versa.

ARTICLE 3
ADMINISTRATION

3.1 General. Except as provided in Section 3.7, the Plan will be administered by a Committee composed as described in Section 3.2.

3.2 Composition of the Committee. The Committee will be appointed by the Board from among its members in a number and with such qualifications as will meet the requirements for approval by a committee pursuant to both Rule 16b-3 under the Exchange Act and Section 162m of the Code. The Board may from time to time remove members from, or add members to, the Committee. Vacancies on the Committee, however caused, will be filled by the Board. The initial members of the Committee will be the members of Corporation's existing Executive Compensation Committee. The Board may at any time replace the Executive Compensation Committee with another Committee. In the event that the Executive Compensation Committee ceases to satisfy the requirements of Rule 16b-3 or Section 162m of the Code, the Board will appoint another Committee satisfying such requirements.

3.3 Authority of the Committee. The Committee will have full power and authority (subject to such orders or resolutions as may be issued or adopted from time to time by the Board) to administer the Plan in its sole discretion, including the authority to:

(a) Construe and interpret the Plan and any Award Agreement;

(b) Promulgate, amend, and rescind rules and procedures relating to the implementation of the Plan;

(c) With respect to employees and Advisors:

(i) Select the employees and Advisors who shall be granted Awards;

(ii) Determine the number and types of Awards to be granted to each such Participant;

(iii) Determine the number of Shares, or Share equivalents, to be subject to each Award;

(iv) Determine the option price, purchase price, base price, or similar feature for any Award; and

(v) Determine all the terms and conditions of all Award Agreements, consistent with the requirements of the Plan.

Decisions of the Committee, or any delegate as permitted by the Plan, shall be final, conclusive, and binding on all Participants.

3.4 Action by the Committee. A majority of the members of the Committee will constitute a quorum for the transaction of business. Action approved by a majority of the members present at any meeting at which a quorum is present, or action in writing by all the members of the Committee, will be the valid acts of the Committee.

3.5 Delegation. Notwithstanding the foregoing, the Committee may delegate to one or more officers of Corporation the authority to determine the recipients, types, amounts, and terms of Awards granted to Participants who are not Reporting Persons.

3.6 Liability of Committee Members. No member of the Committee will be liable for any action or determination made in good faith with respect to the Plan, any Award, or any Participant.

3.7 Awards to Non-Employee Directors. The Board or Committee may grant Awards from time to time to Non-Employee Directors.

3.8 Costs of Plan. The costs and expenses of administering the Plan will be borne by Corporation.

ARTICLE 4
DURATION OF THE PLAN AND SHARES SUBJECT TO THE PLAN

4.1 Duration of the Plan. The Plan is effective February 15, 2000, subject to approval by Epitope, Inc.'s shareholders as provided in Article 17. The Plan will remain in effect until Awards have been granted covering all the available Shares or the Plan is otherwise terminated by the Board. Termination of the Plan will not affect outstanding Awards.

4.2 Shares Subject to the Plan.

4.2.1 General. The shares which may be made subject to Awards under the Plan are Shares of Common Stock, which may be either authorized and unissued Shares or reacquired Shares. No fractional Shares may be issued under the Plan.

4.2.2 Number of Shares. The maximum number of Shares for which Awards may be granted under the Plan is 7,300,000 Shares, plus the number of Shares that are available for grant under the Epitope, Inc., 1991 Stock Award Plan (the "1991 Plan"), on February 15, 2000, subject to adjustment pursuant to Article 14 of the Plan.

4.2.3 Availability of Shares for Future Awards. If an Award under the Plan, the 1991 Plan, or the Incentive Stock Option Plan for Key Employees of Epitope, Inc. (the "ISOP"), is canceled or expires for any reason prior to having been fully Vested or exercised by a Participant or is settled in cash in lieu of Shares or is exchanged for other Awards, all Shares covered by such Awards will be made available for future Awards under the Plan. Furthermore, any Shares used as full or partial payment to Corporation by a Participant of the option, purchase, or other exercise price of an Award and any Shares covered by a Stock Appreciation Right which are not issued upon exercise will become available for future Awards.

ARTICLE 5
ELIGIBILITY

5.1 Employees and Advisors. Officers and other employees of Corporation and any Subsidiaries (who may also be directors of Corporation or a Subsidiary) and Advisors who, in the Committee's judgment, are or will be contributors to the long-term success of Corporation will be eligible to receive Awards under the Plan.

5.2 Non-Employee Directors. All Non-Employee Directors will be eligible to receive Awards as provided in Section 3.7 of the Plan.

ARTICLE 6
AWARDS

6.1 Types of Awards. The types of Awards that may be granted under the Plan are:

(a) Options governed by Article 7 of the Plan;

(b) Stock Appreciation Rights governed by Article 8 of the Plan;

(c) Restricted Awards governed by Article 9 of the Plan;

(d) Performance Awards governed by Article 10 of the Plan; and

(e) Other Stock-Based Awards or combination awards governed by Article 11 of the Plan.

In the discretion of the Committee, any Award may be granted alone, in addition to, or in tandem with other Awards under the Plan.

6.2 General. Subject to the limitations of the Plan, the Committee may cause Corporation to grant Awards to such Participants, at such times, of such types, in such amounts, for such periods, with such option prices, purchase prices, or base prices, and subject to such terms, conditions, limitations, and restrictions as the Committee, in its discretion, deems appropriate. Awards may be granted as additional compensation to a Participant or in lieu of other compensation to such Participant. A Participant may receive more than one Award and more than one type of Award under the Plan.

6.3 Nonuniform Determinations. The Committee's determinations under the Plan or under one or more Award Agreements, including without limitation, (a) the selection of Participants to receive Awards, (b) the type, form, amount, and timing of Awards, (c) the terms of specific Award Agreements, and (d) elections and determinations made by the Committee with respect to exercise or payments of Awards, need not be uniform and may be made by the Committee selectively among Participants and Awards, whether or not Participants are similarly situated.

6.4 Award Agreements. Each Award will be evidenced by a written Award Agreement between Corporation and the Participant. Award Agreements may, subject to the provisions of the Plan, contain any provision approved by the Committee.

6.5 Provisions Governing All Awards. All Awards will be subject to the following provisions:

(a) Alternative Awards. If any Awards are designated in their Award Agreements as alternative to each other, the exercise of all or part of one Award automatically will cause an immediate equal (or pro rata) corresponding termination of the other alternative Award or Awards.

(b) Rights as Shareholders. No Participant will have any rights of a shareholder with respect to Shares subject to an Award until such Shares are issued in the name of the Participant.

(c) Employment Rights. Neither the adoption of the Plan nor the granting of any Award will confer on any person the right to continued employment with Corporation or any Subsidiary or the right to remain as a director of Corporation or a member of any Advisory Committee, as the case may be, nor will it interfere in any way with the right of Corporation or a Subsidiary to terminate such person's employment or to remove such person as an Advisor or as a director at any time for any reason or for no reason, with or without cause.

(d) Termination Of Employment. The terms and conditions under which an Award may be exercised or will continue to Vest, if at all, after a Participant's termination of employment or service as an Advisor or as a Non-Employee Director will be determined by the Committee and specified in the applicable Award Agreement.

(e) Change in Control. The Committee, in its discretion, may provide in any Award Agreement that in the event of a change in control of Corporation (as the Committee may define such term in the Award Agreement), as of the date of such change in control:

(i) All, or a specified portion of, Awards requiring exercise will become fully and immediately exercisable, notwithstanding any other limitations on exercise;

(ii) All, or a specified portion of, Awards subject to Restrictions will become fully Vested; and

(iii) All, or a specified portion of, Awards subject to Performance Goals will be deemed to have been fully earned.

The Committee, in its discretion, may include change in control provisions in some Award Agreements and not in others, may include different change in control provisions in different Award Agreements, and may include change in control provisions for some Awards or some Participants and not for others.

(f) Service Periods. At the time of granting Awards, the Committee may specify, by resolution or in the Award Agreement, the period or periods of service performed or to be performed by the Participant in connection with the grant of the Award.

6.6 Tax Withholding.

(a) General. Corporation will have the right to deduct from any settlement, including the delivery or Vesting of Shares, made under the Plan any federal, state, or local taxes of any kind required by law to be withheld with respect to such payments or to take such other action as may be necessary in the opinion of Corporation to satisfy all obligations for the payment of such taxes. The recipient of any payment or distribution under the Plan will make arrangements satisfactory to Corporation for the satisfaction of any such withholding tax obligations. Corporation will not be required to make any such payment or distribution under the Plan until such obligations are satisfied.

(b) Stock Withholding. The Committee, in its sole discretion, may permit a Participant to satisfy all or a part of the withholding tax obligations incident to the settlement of an Award involving payment or delivery of Shares to the Participant by having Corporation withhold a portion of the Shares that would otherwise be issuable to the Participant. Such Shares will be valued based on their Fair Market Value on the date the tax withholding is required to be made. Any stock withholding with respect to a Reporting Person will be subject to such limitations as the Committee may impose to comply with the requirements of the Exchange Act.

6.7 Annulment of Awards. Any Award Agreement may provide that the grant of an Award payable in cash is provisional until cash is paid in settlement thereof or that grant of an Award payable in Shares is provisional until the Participant becomes entitled to the certificate in settlement thereof. In the event the employment (or service as an Advisor or membership on the Board) of a Participant is terminated for cause (as defined below), any Award that is provisional will be annulled as of the date of such termination for cause. For the purpose of this Section 6.7, the term “for cause” has the meaning set forth in the Participant’s employment agreement, if any, or otherwise means any discharge (or removal) for material or flagrant violation of the policies and procedures of Corporation or for other job performance or conduct which is materially detrimental to the best interests of Corporation, as determined by the Committee.

6.8 Engaging in Competition With Corporation. Any Award Agreement may provide that, if a Participant terminates employment with Corporation or a Subsidiary for any reason whatsoever, and within 18 months after the date thereof accepts employment with any competitor of (or otherwise engages in competition with) Corporation, the Committee, in its sole discretion, may require such Participant to return to Corporation the economic value of any Award that is realized or obtained (measured at the date of exercise, Vesting, or payment) by such Participant at any time during the period beginning on the date that is six months prior to the date of such Participant’s termination of employment with Corporation.

ARTICLE 7
OPTIONS

7.1 Types of Options. Options granted under the Plan may be in the form of Incentive Stock Options or Nonqualified Options (including Deferred Compensation Options). The grant of each Option and the Award Agreement governing each Option will identify the Option as an ISO or an NQO. In the event the Code is amended to provide for tax-favored forms of stock options other than or in addition to Incentive Stock Options, the Committee may grant Options under the Plan meeting the requirements of such forms of options.

7.2 General. Options will be subject to the terms and conditions set forth in Article 6 and this Article 7 and may contain such additional terms and conditions, not inconsistent with the express provisions of the Plan, as the Committee (or the Board with respect to Awards to Non-Employee Directors) deems desirable.

7.3 Option Price. Each Award Agreement for Options will state the option exercise price per Share of Common Stock purchasable under the Option, which will not be less than:

(a) $1 per share in the case of a Deferred Compensation Option;

(b) 75 percent of the Fair Market Value of a Share on the date of grant for all other Nonqualified Options; or

(c) 100 percent of the Fair Market Value of a Share on the date of grant for all Incentive Stock Options.

7.4 Option Term. The Award Agreement for each Option will specify the term of each Option, which may be unlimited or may have a specified period during which the Option may be exercised, as determined by the Committee.

7.5 Time of Exercise. The Award Agreement for each Option will specify, as determined by the Committee:

(a) The time or times when the Option will become exercisable and whether the Option will become exercisable in full or in graduated amounts over a period specified in the Award Agreement;

(b) Such other terms, conditions, and restrictions as to when the Option may be exercised as determined by the Committee; and

(c) The extent, if any, to which the Option will remain exercisable after the Participant ceases to be an employee, Advisor, or director of Corporation or a Subsidiary.

An Award Agreement for an Option may, in the discretion of the Committee, provide whether, and to what extent, the Option will become immediately and fully exercisable (i) in the event of the death, Disability, or Retirement of the Participant, or (ii) upon the occurrence of a change in control of Corporation.

7.6 Method of Exercise. The Award Agreement for each Option will specify the method or methods of payment acceptable upon exercise of an Option. An Award Agreement may provide that the option price is payable in full in cash or, at the discretion of the Committee:

(a) In installments on such terms and over such period as the Committee determines;

(b) In previously acquired Shares (including Restricted Shares);

(c) By surrendering outstanding Awards under the Plan denominated in Shares or in Share-equivalent units;

(d) By delivery (in a form approved by the Committee) of an irrevocable direction to a securities broker acceptable to the Committee:

(i) To sell Shares subject to the Option and to deliver all or a part of the sales proceeds to Corporation in payment of all or a part of the option price and withholding taxes due; or

(ii) To pledge Shares subject to the Option to the broker as security for a loan and to deliver all or a part of the loan proceeds to Corporation in payment of all or a part of the option price and withholding taxes due; or

(e) In any combination of the foregoing or in any other form approved by the Committee.

If Restricted Shares are surrendered in full or partial payment of an Option price, a corresponding number of the Shares issued upon exercise of the Option will be Restricted Shares subject to the same Restrictions as the surrendered Restricted Shares.

7.7 Special Rules for Incentive Stock Options. In the case of an Option designated as an Incentive Stock Option, the terms of the Option and the Award Agreement must be in conformance with the statutory and regulatory requirements specified in Section 422 of the Code, as in effect on the date such ISO is granted. ISOs may be granted only to employees of Corporation or a Subsidiary. ISOs may not be granted under the Plan after February 15, 2010, unless the ten-year limitation of Section 422(b)(2) of the Code is removed or extended.

7.8 Restricted Shares. In the discretion of the Committee, the Shares issuable upon exercise of an Option may be Restricted Shares if so provided in the Award Agreement.

7.9 Deferred Compensation Options. The Committee may, in its discretion, grant Deferred Compensation Options with an option price less than Fair Market Value to provide a means for deferral of compensation to future dates. The option price will be determined by the Committee subject to Section 7.3(a) of the Plan. The number of Shares subject to a Deferred

Compensation Option will be determined by the Committee, in its discretion, by dividing the amount of compensation to be deferred by the difference between the Fair Market Value of a Share on the date of grant and the option price of the Deferred Compensation Option. Amounts of compensation deferred with Deferred Compensation Options may include amounts earned under Awards granted under the Plan or under any other compensation program or arrangement of Corporation as permitted by the Committee. The Committee may grant Deferred Compensation Options only if it reasonably determines that the recipient of such an Option is not likely to be deemed to be in constructive receipt for income tax purposes of the income being deferred.

7.10 Reload Options. The Committee, in its discretion, may provide in an Award Agreement for an Option that in the event all or a portion of the Option is exercised by the Participant using previously acquired Shares, the Participant will automatically be granted a replacement Option (with an option price equal to the Fair Market Value of a Share on the date of such exercise) for a number of Shares equal to (or equal to a portion of) the number of shares surrendered upon exercise of the Option. Such reload Option features may be subject to such terms and conditions as the Committee shall determine, including without limitation, a condition that the Participant retain the Shares issued upon exercise of the Option for a specified period of time.

7.11 Limitation on Number of Shares Subject to Options. In no event may Options for more than 500,000 Shares be granted to any individual under the Plan during any fiscal year period.

ARTICLE 8
STOCK APPRECIATION RIGHTS

8.1 General. Stock Appreciation Rights will be subject to the terms and conditions set forth in Article 6 and this Article 8 and may contain such additional terms and conditions, not inconsistent with the express terms of the Plan, as the Committee (or the Board with respect to Awards to Non-Employee Directors) deems desirable.

8.2 Nature of Stock Appreciation Right. A Stock Appreciation Right is an Award entitling a Participant to receive an amount equal to the excess (or if the Committee determines at the time of grant, a portion of the excess) of the Fair Market Value of a Share of Common Stock on the date of exercise of the SAR over the base price, as described below, on the date of grant of the SAR, multiplied by the number of Shares with respect to which the SAR has been exercised. The base price will be designated by the Committee in the Award Agreement for the SAR and may be the Fair Market Value of a Share on the grant date of the SAR or such other higher or lower price as the Committee determines.

8.3 Exercise. A Stock Appreciation Right may be exercised by a Participant in accordance with procedures established by the Committee. The Committee may also provide that an SAR will be automatically exercised on one or more specified dates or upon the satisfaction of one or more specified conditions. In the case of SARs granted to Reporting Persons, exercise of the SAR will be limited by the Committee to the extent required to comply with the applicable requirements of Rule 16b-3 under the Exchange Act.

8.4 Form of Payment. Payment upon exercise of a Stock Appreciation Right may be made in cash, in installments, in Shares, by issuance of a Deferred Compensation Option, or in any combination of the foregoing, or in any other form as the Committee determines.

8.5 Limitation on Number of Shares Subject to SARs. In no event may SARs for more than 500,000 Shares be granted to any individual under the Plan during any fiscal year period.

ARTICLE 9
RESTRICTED AWARDS

9.1 Types of Restricted Awards. Restricted Awards granted under the Plan may be in the form of either Restricted Shares or Restricted Units.

(a) Restricted Shares. A Restricted Share is an Award of Shares transferred to a Participant subject to such terms and conditions as the Committee deems appropriate, including, without limitation, restrictions on the sale, assignment, transfer, or other disposition of such Restricted Shares and may include a requirement that the Participant forfeit such Restricted Shares back to Corporation upon termination of Participant's employment (or service as an Advisor or Non-Employee Director) for specified reasons within a specified period of time or upon other conditions, as set forth in the Award Agreement for such Restricted Shares. Each Participant receiving a Restricted Share will be issued a stock certificate in respect of such Shares, registered in the name of such Participant, and will be required to execute a stock power in blank with respect to the Shares evidenced by such certificate. The certificate evidencing such Restricted Shares and the stock power will be held in custody by Corporation until the Restrictions thereon will have lapsed.

(b) Restricted Units. A Restricted Unit is an Award of units (with each unit having a value equivalent to one Share) granted to a Participant subject to such terms and conditions as the Committee deems appropriate, and may include a requirement that the Participant forfeit such Restricted Units upon termination of Participant's employment (or service as an Advisor or Non-Employee Director) for specified reasons within a specified period of time or upon other conditions, as set forth in the Award Agreement for such Restricted Units.

9.2 General. Restricted Awards will be subject to the terms and conditions of Article 6 and this Article 9 and may contain such additional terms and conditions, not inconsistent with the express provisions of the Plan, as the Committee (or the Board with respect to Awards to Non-Employee Directors) deems desirable.

9.3 Restriction Period. Restricted Awards will provide that such Awards, and the Shares subject to such Awards, may not be transferred, and may provide that, in order for a Participant to Vest in such Awards, the Participant must remain in the employment (or remain as an Advisor or Non-Employee Director) of Corporation or its Subsidiaries, subject to relief for reasons specified in the Award Agreement, for a period commencing on the date of the Award and ending on such later date or dates as the Committee designates at the time of the Award (the "Restriction Period"). During the Restriction Period, a Participant may not sell, assign, transfer, pledge, encumber, or otherwise dispose of Shares received under or governed by a Restricted Award grant. The Committee, in its sole discretion, may provide for the lapse of restrictions in installments during the Restriction Period. Upon expiration of the applicable Restriction Period (or lapse of Restrictions during the Restriction Period where the Restrictions lapse in installments) the Participant shall be entitled to settlement of the Restricted Award or portion thereof, as the case may be. Although Restricted Awards will usually Vest based on continued employment (or service as an Advisor or Non-Employee Director) and Performance Awards under Article 10 shall usually Vest based on attainment of Performance Goals, the Committee, in its discretion, may condition Vesting of Restricted Awards on attainment of Performance Goals as well as continued employment (or service as an Advisor or Non-Employee Director). In such case, the Restriction Period for such a Restricted Award will include the period prior to satisfaction of the Performance Goals.

9.4 Forfeiture. If a Participant ceases to be an employee, Advisor of Corporation or a Subsidiary or Non-Employee Director during the Restriction Period for any reason other than reasons which may be specified in an Award Agreement (such as death, Disability, or Retirement), the Award Agreement may require that all non-Vested Restricted Awards previously granted to the Participant be forfeited and returned to Corporation.

9.5 Settlement of Restricted Awards.

(a) Restricted Shares. Upon Vesting of a Restricted Share Award, the legend on such Shares will be removed and the Participant's stock power will be returned and the Shares will no longer be Restricted Shares. The Committee may also, in its discretion, permit a Participant to receive, in lieu of unrestricted Shares at the conclusion of the Restriction Period, payment in cash, installments, a Deferred Compensation Option equal to the Fair Market Value of the Restricted Shares as of the date the Restrictions lapse, or in any other manner or combination of such methods as the Committee, in its sole discretion, determines.

(b) Restricted Units. Upon Vesting of a Restricted Unit Award, a Participant will be entitled to receive payment for Restricted Units in an amount equal to the aggregate Fair Market Value of the Shares covered by such Restricted Units at the expiration of the Applicable Restriction Period. Payment in settlement of a Restricted Unit will be made as soon as practicable following the conclusion of the applicable Restriction Period in cash, in installments, in Shares equal to the number of Restricted Units, by issuance of a Deferred Compensation Option, or in any other manner or combination of such methods as the Committee, in its sole discretion, determines.

9.6 Rights as a Shareholder. A Participant will have, with respect to unforfeited Shares received under a grant of Restricted Shares, all the rights of a shareholder of Corporation, including the right to vote the Shares, and the right to receive any cash dividends. Stock dividends issued with respect to Restricted Shares will be treated as additional Shares covered by the grant of Restricted Shares and will be subject to the same Restrictions.

ARTICLE 10
PERFORMANCE AWARDS

10.1 General. Performance Awards will be subject to the terms and conditions set forth in Article 6 and this Article 10 and may contain such other terms and conditions not inconsistent with the express provisions of the Plan, as the Committee (or the Board with respect to Awards to Non-Employee Directors) deems desirable.

10.2 Nature of Performance Awards. A Performance Award is an Award of units (with each unit having a value equivalent to one Share) granted to a Participant subject to such terms and conditions as the Committee deems appropriate, including, without limitation, the requirement that the Participant forfeit such Performance Award or a portion thereof in the event specified performance criteria are not met within a designated period of time.

10.3 Performance Cycles. For each Performance Award, the Committee will designate a performance period (the "Performance Cycle") with a duration to be determined by the Committee in its discretion within which specified Performance Goals are to be attained. There may be several Performance Cycles in existence at any one time and the duration of Performance Cycles may differ from each other.

10.4 Performance Goals. The Committee will establish Performance Goals for each Performance Cycle on the basis of such criteria and to accomplish such objectives as the Committee may from time to time select. Performance Goals may be based on performance criteria for Corporation, a Subsidiary, or an operating group, or based on a Participant's individual performance. Performance Goals may include objective and subjective criteria. During any Performance Cycle, the Committee may adjust the Performance Goals for such Performance Cycle as it deems equitable in recognition of unusual or nonrecurring events affecting Corporation, changes in applicable tax laws or accounting principles, or such other factors as the Committee may determine.

10.5 Determination of Awards. As soon as practicable after the end of a Performance Cycle, the Committee will determine the extent to which Performance Awards have been earned on the basis of performance in relation to the established Performance Goals.

10.6 Timing and Form of Payment. Settlement of earned Performance Awards will be made to the Participant as soon as practicable after the expiration of the Performance Cycle and the Committee's determination under Section 10.5, in the form of cash, installments, Shares, Deferred Compensation Options, or any combination of the foregoing or in any other form as the Committee determines.

10.7 Performance Goals for Executive Officers. The performance goals for Performance Awards granted to executive officers of Corporation may relate to corporate performance, business unit performance, or a combination of both.

(a) Corporate performance goals will be based on financial performance goals related to the performance of Corporation as a whole and may include one or more measures related to earnings, profitability, efficiency, or return to stockholders such as earnings per share, operating profit, stock price, costs of production, or other measures.

(b) Business unit performance goals will be based on a combination of financial goals and strategic goals related to the performance of an identified business unit for which a Participant has responsibility. Strategic goals for a business unit may include one or a combination of objective factors relating to success in implementing strategic plans or initiatives, introductory products, constructing facilities, or other identifiable objectives. Financial goals for a business unit may include the degree to which the business unit achieves one or more objective measures related to its revenues, earnings, profitability, efficiency, operating profit, costs of production, or other measures.

(c) Any corporate or business unit goals may be expressed as absolute amounts or as ratios or percentages. Success may be measured against various standards, including budget targets, improvement over prior periods, and performance relative to other companies, business units, or industry groups.

10.8 Award Limitations. The maximum number of Shares issuable with respect to Performance Awards granted to any individual executive officer may not exceed 150,000 Shares for any calendar year.

ARTICLE 11
OTHER STOCK-BASED AND COMBINATION AWARDS

11.1 Other Stock-Based Awards. The Committee (or the Board with respect to Awards to Non-Employee Directors) may grant other Awards under the Plan pursuant to which Shares are or may in the future be acquired, or Awards denominated in or measured by Share equivalent units, including Awards valued using measures other than the market value of Shares. Such Other Stock-Based Awards may be granted either alone, in addition to, or in tandem with, any other type of Award granted under the Plan.

11.2 Combination Awards. The Committee may also grant Awards under the Plan in tandem or combination with other Awards or in exchange of Awards, or in tandem or combination with, or as alternatives to, grants or rights under any other employee plan of Corporation, including the plan of any acquired entity. No action authorized by this section may reduce the amount of any existing benefits or change the terms and conditions thereof without the Participant’s consent.

ARTICLE 12
DEFERRAL ELECTIONS

The Committee may permit a Participant to elect to defer receipt of the payment of cash or the delivery of Shares that would otherwise be due to such Participant by virtue of the exercise, earn-out, or Vesting of an Award made under the Plan. If any such election is permitted, the Committee will establish rules and procedures for such payment deferrals, including, but not limited to: (a) payment or crediting of reasonable interest on such deferred amounts credited in cash, (b) the payment or crediting of dividend equivalents in respect of deferrals credited in Share equivalent units, or (c) granting of Deferred Compensation Options.

ARTICLE 13
DIVIDEND EQUIVALENTS

Any Awards may, at the discretion of the Committee, earn dividend equivalents. In respect of any such Award that is outstanding on a dividend record date for Common Stock, the Participant may be credited with an amount equal to the amount of cash or stock dividends that would have been paid on the Shares covered by such Award, had such covered Shares been issued and outstanding on such dividend record date. The Committee will establish such rules and procedures governing the crediting of dividend equivalents, including the timing, form of payment, and payment contingencies of such dividend equivalents, as it deems appropriate or necessary.

ARTICLE 14
ADJUSTMENTS UPON CHANGES IN CAPITALIZATION, ETC.

14.1 Plan Does Not Restrict Corporation. The existence of the Plan and the Awards granted hereunder will not affect or restrict in any way the right or power of the Board or the shareholders of Corporation to make or authorize any adjustment, recapitalization, reorganization, or other change in Corporation's capital structure or its business, any merger or consolidation of the Corporation, any issue of bonds, debentures, preferred or prior preference stocks ahead of or affecting Corporation's capital stock or the rights thereof, the dissolution or liquidation of Corporation or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding.

14.2 Adjustments by the Committee. In the event of any change in capitalization affecting the Common Stock of Corporation, such as a stock dividend, stock split, recapitalization, merger, consolidation, split-up, combination or exchange of shares or other form of reorganization, or any other change affecting the Common Stock, such proportionate adjustments, if any, as the Committee, in its sole discretion, may deem appropriate to reflect such change, will be made with respect to the aggregate number of Shares for which Awards in respect thereof may be granted under the Plan, the maximum number of Shares which may be sold or awarded to any Participant, the number of Shares covered by each outstanding Award,

and the price per Share in respect of outstanding Awards. The Committee may also make such adjustments in the number of Shares covered by, and price or other value of any outstanding Awards in the event of a spin-off or other distribution (other than normal cash dividends), of Corporation assets to shareholders.

ARTICLE 15
AMENDMENT AND TERMINATION

The Board may amend, suspend, or terminate the Plan or any portion of the Plan at any time, provided no amendment may be made without shareholder approval if such approval is required by applicable law or the applicable requirements of a stock exchange or over-the-counter stock trading system.

ARTICLE 16
MISCELLANEOUS

16.1 Unfunded Plan. The Plan will be unfunded and Corporation will not be required to segregate any assets that may at any time be represented by Awards under the Plan. Any liability of Corporation to any person with respect to any Award under the Plan will be based solely upon any contractual obligations that may be effected pursuant to the Plan. No such obligation of Corporation will be deemed to be secured by any pledge of, or other encumbrance on, any property of Corporation.

16.2 Payments to Trust. The Committee is authorized (but has no obligation) to cause to be established a trust agreement or several trust agreements whereunder the Committee may make payments of amounts due or to become due to Participants in the Plan.

16.3 Other Corporation Benefit and Compensation Programs. Payments and other benefits received by a Participant under an Award made pursuant to the Plan will not be deemed a part of a Participant's regular, recurring compensation for purposes of the termination indemnity or severance pay law of any state or country and shall not be included in, or have any effect on, the determination of benefits under any other employee benefit plan or similar arrangement provided by Corporation or a Subsidiary unless expressly so provided by such other plan or arrangements, or except where the Committee expressly determines that an Award or portion of an Award should be included to accurately reflect competitive compensation practices or to recognize that an Award has been made in lieu of a portion of cash compensation. Awards under the Plan may be made in combination with or in tandem with, or as alternatives to, grants, awards, or payments under any other Corporation or Subsidiary plans, arrangements, or programs. The Plan notwithstanding, Corporation or any Subsidiary may adopt such other compensation programs and additional compensation arrangements as it deems necessary to attract, retain, and reward employees and directors for their service with Corporation and its Subsidiaries.

16.4 Securities Law Restrictions. No Shares may be issued under the Plan unless counsel for Corporation is satisfied that such issuance will be in compliance with applicable federal and state securities laws. Certificates for Shares delivered under the Plan may be subject to such stop-transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Common Stock is then listed, and any applicable federal or state securities law. The Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

16.5 Governing Law. Except with respect to references to the Code or federal securities laws, the Plan and all actions taken thereunder shall be governed by and construed in accordance with the laws of the state of Delaware.

ARTICLE 17
SHAREHOLDER APPROVAL

The Plan is expressly subject to the approval of the Plan by the shareholders at the 2000 annual meeting of Epitope Inc.’s shareholders.

Exhibit 10.2.1

RESTRICTED SHARE GRANT AGREEMENT

This Restricted Share Grant Agreement ("Agreement") is entered into as of [DATE] between ORASURE TECHNOLOGIES, INC., a Delaware corporation ("OraSure" or the "Company"), and [PARTICIPANT NAME] ("Participant").

The OraSure Technologies, Inc., 2000 Stock Award Plan (the "Plan") is administered by the Compensation Committee (the "Committee") of the Board of Directors (the "Board") of OraSure. This Agreement evidences the Committee's grant of an Award of Restricted Shares to Participant under the Plan. Capitalized terms not otherwise defined in this Agreement have the meanings given in the Plan.

OraSure and Participant agree as follows:

1. Grant of Restricted Shares. Subject to the terms and conditions of this Agreement and the Plan, OraSure shall issue to Participant _____ shares of OraSure common stock (the "Restricted Shares").

2. Terms of Restricted Shares. The Restricted Shares shall be subject to all the provisions of the Plan and to the following terms and conditions:

2.1 **Transfer Restrictions**. Except as expressly provided in Section 2.2, none of the Restricted Shares, or any rights under this Agreement, may be sold, assigned, transferred, pledged, encumbered, or otherwise disposed of, voluntarily or involuntarily, by Participant. The foregoing restrictions are in addition to any other restrictions on transfer of the Restricted Shares arising under federal or state securities laws or other agreements with OraSure. Any purported sale, assignment, transfer, pledge, encumbrance, or other disposition of Restricted Shares in violation of this Agreement shall be null and void and may and should be enjoined.

2.2 **Vesting of Restricted Shares**. The Restricted Shares shall become Vested, and the restrictions set forth in Section 2.1 shall expire, (a) on [DATE] with respect to__% of the Restricted Shares, and on [DATE] with respect to the remaining __% of the Restricted Shares, or (b) immediately upon Participant's earlier death or Disability or termination of Participant's employment by the Company without Cause (as defined below), or upon any Change in Control (as defined below). When the Restricted Shares have become Vested, OraSure shall deliver to Participant one or more share certificates evidencing the Vested Restricted Shares, without the legend described in Section 4, and shall return the corresponding stock power or stock powers described in Section 4.

2.3 Employment Requirement—Forfeiture. If Participant's employment with OraSure terminates for any reason other than an event described in Section 2.2(b) at any time prior to the date the Restricted Shares become Vested, all of the Restricted Shares that are not then Vested shall be forfeited to OraSure with no payment to Participant.

3. Rights as Stockholder. Except as expressly provided in this Agreement, Participant shall be entitled to all the rights of a stockholder with respect to the Restricted Shares, including the right to vote the Restricted Shares and to receive dividends and other distributions, if any, payable with respect to the Restricted Shares. Any stock dividends issued with respect to the Restricted Shares before the Restricted Shares have become Vested shall be treated as additional Restricted Shares subject to this Agreement.

4. Share Certificates. Certificates for the Restricted Shares shall be issued in Participant's name and shall be held by OraSure until the Restricted Shares are Vested or forfeited as provided in this Agreement. Participant shall execute and deliver to OraSure a separate stock power in blank with respect to each certificate for the Restricted Shares. All certificates for Restricted Shares that have not yet become Vested shall bear a legend in substantially the following form:

> THE SHARES EVIDENCED BY THIS CERTIFICATE WERE ISSUED AS RESTRICTED SHARES UNDER THE ORASURE TECHNOLOGIES, INC., 2000 STOCK AWARD PLAN (THE "PLAN") AND ARE SUBJECT TO RESTRICTIONS ON THEIR SALE, ASSIGNMENT, TRANSFER, PLEDGE, ENCUMBRANCE, OR OTHER DISPOSITION SET FORTH IN A RESTRICTED SHARE GRANT AGREEMENT UNDER THE PLAN. A COPY OF THE RESTRICTED SHARE GRANT AGREEMENT MAY BE OBTAINED UPON WRITTEN REQUEST FROM ORASURE TECHNOLOGIES, INC.

Certificates for the Restricted Shares may also bear any other restrictive legends required by law or any other agreement.

5. Federal Tax Election. Participant agrees to promptly notify OraSure if Participant makes an election under Internal Revenue Code Section 83(b) with respect to the Restricted Shares. Participant acknowledges that such an election must be made within 30 days after the issuance of the Restricted Shares.

6. Withholding Taxes. Participant shall pay to OraSure, or permit OraSure to withhold from other amounts payable to Participant, as compensation or otherwise, an amount sufficient to satisfy all federal, state, and local withholding tax requirements or tax liability with respect to the issuance or the Vesting of the Restricted Shares.

Alternatively, Participant may, by written notice to the Committee that complies with any applicable timing restrictions imposed pursuant to Rule 16b-3 under the Exchange Act, and subject to the prior approval of the Committee, elect to satisfy all or a part of the withholding tax obligations incident to the issuance or Vesting of the Restricted Shares by having OraSure withhold a portion of the Restricted Shares that would otherwise be issuable to Participant. Such Restricted Shares will be valued based on their Fair Market Value on the date the tax withholding is required to be made. Any stock withholding with respect to Participant will be subject to such limitations as the Committee may impose to comply with the requirements of the Exchange Act.

7. Other Documents. Participant agrees to furnish OraSure any documents or representations OraSure may require related to the Restricted Shares or this Agreement to assure compliance with applicable laws and regulations.

8. Service Period. The period of service to be performed by Participant as an employee in connection with the issuance of the Restricted Shares to Participant is the _____ (____) year period beginning on the date of this Agreement and ending on [DATE] with respect to __% of the Restricted Shares and the_____ (____) year period beginning on the date of this Agreement and ending on [DATE] with respect to the remaining __% of the Restricted Shares.

9. Conditions Precedent. OraSure will use reasonable efforts to obtain any required approvals of the Plan and this grant by any state or federal agency or authority that OraSure determines has jurisdiction. If OraSure determines that any required approval cannot be obtained, this grant shall terminate on notice to Participant to that effect. Without limiting the foregoing, OraSure shall not be required to issue any certificates for Restricted Shares, or any portion thereof, until OraSure shall have taken any action required to comply with all applicable federal and state securities laws.

10. Certain Defined Terms. When used in this Agreement, the following terms have the meanings specified below:

10.1 "**Acquiring Person**" means any person or related person or related persons which constitute a "group" for purposes of Section 13(d) and Rule 13d-5 under the Securities Exchange Act of 1934 (the "Exchange Act"), as such Section and Rule are in effect as of the date of this Agreement; provided, however, that the term Acquiring Person does not include:

(a) OraSure or any of its Subsidiaries;

(b) Any employee benefit plan of OraSure or any of its Subsidiaries;

(c) Any entity holding voting capital stock of OraSure for or pursuant to the terms of any such employee benefit plan; or

(d) Any person or group solely because such person or group has voting power with respect to capital stock of OraSure arising from a revocable proxy or consent given in response to a public proxy or consent solicitation made pursuant to the Exchange Act.

10.2 "**Cause**" means, when used in connection with the termination of Participant's employment by the Company, the following:

(a) willful and continued failure by Participant to substantially perform his duties after a written demand for substantial performance is delivered to Participant by the Chief Executive Officer of the Company or the Board, which demand identifies with reasonable specificity the manner in which Participant has not substantially performed his duties, and Participant's failure to comply with such demand within a reasonable time;

(b) the engaging by Participant in gross misconduct or gross negligence materially injurious to the Company;

(c) the commission of any act in direct competition with or materially detrimental to the best interests of the Company; or

(d) Participant's conviction of having committed a felony.

Notwithstanding the foregoing, Participant shall not be deemed to have been terminated by the Company for Cause unless and until there shall have been delivered to him a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board finding that, in the good faith opinion of the Board, the Company has Cause for the termination of the employment of Participant as set forth in any of clauses (a) through (d) above and specifying the particulars thereof in reasonable detail.

10.3 "**Change in Control**" means:

(a) A change in control of OraSure of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A as in effect on the date of this Agreement pursuant to the Exchange Act; provided that, without limitation, such a change in control will be deemed to have occurred at such time as any Acquiring Person hereafter becomes the "beneficial owner" (as defined in

Rule 13d-3 under the Exchange Act), directly or indirectly, of 30 percent or more of the combined voting power of Voting Securities; or

(b) During any period of 12 consecutive calendar months, individuals who at the beginning of such period constitute the board of directors cease for any reason to constitute at least a majority of the board unless the election, or the nomination for election, by OraSure's stockholders of each new director was approved by a vote of at least a majority of the directors then in office who were directors at the beginning of the period; or

(c) There is consummated (i) any consolidation or merger of OraSure in which OraSure is not the continuing or surviving corporation or pursuant to which Voting Securities would be converted into cash, securities, or other property, other than a merger of OraSure in which the holders of Voting Securities immediately prior to the merger have the same, or substantially the same, proportionate ownership of common stock of the surviving corporation immediately after the merger, or (ii) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of OraSure; or

(d) Approval by the stockholders of OraSure of any plan or proposal for the liquidation or dissolution of OraSure.

10.4 "**Voting Securities**" means OraSure's issued and outstanding securities ordinarily having the right to vote at elections for OraSure's Board of Directors.

11. No Employment Contract. Neither the Plan nor this Agreement constitutes a contract of employment of Participant by OraSure.

12. Notices. Any notices under this Agreement shall be in writing and shall be effective when actually delivered personally or, if mailed, when deposited as certified mail, directed to OraSure at its principal offices, to Participant at the address maintained in OraSure's records, or to such other address as either party may specify by notice to the other party.

13. Choice of Law. This Agreement shall be governed by the laws of the Commonwealth of Pennsylvania, without regard to any contrary conflicts of laws rules.

14. Successorship. Subject to the restrictions on transferability of the Restricted Shares set forth in this Agreement and the Plan, this Agreement shall be binding upon and benefit the parties, their successors and assigns.

ORASURE TECHNOLOGIES, INC.

By: _____

[PARTICIPANT NAME]

Title: _____

Exhibit 10.3

EXECUTION COPY

EMPLOYMENT AGREEMENT

This Employment Agreement is entered into as of June 22, 2004 (this "Agreement"), between Douglas A. Michels ("Employee") and OraSure Technologies, Inc., a Delaware corporation (the "Company").

WHEREAS, the parties wish to enter into this Employment Agreement and a Confidentiality Agreement of even date herewith (the "Confidentiality Agreement").

NOW, THEREFORE, intending to be legally bound, the parties set forth below the terms and conditions of Employee's relationship with the Company.

1. **Services.**

1.1 **Employment.** The Company agrees to employ Employee as President and Chief Executive Officer of the Company, and Employee hereby accepts such employment in accordance with the terms and conditions of this Agreement. Employee shall also be appointed as a member of the Company's Board of Directors.

1.2 **Duties.** Employee shall have the positions named in Section 1.1 with such powers and duties appropriate to such offices (a) as may be provided by the bylaws of the Company, (b) as otherwise set forth in Exhibit A attached to this Agreement, and (c) as determined by the Board of Directors from time to time. Employee's primary place of work shall be the Company's headquarters, at its present location in Bethlehem, Pennsylvania. Subject to the provisions of Section 6 hereof, Employee's position and duties may be changed and Employee's primary place of work may be relocated from time to time during the Term (as defined below) of this Agreement.

1.3 **Outside Activities.** Employee shall obtain the consent of the Board of Directors of the Company before he engages, either directly or indirectly, in any other professional or business activities that may require an appreciable portion of Employee's time or effort to the detriment of the Company's business, subject to the understanding that for the period from the date hereof to August 2, 2004 the Employee shall be in a transition period during which his time spent on the business and affairs on the Company shall be subject to his personal and other business schedules.

1.4 **Direction of Services.** Employee shall at all times report directly to, and discharge his duties in consultation with and under the supervision and direction of, the Board of Directors of the Company.

2. **Term.** The initial term of this Agreement shall begin as of the date first written above and end on the third anniversary of that date, unless Employee's employment is sooner terminated in accordance with Section 6 below (the "Initial Term"). Thereafter, this Agreement shall automatically renew and Employee's employment shall continue for successive three-year terms (each, a "Renewal Term" and together with the Initial Term, the "Term") unless the Company gives Employee written notice of the Company's intent not to renew this Agreement at least 90 days before the expiration of the Initial Term or any Renewal Term, or (b) Employee's employment under this Agreement is terminated in accordance with Section 6 below.

3. **Compensation and Expenses.**

3.1 **Salary.** As compensation for services under this Agreement, the Company shall pay to Employee a regular salary of $400,000 per annum. Subject to the provisions of Section 6 hereof, such salary may be adjusted from time to time in the discretion of the Board of Directors. Payment shall be made on a bi-weekly basis, less all amounts required by law or authorized by Employee to be withheld or deducted. For all purposes under this Agreement, the term "salary" shall mean the regular annual compensation of Employee payable under this Section 3.1, as increased but not decreased.

3.2 **Bonus.** The Company shall establish an incentive plan each year for the payment of cash bonuses to senior executive officers (each, a "Bonus Plan"), on such terms as may be approved by the Board of Directors or its compensation committee (the "Compensation Committee"). In addition to the salary described in Section 3.1 above, Employee shall be entitled to participate in each Bonus Plan, subject to its terms; provided that (a) Employee shall have a target bonus amount as determined by the Compensation Committee under each Bonus Plan which is at least equal to 50% of Employee's salary and (b) cash bonuses payable to Employee under each Bonus Plan shall be determined in the same manner as the cash bonuses paid to other senior executive officers of the Company under the applicable Bonus Plan with respect to the same time period. Notwithstanding the foregoing, for the calendar year 2004, Employee's cash bonus shall be not less than $160,000.

3.3 **Long-Term Incentive.** Employee shall be entitled to participate in accordance with the terms of the plan in any long-term incentive plan that may from time to time be adopted by the Board of Directors or the Compensation Committee, in its sole discretion; provided that compensation or other benefits provided to Employee under each such long-term incentive plan shall be determined in the same manner as the compensation or other benefits provided under such plans to other senior executive officers of the Company with respect to the same time period.

3.4 **Additional Employee Benefits.** Employee shall be entitled to receive or participate in any additional benefits, including without limitation medical and dental insurance programs, qualified and non-qualified profit sharing or pension plans, disability plans, medical reimbursement plans and life insurance programs, which may from time to time be made available by the Company to corporate officers. The Company may change or discontinue such benefits at any time in its sole discretion; provided that additional benefits provided to Employee shall be determined in the same manner as the benefits provided to other senior executive officers of the Company under such plans with respect to the same time period.

3.5 **Expenses.** The Company shall reimburse Employee for all reasonable and necessary expenses incurred in carrying out his duties under this Agreement, subject to compliance with the Company's reasonable policies relating to expense reimbursement. Expenses subject to reimbursement under this Section 3.5 shall include, but not be limited to, the cost of business-related travel, lodging and meals and the fees and expenses incurred by Employee to maintain his membership in professional associations and obtain continuing professional education reasonably required in connection with Employee's performance of his duties under this Agreement.

3.6 **Fees.** All compensation earned by Employee, other than pursuant to this Agreement, as a result of services performed on behalf of the Company or as a result of or arising out of any work done by Employee in any way related to the scientific or business activities of the Company shall belong to the Company. Employee shall pay or deliver such compensation to the Company promptly upon receipt. For the purposes of this provision, "compensation" shall include, but is not limited to, all professional and nonprofessional fees, lecture fees, expert testimony fees, publishing fees, royalties, and any related income, earnings, or other things of value; and "scientific or business activities of the Company" shall include, but not be limited to, any project or projects in which the Company is involved and any subject matter that is directly or indirectly researched, tested, developed, promoted, or marketed by the Company.

4. **Stock Awards.**

4.1 **General.** Employee shall be entitled to participate in the Company stock award plan, as may be amended from time to time, and in any successor or replacement stock award or similar plan. The number of stock options or other stock awards that are granted to Employee under the plan from time to time shall be determined by the Board of Directors or the Compensation Committee; provided that (a) Employee shall have a target amount of stock options as determined by the Compensation Committee under the Company's stock award plan, which is at least equal to the target amount for Employee under the Company's stock option guidelines for senior managers as in effect on the date of this Agreement (such guidelines having been filed as Exhibit 10.15 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002), and (b) Employee shall be entitled to receive stock options and other stock awards which are determined in the same manner as the stock options and stock awards granted to other senior executive officers of the Company under the stock award plan with respect to the same time period. All stock options or other stock awards granted to Employee on or after the date of this Agreement, including those provided for in Sections 4.2 and 4.3, hereof, shall, to the extent then unvested, immediately vest (i) in the event of a Change of Control (as defined herein) or (ii) in the event Employee's employment is terminated for Good Reason (as defined herein) pursuant to Section 6.4 or without Cause (as defined herein) pursuant to Section 6.5 during a Change of Control Period (as defined herein), and 50% of such stock options or other stock awards shall, to the extent then unvested, immediately vest in the event Employee's employment is terminated for Good Reason pursuant to Section 6.4 or without Cause pursuant to Section 6.5 during any period other than a Change of Control Period.

4.2 **Stock Option Grant.** Effective as the date of this Agreement, Employee shall be granted the option to purchase 400,000 shares of the Company's common stock pursuant to the Company's stock award plan. This option shall be an incentive stock option up to the $100,000 annual limit imposed by law and the balance of the option shall be a non-qualified stock option. The first 25% of the foregoing option (100,000 shares) shall vest one (1) year from the date of grant and the remaining 75% (300,000 shares) shall vest in equal monthly installments during the next three (3) succeeding years. The exercise price of the foregoing option shall be the average of the high and low sales prices of the Company's common stock, as reported on the NASDAQ Stock Market on the date of grant.

4.3 **Restricted Share Grant.** Effective as of the date of this Agreement, Employee shall be granted 350,000 shares of restricted stock under the Company's stock award plan. The first 116,720 of such restricted shares (approximately 33.3%) shall vest one year from the date of grant and the remaining 233,280 shares (approximately 66.7%) shall vest in equal amounts of 6,480 shares at each subsequent calendar quarter end, commencing September 30, 2005 and ending June 30, 2014.

5. **Confidentiality Agreement.** Employee and the Company are parties to the Confidentiality Agreement. Employee's compliance with the terms of the Confidentiality Agreement is a material requirement of this Agreement and any breach of the Confidentiality Agreement that is materially detrimental to the Company and that, if capable of being cured, is not cured within 30 days of written notice thereof from the Company to Employee, shall constitute a material breach of this Agreement.

6. **Termination.**

6.1 **Termination Upon Death or Disability.** This Agreement shall terminate immediately upon Employee's death or Disability. The term "Disability" means a mental or physical incapacity which renders Employee unable, with or without reasonable accommodation, to continue to perform the essential duties of his job and which, at least 180 days after its commencement, is determined to be total and permanent by a physician agreed to by the Company and Employee (such agreement not to be unreasonably withheld), or in the event of Employee's inability to designate a physician, Employee's legal representative.

6.2 **Termination by Employee.** Employee may terminate his employment under this Agreement by 90 days' written notice to the Company.

6.3 **Termination by the Company for Cause.** Employee's employment under this Agreement may be terminated by the Company at any time for Cause. Only the following actions, failures, or events by or affecting Employee shall constitute "Cause" for termination of Employee by the Company: (i) willful and continued failure by Employee to substantially perform his duties provided herein after a written demand for substantial performance is delivered to Employee by the Board of Directors of the Company, which demand identifies with reasonable specificity the manner in which Employee has not substantially performed his duties, and Employee's failure to comply with such demand within a reasonable time; (ii) the engaging by Employee in gross misconduct or gross negligence materially injurious to the Company; (iii) the commission of any act in direct competition with or materially detrimental to the best interests of the Company; or (iv) Employee's conviction of having committed a felony. Notwithstanding the foregoing, Employee shall not be deemed to have been terminated by the Company for Cause unless and until there shall have been delivered to him a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board of Directors of the Company finding that, in the good faith opinion of the Board of Directors, the Company has Cause for the termination of the employment of Employee as set forth in any of clauses (i) through (iv) above and specifying the particulars thereof in reasonable detail. The findings of the Board of Directors shall not be binding in connection with any litigation or dispute arising out of this Agreement.

6.4 **Termination by Employee With Good Reason.** Employee may terminate his employment under this Agreement for Good Reason; provided that Employee gives written notice to the Board of Directors within 90 days of the event constituting Good Reason. The term "Good Reason" shall mean any of the following: (a) a material breach of this Agreement by the Company which is not cured within 30 days of written notice thereof by Employee; (b) any diminution in Employee's position, duties or responsibilities as provided in Section 1.2 of this Agreement or requirement that Employee report to any person other than the Board of Directors; (c) any relocation of Employee's primary place of work to a location which is more than 25 miles from the Company's Bethlehem, Pennsylvania facilities; or (d) a reduction in Employee's salary (unless such reduction is a part of and in proportion to a reduction in all executive officers' salaries).

6.5 **Termination by the Company Without Cause.** The Company may terminate Employee's employment under this Agreement without Cause by 90 days' written notice to Employee. In the event the Company fails to renew this Agreement pursuant to Section 2, such failure shall be deemed to be a termination of Employee's employment by the Company without Cause.

6.6 **Termination by Employee After Change of Control.** Employee may terminate his employment under this Agreement upon 90 day's written notice to Company delivered at any time within 180 days following a Change of Control (as defined below).

6.7 **Definitions.** For purposes of this Agreement, the term "Change of Control Period" shall mean the period which begins 3 months prior to the occurrence of a Change of Control and ends 18 months after the occurrence of Change of Control. For purposes of this Agreement, the term "Change of Control" shall mean a change of control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A as in effect on the date hereof pursuant to the Securities Exchange Act of 1934 (the "Exchange Act"); provided that, without limitation, such a change of control shall be deemed to have occurred at such time as (i) any Acquiring Person hereafter becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of 30 percent or more of the combined voting power of Voting Securities; (ii) during any period of 12 consecutive calendar months, individuals who at the beginning of such period constitute the board of directors cease for any reason to constitute at least a majority thereof unless the election, or the nomination for election, by the Company's shareholders of each new director was approved by a vote of at least a majority of the directors then still in office who were directors at the beginning of the period; (iii) there shall be consummated (a) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which Voting Securities would be converted into cash, securities, or other property, other than a merger of the Company in which the holders of Voting Securities immediately prior to the merger have the same, or substantially the same, proportionate ownership of common stock of the surviving corporation immediately after the merger, or (b) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of the Company; or (iv) approval by the stockholders of the Company of any plan or proposal for the liquidation or dissolution of the Company. For purposes of this Agreement, "Acquiring Person" means any person or related persons which constitute a "group" for purposes of Section 13(d) and Rule 13d-5 under the Exchange Act, as such Section and Rule are in effect as of the date of

this Agreement; provided, however, that the term Acquiring Person shall not include: (i) the Company or any of its subsidiaries; (ii) any employee benefit plan of the Company or any of its subsidiaries; (iii) any entity holding voting capital stock of the Company for or pursuant to the terms of any such employee benefit plan; or (iv) any person or group solely because such person or group has voting power with respect to capital stock of the Company arising from a revocable proxy or consent given in response to a public proxy or consent solicitation made pursuant to the Exchange Act. For purposes of this Agreement, "Voting Securities" means the Company's issued and outstanding securities ordinarily having the right to vote at elections for the Company's Board of Directors.

6.8 **Compensation Upon Termination.**

6.8.1 **Termination Upon Death or Disability, by Employee (Other Than for Good Reason) or for Cause.** In the event of a termination of Employee's employment under Sections 6.1, 6.2, or 6.3, Employee (i) shall be paid all salary pursuant to Section 3.1 through the date of termination and any bonus that has been approved by the Board of Directors or Compensation Committee prior to the date of termination but not yet paid and (ii) in the case of a termination under Section 6.1, shall receive a prorated portion of any cash bonus for the calendar year in which termination occurs (calculated based on the number of days in the calendar year that have passed prior to Employee's death or commencement of Employee's Disability, as the case may be), which would have been otherwise payable pursuant to Section 3.2 in the absence of the termination of Employee's employment, which bonus shall be payable to Employee or his estate at the time that cash bonuses are or would otherwise be payable to other officers of the Company in respect of such year. All salary and benefits shall cease on the date of termination under Sections 6.1, 6.2 or 6.3, subject to the terms of any benefit plans then in force and applicable to Employee, and the Company shall have no further liability or obligation hereunder by reason of such termination.

6.8.2 **Termination Without Cause, Upon Good Reason, or After a Change of Control.** In the event of a termination of Employee's employment by Employee with Good Reason as provided in Section 6.4, by the Company without Cause as provided in Section 6.5, or by Employee after a Change of Control as provided in Section 6.6, Employee (i) shall be paid all salary pursuant to Section 3.1 through the date of termination and any bonus that has been approved by the Board of Directors or Compensation Committee prior to the date of termination but not yet paid; (ii) shall (A) if such termination is for Good Reason pursuant to Section 6.4 or without Cause pursuant to Section 6.5 and does not occur during a Change of Control Period, continue to be paid the salary provided in Section 3.1 (with payments made on a monthly basis) either for the greater of 12 months from termination or the remainder of the Term if such termination occurs during the Initial Term or for 12 months from termination if such termination occurs after the Initial Term, or (B) if such termination is for Good Reason pursuant to Section 6.4 or without Cause pursuant to Section 6.5 and occurs during a Change of Control Period or such termination is by Employee after a Change of Control pursuant to Section 6.6, continue to be paid the salary provided in Section 3.1 (with payments made on a monthly basis) for 30 months, with such monthly payments of salary under this subclause (B) to begin immediately after the Consulting Period (as defined below); (iii) shall, if such termination is for Good Reason pursuant to Section 6.4 or without Cause pursuant to Section 6.5 and occurs during a Change of Control Period or such termination is by Employee after a Change of Control

pursuant to Section 6.6, enter into a Transitional Services Agreement with the Company substantially in the form set forth in Exhibit B hereto and perform the transitional services for the consideration set forth therein for the 6 month period immediately following the date of termination (the "Consulting Period"); (iv) shall receive a cash bonus for the calendar year in which termination occurs equal to Employee's target bonus for such year established pursuant to Section 3.2, which bonus shall be payable to Employee at the time that cash bonuses are or would otherwise be payable to other officers of the Company in respect of such year; and (v) for a period of one year after the date of termination or such longer period as any Company plan, program, practice or policy may provide, shall receive benefits for Employee and/or Employee's family at levels substantially equal to those which would have been provided to them in accordance with the plans described in Section 3.4 of this Agreement if Employee's employment had not been terminated, including health, disability and life insurance, in accordance with the most favorable plans of the Company in effect during the 90-day period immediately preceding the date of termination (amounts payable under clauses (ii), (iv) and (v) are collectively referred to as "severance"). As a condition to receipt of severance under this Section 6.8.2, Employee shall sign and deliver a release agreement, in form and substance substantially as set forth in Exhibit C hereto, releasing all claims related to Employee's employment. The severance shall be in lieu of and not in addition to any other severance arrangement maintained by the Company, and shall be offset by any monies Employee may owe to the Company. The Company's obligation to pay the amounts stated in clauses (ii), (iv) and (v) of this Section 6.8.2 shall terminate if Employee fails to comply with the Confidentiality Agreement during the period that severance is being paid by the Company and such failure would constitute a material breach of this Agreement under Section 5 hereof.

7. **Indemnification.** The Company agrees that if Employee is made a party (or is threatened to be made a party to) any action, suit, or proceeding, whether civil, criminal, administrative, or investigative (a "Proceeding"), by reason of his service (including past service) as an officer, director, employee, agent, or the like of the Company, or is or was serving at the request of the Company as an officer, director, employee, agent, or the like of another entity, including, without limitation, as a fiduciary of an employee benefit plan sponsored or established by the Company (any such service for a subsidiary, affiliate, joint venture or other entity in which the Company has an ownership or other financial interest, or as a fiduciary of any employee benefit plan sponsored by the Company or any such other entity, shall be presumed to be at the request of the Company) whether or not the basis of such Proceeding is an act or omission alleged to have occurred while Employee was acting in an official capacity as a director, officer, employee, agent, or the like, then Employee shall be indemnified and held harmless by the Company to the fullest extent authorized by applicable law (including for all reasonable attorneys' fees and costs incurred by Employee), and such indemnification shall continue even if Employee has ceased to be a director, officer, employee, agent, or the like of the Company for any reason.

8. **Insurance.** During the Term and for a period of six years thereafter (regardless of the reason for the termination of Employee's employment), the Company shall maintain suitable directors and officers insurance coverage for Employee in his respective roles and shall name Employee as an additional insured under such insurance policies, which policies shall be no less favorable to Employee than such insurance policies that cover the Company's directors during such time period.

9. **Non-Competition.** In consideration of the severance payable hereunder, during the Term and for a period of one (1) year thereafter, Executive agrees that, unless he obtains written agreement from the Company or the Board of Directors, he will not:

a. recruit, solicit, or hire any executive or employee of the Company;

b. induce or solicit any current or prospective customer, client, or supplier of the Company to cease being a customer, client or supplier or divert Company business away from any customer, client, or supplier of the Company; or

c. own, manage, control, work for, or provide services to any entity which competes with the Company in the market for rapid point-of-care, oral fluid diagnostic testing in the United States (the "Protected Business");

provided, however, that this Section 9 (i) shall not prevent Employee from accepting a position with and working for any other entity which competes with the Company in the Protected Business, if such business is diversified, Employee is employed in a department, division or other unit of the business that is not engaged in the Protected Business and Employee does not, directly or indirectly, provide any assistance, services, advice, consultation or information with respect to rapid point-of-care oral fluid diagnostic testing to the department, division or unit of the business engaged in the Protected Business; and (ii) shall not prevent Employee from purchasing or owning less than five percent (5%) of the stock or other securities of any entity, provided that such stock or other securities are traded on any national or regional securities exchange or are actively traded in the over-the-counter market and registered under Section 12(g) of the Securities Exchange Act of 1934, as amended.

10. **Golden Parachute Excise Tax.**

a. **Initial Determinations by Accounting Firm.** In the event a change in "the ownership or effective control" of the Company or "the ownership of a substantial portion of the assets" of the Company occurs or is expected to occur (in either case within the meaning of Section 280G of the Internal Revenue Code, as amended (the "Code")) (a "Change in Ownership"), the Company shall retain a national accounting firm selected by the Company and reasonably acceptable to Employee (the "Accounting Firm") to perform the calculations necessary under this Section 10. The Accounting Firm shall have discretion to retain one or more independent appraisers with adequate expertise (collectively, the "Appraisers") to provide any valuations necessary for the Accounting Firm's calculations hereunder. The Company shall pay all the fees and costs associated with the work performed by the Accounting Firm and any Appraiser retained by the Accounting Firm. If the Accounting Firm has previously performed services for any person, entity or group in connection with the Change in Ownership, Employee may select an alternative national accounting firm to be the Accounting Firm. If any Appraiser otherwise performs work for any of the entities involved in the Change in Ownership or their affiliates (or has performed work for any such entity within the three years preceding the calculations hereunder), then Employee may select an alternative appraiser of national stature with adequate expertise to be an Appraiser. The Accounting Firm shall provide promptly to both the Company and Employee a written report setting forth the calculations required under this Section 10, together with a detailed report of all relevant supporting data, valuations and

calculations. All determinations of the Accounting Firm and the Appraisers shall be binding on Employee and the Company. When making the calculations required hereunder, Employee shall be deemed to pay (i) Federal income taxes at the highest applicable marginal rate of Federal income taxation for the taxable year for which any such calculation is made, and (ii) any applicable state and local income taxes at the highest applicable marginal rate of taxation for the taxable year for which any such calculation is made, net of the maximum reduction in Federal income taxes which could be obtained by Employee from deduction of such state and local taxes. The Accounting Firm shall determine (y) the aggregate amount of all payments, benefits and distributions provided by the Company to Employee or for his benefit, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or any other agreement, plan or arrangement of the Company or otherwise (other than any payment pursuant to this Section 10) which are in the nature of compensation and are contingent upon a Change in Ownership (valued pursuant to Section 280G of the Code) (collectively the "Payments"); and (z) the maximum amount of the Payments Employee would be entitled to receive without being subject to the excise tax imposed by Section 4999 of the Code (the "Threshold Amount") (such excise tax, together with any interest or penalties with respect to such excise tax, are hereinafter collectively referred to as the "Excise Tax").

b. **Gross-up Payment.** If the amount of the Payments exceeds the Threshold Amount by more than Fifty Thousand Dollars ($50,000), then the Company shall pay to Employee an additional payment (a "Gross-up Payment") in an amount of up to the first One Million Dollars ($1,000,000) of Excise Tax imposed upon the Payments (inclusive of any Excise Tax, federal, state and local payroll (such as Social Security and Medicare taxes) and other taxes and income taxes imposed upon the Gross-up Payment). All determinations required to be made as to whether a Gross-up Payment is required and the amount of such Gross-up Payment shall be made by the Accounting Firm. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies as described below, and Employee is thereafter required to make a payment or an additional payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to Employee or for his benefit, subject to the aggregate dollar limitation set forth in the first sentence of this Section 10(b).

c. **Cut-Back.** Payments shall be made without regard to whether the deductibility of such Payments (or any other payments) would be limited or precluded by Section 280G of the Code and without regard to whether such payments would subject the Employee to Excise Tax; provided, however, that if the Total After-Tax Payments (as defined below) would be increased by the limitation or elimination of any portion of the Payments, then the Payments will be reduced to the extent necessary to maximize the Total After-Tax Payments. In the event of any underpayment or overpayment under this Section 10 (as determined after the application of this Section 10(c)), the amount of such underpayment or overpayment will be immediately paid by the Company to Employee or refunded by Employee to the Company. For purposes of this Agreement, "Total After-Tax Payments" means the difference between (A) the sum of (i) the total of all "parachute payments" (as that term is defined in Section 280G(b)(2) of the Code) made to or for the benefit of Employee and (ii) the amount of any Gross-up Payment (whether

made hereunder or otherwise), less (b) all applicable federal, state, and local payroll and other taxes and income taxes (including, without limitation, the Excise Tax described in Section 4999 of the Code) imposed on the parachute payments and Gross-Up Payment.

d. **Procedures With Respect to IRS Claims.** Employee shall notify the Company in writing of any claim by the Internal Revenue Service relating to any unpaid excise tax applicable to the Payments. Such notification shall be given as soon as practicable but no later than 20 business days after the Employee knows of such claim. Employee shall not pay such claim without the Company's written consent prior to the expiration of the 30-day period following the date on which Employee gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies Employee in writing prior to the expiration of such period that it desires to contest such claim, Employee shall (i) give the Company any information reasonably requested by the Company relating to such claim; (ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company; (iii) cooperate with the Company in good faith in order effectively to contest such claim; and (iv) permit the Company to participate in any proceedings relating to such claim; provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold Employee harmless, on an after-tax basis, for any and all taxes, including any Excise Tax, and including interest and penalties with respect thereto, imposed as a result of such representation and payment of costs and expenses. Without limiting the generality of the foregoing, if the Company has notified Employee that it desires to contest such claim, the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct Employee to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-up Payment would be payable hereunder and Employee shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

11. **Remedies.** The respective rights and duties of the Company and Employee under this Agreement are in addition to, and not in lieu of, those rights and duties afforded to and imposed upon them by law or at equity.

12. **Severability of Provisions.** The provisions of this Agreement are severable, and if any provision hereof is held invalid or unenforceable, it shall be enforced to the maximum extent permissible, and the remaining provisions of the Agreement shall continue in full force and effect.

13. **Nonwaiver.** Failure by either party at any time to require performance of any provision of this Agreement shall not limit the right of the party failing to require performance to enforce the provision. No provision of this Agreement may be waived by either party except by

a writing signed by that party. A waiver of any breach of a provision of this Agreement shall be construed narrowly and shall not be deemed to be a waiver of any succeeding breach of that provision or a waiver of that provision itself or of any other provision.

14. **Non-Disparagement.** Both during and after his employment, Employee agrees not to disparage the Company or any of its stockholders, directors, officers, or employees, and the Company agrees not to disparage, and to cause its directors, officers and employees not to disparage, Employee. Employee and the Company agree not to make any statement or engage in any conduct that might affect adversely the business or professional reputation of the other party or, in the case of the Company, any of its stockholders, directors, officers or employees and the Company. Any breach of this Section 14 by a director, officer or employee of the Company shall be deemed to be a breach by the Company.

15. **Other Agreements.** Employee represents, warrants and, where applicable, covenants to the Company that:

a. There are no restrictions, agreements or understandings whatsoever to which Employee is a party which would prevent or make unlawful Employee's execution of this Agreement or Employee's employment hereunder, or which is or would be inconsistent or in conflict with this Agreement or Employee's employment hereunder, or would prevent, limit or impair in any way the performance by Employee of his obligations hereunder;

b. Employee's execution of this Agreement and Employee's employment hereunder shall not constitute a breach of any contract, agreement or understanding, oral or written, to which Employee is a party or by which Employee is bound; and

c. Employee is free to execute this Agreement and to be employed by the Company as an employee pursuant to the provisions set forth herein.

16. **Successors and Assigns.** This Agreement shall inure to the benefit of and be binding upon the Company and Employee and their respective successors, executors, administrators, heirs and/or permitted assigns; provided, however, that neither Employee nor the Company may make any assignments of this Agreement or any interest herein, by operation of law or otherwise, without the prior written consent of the other party, except that, without such consent, the Company may assign this Agreement to any successor to all or substantially all the business or assets of the Company by means of liquidation, dissolution, merger, consolidation, transfer of assets, or otherwise and Employee may transfer this Agreement by will or the laws of descent and distribution. The Company will require any successor (whether direct or indirect, by merger, consolidation, transfer of assets, or otherwise) acquiring all or substantially all of the business and/or assets of the Company (whether such assets are held directly or indirectly) to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

17. **Non-exclusivity of Rights; Effect of Agreement.** Nothing in this Agreement shall prevent or limit the Employee's continuing or further participation in any benefit, bonus, incentive, stock-based or other plan or program provided by Company and for which Employee may qualify. Except as otherwise provided herein, amounts and benefits which are vested benefits or which Employee is otherwise entitled to receive at or subsequent to the date of termination shall be payable in accordance with such plan or program. In the event any term of this Agreement is more favorable to Employee than the corresponding terms of any Company plan in which Employee participates or of any agreement applicable to any stock option, restricted stock grant, stock-based or other award granted to Employee by the Company, then the terms of this Agreement shall govern and the benefit under each such Company plan and Employee's rights and benefits under each such award shall be determined in accordance with the terms of this Agreement. For the avoidance of any doubt, in the event of the termination of Employee's employment under circumstances described in Section 6.8.2, the provisions of Section 4.1 shall apply to each stock option, restricted stock grant and to each other stock-based award whenever granted to the Employee and any forfeiture or recapture provision in any stock option, restricted stock grant, or other stock-based or incentive award which arises upon engaging in competition with the Company shall apply only in the event of Executive's material breach of Section 9(c) of this Agreement.

18. **Entire Agreement; Amendments.** This Agreement and the Confidentiality Agreement contain the entire agreement and understanding of the parties hereto relating to the subject matter hereof and thereof, and supersede all prior and contemporaneous discussions, agreements and understandings of every nature relating to the employment of Employee by the Company. This Agreement may not be changed or modified, except by an agreement in writing signed by each of the parties hereto.

19. **Consent to Suit.** Any legal proceeding arising out of or relating to this Agreement shall be instituted in the United States District Court for the Eastern District of Pennsylvania, or if such court does not have jurisdiction or will not accept jurisdiction, in any court of general jurisdiction in the county in Pennsylvania in which the Company maintains its principal place of business, and Employee and the Company hereby consent to the personal and exclusive jurisdiction of such court and hereby waive any objection that Employee or the Company may have to personal jurisdiction, venue, and any claim or defense of inconvenient forum.

20. **Counterparts and Facsimiles.** This Agreement may be executed, including execution by facsimile signature, in one or more counterparts, each of which shall be deemed an original, and all of which together shall be deemed to be one and the same instrument.

21. **Governing Law.** This Agreement shall be governed by, and enforced in accordance with, the laws of the Commonwealth of Pennsylvania without regard to the application of the principles of conflicts of laws.

The parties have executed this Employment Agreement as of the date stated above.

ORASURE TECHNOLOGIES, INC.

/s/ *Douglas A. Michels*

DOUGLAS A. MICHELS

By: /s/ *Douglas Watson*

Title: Chairman of the Board

EXHIBIT A

Specific Duties of Employee as President and Chief Executive Officer

Employee, as the President and Chief Executive Officer of the Company or the surviving entity in the event of a Change of Control, shall have duties commonly performed by a chief executive officer of a company with capital stock that is publicly traded on a national stock exchange, including, without limitation, being the individual primarily responsible for (i) overseeing the day-to-day operations, performance and direction of the Company or such surviving entity in all areas, including operations, finance, accounting, quality and regulatory; (ii) developing strategic business plans, planning and evaluating mergers, acquisitions and other strategic matters, and presenting such matters for consideration by the Board of Directors of the Company or such entity; and (iii) interfacing between the Company or such surviving entity and the Board of Directors of the Company or such entity.

EXHIBIT B

Transition Services Agreement

See Attached Document

TRANSITION SERVICES AGREEMENT

THIS TRANSITION SERVICES AGREEMENT (this "***Agreement***") is made as of _____, _____, by and between Orasure Technologies, Inc., a Delaware corporation (the "***Company***"), and Douglas A. Michels (the "***Consultant***").

BACKGROUND

The Consultant is the former Chief Executive Officer of the Company, whose employment with the Company ceased in connection with a Change of Control (as defined in the Employment Agreement by and between the Consultant and the Company dated June __, 2004 (the "Employment Agreement")). The Company desires to secure the services of the Consultant while his responsibilities are being transitioned to a new executive of the Company. The Consultant is willing to provide his services to the Company in accordance with the terms of this Agreement. This is the "***Transition Services Agreement***" referenced in the Employment Agreement.

TERMS

NOW THEREFORE, in consideration of the premises and mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

1. Provision of Services. The Company hereby engages the Consultant for, and the Consultant hereby agrees to render, from time to time to the extent reasonably requested by the Company, at mutually determined times and places, consulting and such other services as provided herein during the Consulting Period (as defined in Section 5), all upon the terms and conditions herein provided. It is understood and agreed by the Company that, notwithstanding anything else to the contrary contained herein, the services to be provided hereunder are to be provided on a part-time basis and that Consultant shall be able to provide services to other persons or entities as long as such services are not in material conflict with Consultant's obligations under this Agreement including without limitation Section 8 hereof and shall be able to take up to three (3) continuous weeks of vacation (subdivided as the Consultant may determine) during the Consulting Period without being in breach of this Agreement.

2. Duties. The Consultant shall make himself available to the Board of Directors (the "***Board***") and the senior executive officers of the Company from time to time, upon reasonable notice, for the rendering of advice and counsel, consistent with his knowledge and experience, on the Company's business and such other matters as the Board or such officers of the Company may reasonably request. Subject to reasonable business travel required in the performance of duties which are subject to reimbursement by the Company, it is agreed that Consultant's services shall generally be provided from his home. The Company agrees that it will (i) provide the Consultant with or, at its discretion reimburse the Consultant for the use of, a computer and fax machine and (ii) reimburse Consultant for the other reasonable costs of his use of a home-based office. The general scope of Consultant's services shall include, but not be limited to, the following:

(a) Initial Transition Period. During the initial period of transition, which is contemplated to take up to approximately six (6) months (but may in fact require a shorter period), Consultant shall assist with and/or perform the following duties:

- Work to transition his responsibilities to one or more executives designed by the Company.

- Be available for consultation regarding the Company's business, operations and financial matters.
- Provide consultation in all strategic matters being considered by the Company.

Consultant acknowledges that the consulting services hereunder will be most active during the initial transition period and may require a higher level of travel than that required after such period.

(b) On-going. Following the initial period during the Consulting Period, Consultant shall assist with and/or perform duties with respect to business, operations and financial matters.

The Company agrees that, unless otherwise agreed by Consultant, all services to be requested of the Consultant hereunder by the Board, both during the initial period and thereafter, shall be consistent with services routinely performed by senior executives of the Company.

3. Compensation.

(a) Payment for Consulting Services. During the Consulting Period, the Consultant will be paid compensation for the performance of the covenants under this Agreement at an annual rate equal to the salary (as defined in Section 3.1 of the Employment Agreement) paid to Executive immediately prior to his termination of employment with the Company (the "***Consulting Payment***"), which shall be paid in equal monthly installments within ten (10) days of the end of each month of the Consulting Period or such earlier time(s) as the Company deems appropriate.

(b) No Right to Employee Benefits. Consultant hereby acknowledges and agrees that he is providing services as an independent contractor to the Company and is not and will not claim to be an employee of the Company in the performance of such services; thus, Consultant hereby waives any claim or argument that he is or may be entitled to or covered by any benefit plan or program provided by the Company to its employees. Notwithstanding the foregoing, nothing herein shall affect Consultant's entitlement to any benefit or other compensation provided for in the Employment Agreement.

4. Business Expense. During the Consulting Period, the Company will pay for and Consultant will be entitled to receive reimbursement for all reasonable expenses incurred by him in performing services hereunder, including all expenses of travel and living expenses while away from home on business or at the request of and in service of the Company, upon

submission by him of vouchers therefor or itemized lists thereof prepared in compliance with such rules and policies relating thereto as the Company may from time to time adopt for application to senior executives of the Company and as may be required in order to permit such payments as proper deductions to the Company under the Internal Revenue Code and the rules and regulations adopted pursuant thereto now or hereafter in effect.

5. Consulting Period.

(a) The period during which the Consultant shall serve as a consultant to the Company under this Agreement shall commence as of the date hereof and shall, unless sooner terminated pursuant to Section 5(b), continue for a period of six (6) months thereafter (the "***Consulting Period***"). The last date of the Consulting Period is hereinafter referred to as the "***Expiration Date***".

(b) The Consulting Period may be terminated at the option of and by written notice from the Company if the Board of Directors of the Company shall find "good cause" for termination (as defined below). The Consulting Period shall also terminate as of the date on which the Consultant dies or thirty (30) days after Consultant gives written notice of termination to the Company; provided, however that Consultant shall not give such 30-day notice during the first 60 days of the Consulting Period. For purposes of this Agreement, "***good cause***" shall mean (i) the conviction of a felony, (ii) failure to perform duties as directed by the Board consistent with those indicated hereunder or agreed to be performed by the Consultant, in each case which are able to be performed by Consultant on the part-time basis on which he is engaged (which failure is not cured within thirty (30) days following written notice from the Board), or (iii) any material breach by Consultant (which failure is not cured within thirty (30) days following written notice from the Board) of this Agreement. In the event that (a) the Company terminates this Agreement for any reason other than for "good cause" or (b) the Consultant terminates this Agreement because of breach of this Agreement by the Company (which breach is not cured within thirty (30) days following written notice to the Board), the Consulting Payment shall be payable by the Company to the Consultant for the remainder of the Consulting Period.

Confidential Information. The Consultant acknowledges that the information, observations and data obtained by him while performing services hereunder for the Company and its subsidiaries concerning the business or affairs of the Company or any subsidiary ("***Confidential Information***") are the property of the Company or such subsidiary. Therefore, the Consultant agrees that he shall not disclose to any unauthorized person or use for his own purposes any Confidential Information without the prior written consent of the Board, unless and to the extent that the aforementioned matters (a) become generally known to and available for use by the public other than as a result of the Consultant's acts or omissions, (b) were lawfully in the possession of or demonstrably known by the Consultant prior to its receipt from the Company; (c) are independently developed by the Consultant without use of or reference to the Confidential Information; (d) becomes known by the Consultant from a third party that, to the Consultant's knowledge, is not subject to an obligation of confidentiality to the Company or (e) are required to be disclosed by law in which case the Consultant shall promptly notify the Company of such disclosure obligation and shall cooperate with the Company in seeking a protective order or other confidential treatment of such matters.

6. The Consultant shall deliver to the Company at the termination of this Agreement, or at any other time the Company may request, all memoranda, notes, plans, records, reports, computer tapes, printouts and software and other documents and data (and copies thereof) relating to the Confidential Information, Work Product (as defined below) or the business of the Company or any Subsidiary which he may then possess or have under his control.

7. Inventions and Patents. The Consultant acknowledges that all inventions, innovations, improvements, developments, methods, designs, analyses, drawings, reports and all similar or related information (whether or not patentable) which relate to the Company's or any of its subsidiaries' actual or anticipated business, research and development or existing or future products or services and which are conceived, developed or made by the Consultant incident to the performance of his services hereunder ("***Work Product***") belong to the Company or such subsidiary. The Consultant shall promptly disclose such Work Product to the Board and perform all actions reasonably requested by the Board (whether during or after the Expiration Date) to establish and confirm such ownership (including, without limitation, assignments, consents, powers of attorney and other instruments).

8. Representations. The Consultant hereby represents and warrants to the Company that (i) the execution, delivery and performance of this Agreement by him does not and shall not conflict with, breach, violate or cause a default under any contract, agreement, instrument, order, judgment or decree to which the Consultant is a party or by which he is bound, (ii) as of the date of this Agreement, he is not a party to or bound by any employment agreement, non-compete agreement or confidentiality agreement with any other person or entity except as disclosed to the Company by him in writing (including a copy of such agreement), and (iii) upon the execution and delivery of this Agreement by the Company, this Agreement shall be the valid and binding obligation of the Consultant, enforceable in accordance with its terms. The Company hereby represents and warrants to the Consultant that (x) the execution, delivery and performance of this Agreement by him does not and shall not conflict with, breach, violate or cause a default under any contract, agreement, instrument, order, judgment or decree to which the Company or any of its subsidiaries is a party or by which he is bound and (y) upon the execution and delivery of this Agreement by the Consultant, this Agreement shall be the valid and binding obligation of the Company, enforceable in accordance with its terms.

9. Relationship of the Parties.

(a) Independent Contractors. Company and Consultant are independent contractors as to one another. Nothing in this Agreement shall be deemed to create a partnership or a joint venture between the Company and the Consultant, or to cause Company to be liable for any of debts or obligations of Consultant. Consultant hereby acknowledges and agrees that he will not claim to be or in any way hold himself out as an officer, director or employee of the Company at any time and shall not act for or incur any liability or obligation of any kind, express or implied, in the name of or on behalf of, the Company.

(b) Taxes. Consultant shall be solely responsible for the timely payment of all employment and income taxes for which he might be liable, and Company will not deduct or withhold taxes from any monies payable to Consultant.

10. Survival. Sections 6 through 18 shall survive and continue in full force and effect in accordance with their terms notwithstanding any termination of the Consultant's engagement by the Company.

11. Notices. Any notice provided for in this Agreement shall be in writing and shall be either personally delivered, or mailed by overnight courier (by a nationally recognized courier service) or first class mail, return receipt requested, to the recipient at the address below indicated:

Notices to the Consultant:

Notices to the Company:

General Counsel
OraSure Technologies, Inc.
220 East First Street
Bethlehem, PA 18015

With a required copy to:

Pepper Hamilton LLP
400 Berwyn Park
899 Cassatt Road
Berwyn, PA 19312
Attn: Jeffrey P. Libson, Esq.

or such other address or to the attention of such other person as the recipient party shall have specified by prior written notice to the sending party. Any notice under this Agreement shall be deemed to have been given when so delivered or mailed.

12. Severability. The provisions of this Agreement are severable, and if any provision hereof is held invalid or unenforceable, it shall be enforced to the maximum extent permissible, and the remaining provisions of the Agreement shall continue in full force and effect.

13. Complete Agreement. This Agreement and the Employment Agreement embody the complete agreement and understanding among the parties and supersede and preempt any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

14. No Strict Construction. The language used in this Agreement shall be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction shall be applied against any party.

15. Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the Company and Employee and their respective successors, executors, administrators, heirs and/or permitted assigns; *provided, however*, that neither Employee nor the Company may make any assignments of this Agreement or any interest herein, by operation of law or otherwise, without the prior written consent of the other party, except that, without such consent, the Company may assign this Agreement to any successor to all or substantially all the business or assets of the Company by means of liquidation, dissolution, merger, consolidation, transfer of assets, or otherwise and Employee may transfer this Agreement by will or the laws of descent and distribution. The Company will require any successor (whether direct or indirect, by merger, consolidation, transfer of assets, or otherwise) acquiring all or substantially all of the business and/or assets of the Company (whether such assets are held directly or indirectly) to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

16. Consent to Suit. Any legal proceeding arising out of or relating to this Agreement shall be instituted in the United States District Court for the Eastern District of Pennsylvania, or if such court does not have jurisdiction or will not accept jurisdiction, in any court of general jurisdiction in the county in Pennsylvania in which the Company maintains its principal place of business, and Employee and the Company hereby consent to the personal and exclusive jurisdiction of such court and hereby waive any objection that Employee or the Company may have to personal jurisdiction, venue, and any claim or defense of inconvenient forum.

17. Counterparts and Facsimiles. This Agreement may be executed, including execution by facsimile signature, in one or more counterparts, each of which shall be deemed an original, and all of which together shall be deemed to be one and the same instrument.

18. Governing Law. This Agreement shall be governed by, and enforced in accordance with, the laws of the Commonwealth of Pennsylvania without regard to the application of the principles of conflicts of laws.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Transition Services Agreement as of the date first written above.

ORASURE TECHNOLOGIES, INC.

By: _____

Title: _____

CONSULTANT

_____

DOUGLAS A. MICHELS

EXHIBIT C

RELEASE AGREEMENT

THIS RELEASE AGREEMENT (the "Agreement") is entered into on this __ day of _____, _____, by and between Douglas A. Michels ("Executive") and OraSure Technologies, Inc., a Delaware corporation, together with each and every of its predecessors, successors (by merger or otherwise), parents, subsidiaries, affiliates, divisions and related entities directors, officers, Executives, attorneys and agents, whether present or former (collectively the "Company");

WHEREAS, Executive is entitled to receive severance under an Employment Agreement ("Employment Agreement"), dated June __, 2004, between Employee and the Company;

WHEREAS, Executive agrees to execute this Separation Agreement and Release as additional consideration for such severance; and

WHEREAS, capitalized terms not otherwise defined in this Agreement shall have the meanings set forth in the Employment Agreement.

NOW, THEREFORE, the parties agree as follows, in consideration of the mutual covenants and obligations contained herein, and intending to be legally held bound:

1. Consideration. In consideration for Executive's receipt of severance as provided in the foregoing Employment Agreement, Executive is willing to enter into this Agreement and provide the release set forth herein.

2. Executive's Release. Executive hereby generally releases and discharges the Company, together with each and every of its predecessors, successors (by merger or otherwise), parents, subsidiaries, affiliates, divisions and related entities, directors, officers, executives, attorneys and agents, whether present or former (collectively the "Releasees"), from any and all suits, causes of action, complaints, obligations, demands, or claims of any kind, whether in law or in equity, direct or indirect, known or unknown, suspected or unsuspected (hereinafter "claims"), which the Executive ever had or now has arising out of or relating to any matter, thing or event occurring up to and including the date of this Agreement. Except as otherwise expressly provided in this Agreement, Executive's release specifically includes, but is not limited to:

a. any and all claims for wages and benefits including, without limitation, salary, stock, options, commissions, royalties, license fees, health and welfare benefits, separation pay, vacation pay, incentives, and bonuses;

b. any and all claims for wrongful discharge, breach of contract (whether express or implied), or for breach of the implied covenant of good faith and fair dealing;

c. any and all claims for alleged employment discrimination on the basis of age, race, color, religion, sex, national origin, veteran status, disability and/or handicap and any and all other claims in violation of any federal, state or local statute, ordinance, judicial precedent or executive order, including but not limited to claims under the following statutes:

Title VII of the Civil Rights Act of 1964, as amended, 42 U.S.C. §2000e et seq., the Civil Rights Act of 1866, 42 U.S.C. §1981, the Age Discrimination in Employment Act, 29 U.S.C. §621 et seq., the Older Workers Benefit Protection Act, 29 U.S.C. §626(f), the Americans with Disabilities Act, 42 U.S.C. §12101 et seq., the Family and Medical Leave Act of 1993, the Fair Labor Standards Act, the Employee Retirement Income Security Act of 1974, or any comparable statute of any other state, country, or locality except as required by law, but excluding claims for vested benefits under the Company's pension plans;

d. any and all claims under any federal, state or local statute or law;

e. any and all claims in tort (including but not limited to any claims for misrepresentation, defamation, interference with contract or prospective economic advantage, intentional or negligent infliction of emotional distress, duress, loss of consortium, invasion of privacy and negligence);

f. any and all claims for attorneys' fees and costs; and

g. any and all other claims for damages of any kind.

Notwithstanding the foregoing, nothing contained in this paragraph shall apply to, or shall release the Company from, (i) any obligation of the Company under this Agreement, the Transition Services Agreement (if any) or the Employment Agreement; (ii) any accrued or vested benefit of Executive pursuant to any employee benefit plan of the Company, including any benefit not yet due and payable, (iii) any obligation of the Company under existing stock options, restricted stock or other stock awards; or (iv) any right to the indemnification under the Agreement, the By-Laws, or Certificate of Incorporation of the Company or any subsidiary or any insurance policy maintained by the Company or any subsidiary or other entity.

3. Acknowledgment. Executive understands that his release extends to all of the aforementioned claims and potential claims which arose on or before the date of this Agreement, whether now known or unknown, suspected or unsuspected, and that this constitutes an essential term of this Agreement. Executive further understands and acknowledges the significance and consequence of this Agreement and of each specific release and waiver, and expressly consents that this Agreement shall be given full force and effect according to each and all of its express terms and provisions, including those relating to unknown and unsuspected claims, demands, obligations, and causes of action, if any, as well as those relating to any other claims, demands, obligations or causes of action herein above-specified.

4. Remedies. All remedies at law or in equity shall be available to the Company for the enforcement of this Agreement. This Agreement may be pleaded as a full bar to the enforcement of any claim that Executive may assert against the Company in violation of this Agreement.

5. No Admissions. Neither the execution of this Agreement by the Company, nor the terms hereof, constitute an admission by the Company of liability to Executive.

6. Confidentiality. To the extent not otherwise made public by the Company, Executive shall not disclose or publicize the terms or fact of this Agreement, directly or

indirectly, to any person or entity, except to Executive's attorney, spouse, and to others as required by law. Executive is specifically prohibited from disclosing the facts or terms of this Agreement to any former or present executive of the Company except as required by law.

7. Entire Agreement. This Agreement, together with the terms of the Employment Agreement, contain the entire agreement of the parties with respect to the subject matter hereof, supersede any prior agreements or understandings with respect to the subject matter hereof, and shall be binding upon their respective heirs, executors, administrators, successors and assigns.

8. Severability. If any term or provision of this Agreement shall be held to be invalid or unenforceable for any reason, the validity or enforceability of the remaining terms or provisions shall not be affected, and such term or provision shall be deemed modified to the extent necessary to make it enforceable.

9. Advice of Counsel; Revocation Period. Executive is hereby advised to seek the advice of counsel. Executive acknowledges that he is acting of his own free will, that he has been afforded a reasonable time to read and review the terms of this Agreement, and that Executive is voluntarily entering into this Agreement with full knowledge of its provisions and effects. Executive intends that this Agreement shall not be subject to any claim for duress. Executive further acknowledges that he has been given at least twenty-one (21) days within which to consider this Agreement and that if Executive decides to execute this Agreement before the twenty-one day period has expired, Executive does so voluntarily and waives the opportunity to use the full review period. Executive also acknowledges that he has seven (7) days following his execution of this Agreement to revoke acceptance of this Agreement, with the Agreement not becoming effective until the revocation period has expired. If Executive chooses to revoke his acceptance of this Agreement, he should provide written notice to:

General Counsel
OraSure Technologies, Inc.
220 East First Street
Bethlehem, Pennsylvania 18015

10. Amendments. Neither this Agreement nor any term hereof may be orally changed, waived, discharged, or terminated, and may be amended only by a written agreement between the parties hereto.

11. Governing Law. This Agreement shall be governed by the laws of the Commonwealth of Pennsylvania, without regard to the conflict of law principles of any jurisdiction.

12. Legally Binding. The terms of this Agreement contained herein are contractual, and not a mere recital.

IN WITNESS WHEREOF, the parties, acknowledging that they are acting of their own free will, have caused the execution of this Agreement as of this day and year written below.

OraSure Technologies, Inc.

By: _____

Name: _____

Title: _____

_____

Douglas A. Michels

Exhibit 10.4

Execution Copy

EMPLOYMENT AGREEMENT

This Employment Agreement is entered into as of July 1, 2004 (this "Agreement"), between Ronald H. Spair ("Employee") and OraSure Technologies, Inc., a Delaware corporation (the "Company").

WHEREAS, the parties entered into an Employment Agreement, dated November 1, 2001 (the "2001 Agreement"), and a Confidentiality Agreement, dated November 1, 2001 (the "Confidentiality Agreement"); and

WHEREAS, the parties wish to amend the terms of their relationship and to enter into this new Employment Agreement.

NOW, THEREFORE, intending to be legally bound, the parties set forth below the terms and conditions of Employee's relationship with the Company.

1. **Services.**

1.1 **Employment.** The Company agrees to continue to employ Employee as Executive Vice President and Chief Financial Officer of the Company, and Employee hereby accepts such employment in accordance with the terms and conditions of this Agreement.

1.2 **Duties.** Employee shall have the positions named in Section 1.1 with such powers and duties appropriate to such offices (a) as may be provided by the bylaws of the Company, (b) as otherwise set forth in Exhibit A attached to this Agreement, and (c) as determined by the Company's board of directors (the "Board of Directors") from time to time. Employee's primary place of work shall be the Company's headquarters, at its present location in Bethlehem, Pennsylvania. Subject to the provisions of Section 6 hereof, Employee's position and duties may be changed and Employee's primary place of work may be relocated from time to time during the Term (as defined below) of this Agreement.

1.3 **Outside Activities.** Employee shall obtain the consent of the Chief Executive Officer of the Company before he engages, either directly or indirectly, in any other professional or business activities that may require an appreciable portion of Employee's time or effort to the detriment of the Company's business.

1.4 **Direction of Services.** Employee shall at all times report directly to, and discharge his duties in consultation with and under the supervision and direction of, the Chief Executive Officer of the Company.

2. **Term.** The initial term of this Agreement shall begin as of the date first written above and end on the second anniversary of that date, unless Employee's employment is sooner terminated in accordance with Section 6 below (the "Initial Term"). Thereafter, this Agreement shall automatically renew and Employee's employment shall continue for successive two-year terms (each, a "Renewal Term" and together with the Initial Term, the "Term") unless the Company gives Employee written notice of the Company's intent not to renew this

Agreement at least 60 days before the expiration of the Initial Term or any Renewal Term, or (b) Employee's employment under this Agreement is terminated in accordance with Section 6 below.

3. **Compensation and Expenses.**

3.1 **Salary.** As compensation for services under this Agreement, the Company shall pay to Employee a regular salary of $284,000 per annum. Subject to the provisions of Section 6 hereof, such salary may be adjusted from time to time in the discretion of the Board of Directors. Payment shall be made on a bi-weekly basis, less all amounts required by law or authorized by Employee to be withheld or deducted. For all purposes under this Agreement, the term "salary" shall mean the regular annual compensation of Employee payable under this Section 3.1, as increased but not decreased.

3.2 **Bonus.** The Company shall establish an incentive plan each year for the payment of cash bonuses to senior executive officers (each, a "Bonus Plan"), on such terms as may be approved by the Board of Directors or its compensation committee (the "Compensation Committee"). In addition to the salary described in Section 3.1 above, Employee shall be entitled to participate in each Bonus Plan, subject to its terms; provided that (a) Employee shall have a target bonus amount as determined by the Compensation Committee under each Bonus Plan which is at least equal to Employee's target as of the date of this Agreement and (b) cash bonuses payable to Employee under each Bonus Plan shall be determined in the same manner as the cash bonuses paid to other senior executive officers of the Company under the applicable Bonus Plan with respect to the same time period.

3.3 **Long-Term Incentive.** Employee shall be entitled to participate in accordance with the terms of the plan in any long-term incentive plan that may from time to time be adopted by the Board of Directors or the Compensation Committee, in its sole discretion; provided that compensation or other benefits provided to Employee under each such long-term incentive plan shall be determined in the same manner as the compensation or other benefits provided under such plans to other senior executive officers of the Company with respect to the same time period.

3.4 **Additional Employee Benefits.** Employee shall be entitled to receive or participate in any additional benefits, including without limitation medical and dental insurance programs, qualified and non-qualified profit sharing or pension plans, disability plans, medical reimbursement plans and life insurance programs, which may from time to time be made available by the Company to corporate officers. The Company may change or discontinue such benefits at any time in its sole discretion; provided that additional benefits provided to Employee shall be determined in the same manner as the benefits provided to other senior executive officers of the Company under such plans with respect to the same time period.

3.5 **Expenses.** The Company shall reimburse Employee for all reasonable and necessary expenses incurred in carrying out his duties under this Agreement, subject to compliance with the Company's reasonable policies relating to expense reimbursement. Expenses subject to reimbursement under this Section 3.5 shall include, but not be limited to, the cost of business-related travel, lodging and meals and the fees and expenses

incurred by Employee to maintain his membership in professional associations and obtain continuing professional education reasonably required in connection with Employee's performance of his duties under this Agreement.

3.6 **Fees.** All compensation earned by Employee, other than pursuant to this Agreement, as a result of services performed on behalf of the Company or as a result of or arising out of any work done by Employee in any way related to the scientific or business activities of the Company shall belong to the Company. Employee shall pay or deliver such compensation to the Company promptly upon receipt. For the purposes of this provision, "compensation" shall include, but is not limited to, all professional and nonprofessional fees, lecture fees, expert testimony fees, publishing fees, royalties, and any related income, earnings, or other things of value; and "scientific or business activities of the Company" shall include, but not be limited to, any project or projects in which the Company is involved and any subject matter that is directly or indirectly researched, tested, developed, promoted, or marketed by the Company.

4. **Stock Awards.** Employee shall be entitled to participate in the Company stock award plan, as may be amended from time to time, and in any successor or replacement stock award or similar plan. The number of stock options or other stock awards that are granted to Employee under the plan from time to time shall be determined by the Board of Directors or the Compensation Committee; provided that (a) Employee shall have a target amount of stock options as determined by the Compensation Committee under the Company's stock award plan, which is at least equal to the target amount for Employee under the Company's stock option guidelines for senior managers as in effect on the date of this Agreement (such guidelines having been filed as Exhibit 10.15 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002), and (b) Employee shall be entitled to receive stock options and other stock awards which are determined in the same manner as the stock options and stock awards granted to other senior executive officers of the Company under the stock award plan with respect to the same time period. All stock options or other stock awards granted to Employee prior to or on or after the date of this Agreement shall, to the extent then unvested, immediately vest (i) in the event of a Change of Control (as defined herein) or (ii) in the event Employee's employment is terminated with Good Reason (as defined herein) pursuant to Section 6.4 or without Cause (as defined herein) pursuant to Section 6.5 during a Change of Control Period (as defined herein), and 50% of such stock options or other stock awards shall, to the extent then unvested, immediately vest in the event Employee's employment is terminated with Good Reason pursuant to Section 6.4 or without Cause pursuant to Section 6.5 during any period other than a Change of Control Period.

5. **Confidentiality Agreement.** Employee and the Company are parties to the Confidentiality Agreement. Employee's compliance with the terms of the Confidentiality Agreement is a material requirement of this Agreement and any breach of the Confidentiality Agreement that is materially detrimental to the Company and that, if capable of being cured, is not cured within 30 days of written notice thereof from the Company to Employee, shall constitute a material breach of this Agreement.

6. **Termination.**

6.1 **Termination Upon Death or Disability.** This Agreement shall terminate immediately upon Employee's death or Disability. The term "Disability" means a mental or physical incapacity which renders Employee unable, with or without reasonable accommodation, to continue to perform the essential duties of his job and which, at least 180 days after its commencement, is determined to be total and permanent by a physician agreed to by the Company and Employee (such agreement not to be unreasonably withheld), or in the event of Employee's inability to designate a physician, Employee's legal representative.

6.2 **Termination by Employee.** Employee may terminate his employment under this Agreement by 60 days' written notice to the Company.

6.3 **Termination by the Company for Cause.** Employee's employment under this Agreement may be terminated by the Company at any time for Cause. Only the following actions, failures, or events by or affecting Employee shall constitute "Cause" for termination of Employee by the Company: (i) willful and continued failure by Employee to substantially perform his duties provided herein after a written demand for substantial performance is delivered to Employee by the Chief Executive Officer or Board of Directors of the Company, which demand identifies with reasonable specificity the manner in which Employee has not substantially performed his duties, and Employee's failure to comply with such demand within a reasonable time; (ii) the engaging by Employee in gross misconduct or gross negligence materially injurious to the Company; (iii) the commission of any act in direct competition with or materially detrimental to the best interests of the Company; or (iv) Employee's conviction of having committed a felony. Notwithstanding the foregoing, Employee shall not be deemed to have been terminated by the Company for Cause unless and until there shall have been delivered to him a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board of Directors of the Company finding that, in the good faith opinion of the Board of Directors, the Company has Cause for the termination of the employment of Employee as set forth in any of clauses (i) through (iv) above and specifying the particulars thereof in reasonable detail. The findings of the Board of Directors shall not be binding in connection with any litigation or dispute arising out of this Agreement.

6.4 **Termination by Employee With Good Reason**. Employee may terminate his employment under this Agreement for Good Reason; provided that Employee gives written notice to the Chief Executive Officer or the Board of Directors within 60 days of the event constituting Good Reason. The term "Good Reason" shall mean any of the following: (a) a material breach of this Agreement by the Company which is not cured within 30 days of written notice thereof by Employee; (b) any diminution in Employee's position, duties or responsibilities as provided in Section 1.2 of this Agreement or requirement that Employee report to any person other than the Chief Executive Officer; (c) any relocation of Employee's primary place of work to a location which is more than 25 miles from the Company's Bethlehem, Pennsylvania facilities; or (d) a reduction in Employee's salary (unless such reduction is a part of and in proportion to a reduction in all executive officers' salaries).

6.5 **Termination by the Company Without Cause.** The Company may terminate Employee's employment under this Agreement without Cause by 60 day's written notice to Employee. In the event the Company fails to renew this Agreement pursuant to Section 2, such failure shall be deemed to be a termination of Employee's employment by the Company without Cause.

6.6 **Termination by Employee After Change of Control**. Employee may terminate his employment under this Agreement at any time within 180 days following a Change of Control (as defined below).

6.7 **Definitions**. For purposes of this Agreement, the term "Change of Control Period" shall mean the period which begins 3 months prior to the occurrence of a Change of Control and ends 18 months after the occurrence of Change of Control. For purposes of this Agreement, the term "Change of Control" shall mean a change of control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A as in effect on the date hereof pursuant to the Securities Exchange Act of 1934 (the "Exchange Act"); provided that, without limitation, such a change of control shall be deemed to have occurred at such time as (i) any Acquiring Person hereafter becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of 30 percent or more of the combined voting power of Voting Securities; (ii) during any period of 12 consecutive calendar months, individuals who at the beginning of such period constitute the board of directors cease for any reason to constitute at least a majority thereof unless the election, or the nomination for election, by the Company's shareholders of each new director was approved by a vote of at least a majority of the directors then still in office who were directors at the beginning of the period; (iii) there shall be consummated (a) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which Voting Securities would be converted into cash, securities, or other property, other than a merger of the Company in which the holders of Voting Securities immediately prior to the merger have the same, or substantially the same, proportionate ownership of common stock of the surviving corporation immediately after the merger, or (b) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of the Company; or (iv) approval by the stockholders of the Company of any plan or proposal for the liquidation or dissolution of the Company. For purposes of this Agreement, "Acquiring Person" means any person or related persons which constitute a "group" for purposes of Section 13(d) and Rule 13d-5 under the Exchange Act, as such Section and Rule are in effect as of the date of this Agreement; provided, however, that the term Acquiring Person shall not include: (i) the Company or any of its subsidiaries; (ii) any employee benefit plan of the Company or any of its subsidiaries; (iii) any entity holding voting capital stock of the Company for or pursuant to the terms of any such employee benefit plan; or (iv) any person or group solely because such person or group has voting power with respect to capital stock of the Company arising from a revocable proxy or consent given in response to a public proxy or consent solicitation made pursuant to the Exchange Act. For purposes of this Agreement, "Voting Securities" means the Company's issued and outstanding securities ordinarily having the right to vote at elections for the Company's Board of Directors.

6.8 **Compensation Upon Termination.**

6.8.1 **Termination Upon Death or Disability, by Employee (Other Than for Good Reason) or for Cause**. In the event of a termination of Employee's employment under Sections 6.1, 6.2, or 6.3, Employee (i) shall be paid all salary pursuant to Section 3.1 through the date of termination and any bonus that has been approved by the Board of Directors or Compensation Committee prior to the date of termination but not yet paid and (ii) in the case of a termination under Section 6.1, shall receive a prorated portion of any cash bonus for the calendar year in which termination occurs (calculated based on the number of days in the calendar year that have passed prior to Employee's death or commencement of Employee's Disability, as the case may be), which would have been otherwise payable pursuant to Section 3.2 in the absence of the termination of Employee's employment, which bonus shall be payable to Employee or his estate at the time that cash bonuses are or would otherwise be payable to other officers of the Company in respect of such year. All salary and benefits shall cease on the date of termination under Sections 6.1, 6.2 or 6.3, subject to the terms of any benefit plans then in force and applicable to Employee, and the Company shall have no further liability or obligation hereunder by reason of such termination.

6.8.2 **Termination Without Cause, Upon Good Reason, or After a Change of Control**. In the event of a termination of Employee's employment by Employee with Good Reason as provided in Section 6.4, by the Company without Cause as provided in Section 6.5, or by Employee after a Change of Control as provided in Section 6.6, Employee (i) shall be paid all salary pursuant to Section 3.1 through the date of termination and any bonus that has been approved by the Board of Directors or Compensation Committee prior to the date of termination but not yet paid; (ii) shall (A) if such termination is for Good Reason pursuant to Section 6.4 or without Cause pursuant to Section 6.5 and does not occur during a Change of Control Period, continue to be paid the salary provided in Section 3.1 (with payments made on a monthly basis) either for the greater of 12 months from termination or the remainder of the Term if such termination occurs during the Initial Term or for 12 months from termination if such termination occurs after the Initial Term, or (B) if such termination is for Good Reason pursuant to Section 6.4 or without Cause pursuant to Section 6.5 and occurs during a Change of Control Period or such termination is by Employee after a Change of Control pursuant to Section 6.6, continue to be paid the salary provided in Section 3.1 (with payments made on a monthly basis) for 30 months, with such monthly payments of salary under this subclause (B) to begin immediately after the Consulting Period (as defined below); (iii) shall, if such termination is for Good Reason pursuant to Section 6.4 or without Cause pursuant to Section 6.5 and occurs during a Change of Control Period or such termination is by Employee after a Change of Control pursuant to Section 6.6, enter into a Transitional Services Agreement with the Company substantially in the form set forth in Exhibit B hereto and perform the transitional services for the consideration set forth therein for the 6 month period immediately following the date of termination (the "Consulting Period"); (iv) shall receive a prorated portion of any cash bonus for the calendar year in which termination occurs (calculated based on the number of days in the calendar year that have passed prior to Employee's termination date), which would have otherwise been payable pursuant to Section 3.2 in the absence of the termination of Employee's employment, which bonus shall be payable to Employee at the time that cash bonuses are

payable to other officers of the Company in respect of such year; and (v) for a period of one year after the date of termination or such longer period as any Company plan, program, practice or policy may provide, shall receive benefits for Employee and/or Employee's family at levels substantially equal to those which would have been provided to them in accordance with the plans described in Section 3.4 of this Agreement if Employee's employment had not been terminated, including health, disability and life insurance, in accordance with the most favorable plans of the Company in effect during the 90-day period immediately preceding the date of termination (amounts payable under clauses (ii), (iv) and (v) are collectively referred to as "severance"). As a condition to receipt of severance under this Section 6.8.2, Employee shall sign and deliver a release agreement, in form and substance substantially as set forth in Exhibit C hereto, releasing all claims related to Employee's employment. The severance shall be in lieu of and not in addition to any other severance arrangement maintained by the Company, and shall be offset by any monies Employee may owe to the Company. The Company's obligation to pay the amounts stated in clauses (ii), (iv) and (v) of this Section 6.8.2 shall terminate if Employee fails to comply with the Confidentiality Agreement during the period that severance is being paid by the Company and such failure would constitute a material breach of this Agreement under Section 5 hereof.

7. **Indemnification**. The Company agrees that if Employee is made a party (or is threatened to be made a party to) any action, suit, or proceeding, whether civil, criminal, administrative, or investigative (a "Proceeding"), by reason of his service (including past service) as an officer, director, employee, agent, or the like of the Company, or is or was serving at the request of the Company as an officer, director, employee, agent, or the like of another entity, including, without limitation, as a fiduciary of an employee benefit plan sponsored or established by the Company (any such service for a subsidiary, affiliate, joint venture or other entity in which the Company has an ownership or other financial interest, or as a fiduciary of any employee benefit plan sponsored by the Company or any such other entity, shall be presumed to be at the request of the Company), whether or not the basis of such Proceeding is an act or omission alleged to have occurred while Employee was acting in an official capacity as a director, officer, employee, agent, or the like, then Employee shall be indemnified and held harmless by the Company to the fullest extent authorized by applicable law (including for all reasonable attorneys' fees and costs incurred by Employee), and such indemnification shall continue even if Employee has ceased to be a director, officer, employee, agent, or the like of the Company for any reason.

8. **Insurance**. During the Term and for a period of six years thereafter (regardless of the reason for the termination of Employee's employment), the Company shall maintain suitable directors and officers insurance coverage for Employee in his respective roles and shall name Employee as an additional insured under such insurance policies, which policies shall be no less favorable to Employee than such insurance policies that cover the Company's directors during such time period.

9. **Non-Competition**. In consideration of the severance payable hereunder, during the Term and for a period of one (1) year thereafter, Executive agrees that, unless he obtains written agreement from the Company or the Board of Directors, he will not:

a. recruit, solicit, or hire any executive or employee of the Company;

b. induce or solicit any current or prospective customer, client, or supplier of the Company to cease being a customer, client or supplier or divert Company business away from any customer, client, or supplier of the Company; or

c. own, manage, control, work for, or provide services to any entity which competes with the Company in the market for rapid point-of-care, oral fluid diagnostic testing in the United States (the "Protected Business");

provided, however, that this Section 9 (i) shall not prevent Employee from accepting a position with and working for any other entity which competes with the Company in the Protected Business, if such business is diversified, Employee is employed in a department, division or other unit of the business that is not engaged in the Protected Business and Employee does not, directly or indirectly, provide any assistance, services, advice, consultation or information with respect to rapid point-of-care oral fluid diagnostic testing to the department, division or unit of the business engaged in the Protected Business; and (ii) shall not prevent Employee from purchasing or owning less than five percent (5%) of the stock or other securities of any entity, provided that such stock or other securities are traded on any national or regional securities exchange or are actively traded in the over-the-counter market and registered under Section 12(g) of the Securities Exchange Act of 1934, as amended.

10. **Golden Parachute Excise Tax**.

a. **Initial Determinations by Accounting Firm**. In the event a change in "the ownership or effective control" of the Company or "the ownership of a substantial portion of the assets" of the Company occurs or is expected to occur (in either case within the meaning of Section 280G of the Internal Revenue Code, as amended (the "Code")) (a "Change in Ownership"), the Company shall retain a national accounting firm selected by the Company and reasonably acceptable to Employee (the "Accounting Firm") to perform the calculations necessary under this Section 10. The Accounting Firm shall have discretion to retain one or more independent appraisers with adequate expertise (collectively, the "Appraisers") to provide any valuations necessary for the Accounting Firm's calculations hereunder. The Company shall pay all the fees and costs associated with the work performed by the Accounting Firm and any Appraiser retained by the Accounting Firm. If the Accounting Firm has previously performed services for any person, entity or group in connection with the Change in Ownership, Employee may select an alternative national accounting firm to be the Accounting Firm. If any Appraiser otherwise performs work for any of the entities involved in the Change in Ownership or their affiliates (or has performed work for any such entity within the three years preceding the calculations hereunder), then Employee may select an alternative appraiser of national stature with adequate expertise to be an Appraiser. The Accounting Firm shall provide promptly to both the Company and Employee a written report setting forth the calculations required under this Section 10, together with a detailed report of all relevant supporting data, valuations and calculations. All determinations of the Accounting Firm and the Appraisers shall be binding on Employee and the Company. When making the calculations required hereunder, Employee shall be deemed to pay (i) Federal income taxes at the highest applicable marginal rate of Federal income taxation for the taxable year for which any such calculation is made, and (ii) any

applicable state and local income taxes at the highest applicable marginal rate of taxation for the taxable year for which any such calculation is made, net of the maximum reduction in Federal income taxes which could be obtained by Employee from deduction of such state and local taxes. The Accounting Firm shall determine (y) the aggregate amount of all payments, benefits and distributions provided by the Company to Employee or for his benefit, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or any other agreement, plan or arrangement of the Company or otherwise (other than any payment pursuant to this Section 10) which are in the nature of compensation and are contingent upon a Change in Ownership (valued pursuant to Section 280G of the Code) (collectively the "Payments"); and (z) the maximum amount of the Payments Employee would be entitled to receive without being subject to the excise tax imposed by Section 4999 of the Code (the "Threshold Amount") (such excise tax, together with any interest or penalties with respect to such excise tax, are hereinafter collectively referred to as the "Excise Tax").

b. **Gross-up Payment**. If the amount of the Payments exceeds the Threshold Amount by more than Fifty Thousand Dollars ($50,000), then the Company shall pay to Employee an additional payment (a "Gross-up Payment") in an amount of up to the first Five Hundred Thousand Dollars ($500,000) of Excise Tax imposed upon the Payments (inclusive of any Excise Tax, federal, state and local payroll (such as Social Security and Medicare taxes) and other taxes and income taxes imposed upon the Gross-up Payment). All determinations required to be made as to whether a Gross-up Payment is required and the amount of such Gross-up Payment shall be made by the Accounting Firm. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies as described below, and Employee is thereafter required to make a payment or an additional payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to Employee or for his benefit, subject to the aggregate dollar limitation set forth in the first sentence of this Section 10(b).

c. **Cut-Back**. Payments shall be made without regard to whether the deductibility of such Payments (or any other payments) would be limited or precluded by Section 280G of the Code and without regard to whether such payments would subject the Employee to Excise Tax; *provided, however*, that if the Total After-Tax Payments (as defined below) would be increased by the limitation or elimination of any portion of the Payments, then the Payments will be reduced to the extent necessary to maximize the Total After-Tax Payments. In the event of any underpayment or overpayment under this Section 10 (as determined after the application of this Section 10(c)), the amount of such underpayment or overpayment will be immediately paid by the Company to Employee or refunded by Employee to the Company. For purposes of this Agreement, "Total After-Tax Payments" means the difference between (A) the sum of (i) the total of all "parachute payments" (as that term is defined in Section 280G(b)(2) of the Code) made to or for the benefit of Employee and (ii) the amount of any Gross-up Payment (whether made hereunder or otherwise), less (b) all applicable federal, state, and local payroll and other taxes and income taxes (including, without limitation, the Excise Tax described in Section 4999 of the Code) imposed on the parachute payments and Gross-Up Payment.

d. **Procedures With Respect to IRS Claims**. Employee shall notify the Company in writing of any claim by the Internal Revenue Service relating to any unpaid excise tax applicable to the Payments. Such notification shall be given as soon as practicable but no later than 20 business days after the Employee knows of such claim. Employee shall not pay such claim without the Company's written consent prior to the expiration of the 30-day period following the date on which Employee gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies Employee in writing prior to the expiration of such period that it desires to contest such claim, Employee shall (i) give the Company any information reasonably requested by the Company relating to such claim; (ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company; (iii) cooperate with the Company in good faith in order effectively to contest such claim; and (iv) permit the Company to participate in any proceedings relating to such claim; provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold Employee harmless, on an after-tax basis, for any and all taxes, including any Excise Tax, and including interest and penalties with respect thereto, imposed as a result of such representation and payment of costs and expenses. Without limiting the generality of the foregoing, if the Company has notified Employee that it desires to contest such claim, the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct Employee to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-up Payment would be payable hereunder and Employee shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

11. **Remedies.** The respective rights and duties of the Company and Employee under this Agreement are in addition to, and not in lieu of, those rights and duties afforded to and imposed upon them by law or at equity.

12. **Severability of Provisions.** The provisions of this Agreement are severable, and if any provision hereof is held invalid or unenforceable, it shall be enforced to the maximum extent permissible, and the remaining provisions of the Agreement shall continue in full force and effect.

13. **Nonwaiver.** Failure by either party at any time to require performance of any provision of this Agreement shall not limit the right of the party failing to require performance to enforce the provision. No provision of this Agreement may be waived by either party except by a writing signed by that party. A waiver of any breach of a provision of this Agreement shall be construed narrowly and shall not be deemed to be a waiver of any succeeding breach of that provision or a waiver of that provision itself or of any other provision.

14. **Non-Disparagement.** Both during and after his employment, Employee agrees not to disparage the Company or any of its stockholders, directors, officers, or employees, and the Company agrees not to disparage, and to cause its directors, officers and employees not to disparage, Employee. Employee and the Company agree not to make any statement or engage in any conduct that might affect adversely the business or professional reputation of the other party or, in the case of the Company, any of its stockholders, directors, officers or employees and the Company. Any breach of this Section 14 by a director, officer or employee of the Company shall be deemed to be a breach by the Company.

15. **Other Agreements**. Employee represents, warrants and, where applicable, covenants to the Company that:

(a) There are no restrictions, agreements or understandings whatsoever to which Employee is a party which would prevent or make unlawful Employee's execution of this Agreement or Employee's employment hereunder, or which is or would be inconsistent or in conflict with this Agreement or Employee's employment hereunder, or would prevent, limit or impair in any way the performance by Employee of his obligations hereunder;

(b) Employee's execution of this Agreement and Employee's employment hereunder shall not constitute a breach of any contract, agreement or understanding, oral or written, to which Employee is a party or by which Employee is bound; and

(c) Employee is free to execute this Agreement and to be employed by the Company as an employee pursuant to the provisions set forth herein.

16. **Successors and Assigns**. This Agreement shall inure to the benefit of and be binding upon the Company and Employee and their respective successors, executors, administrators, heirs and/or permitted assigns; *provided, however*, that neither Employee nor the Company may make any assignments of this Agreement or any interest herein, by operation of law or otherwise, without the prior written consent of the other party, except that, without such consent, the Company may assign this Agreement to any successor to all or substantially all the business or assets of the Company by means of liquidation, dissolution, merger, consolidation, transfer of assets, or otherwise and Employee may transfer this Agreement by will or the laws of descent and distribution. The Company will require any successor (whether direct or indirect, by merger, consolidation, transfer of assets, or otherwise) acquiring all or substantially all of the business and/or assets of the Company (whether such assets are held directly or indirectly) to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

17. **Non-exclusivity of Rights; Effect of Agreement**. Nothing in this Agreement shall prevent or limit Employee's continuing or further participation in any benefit, bonus, incentive, stock-based or other plan or program provided by the Company and for which Employee may qualify. Except as otherwise provided herein, amounts and benefits which are vested benefits or which Employee is otherwise entitled to receive at or subsequent to the date of

termination shall be payable in accordance with such plan or program. In the event any term of this Agreement is more favorable to Employee than the corresponding terms of any Company plan in which Employee participates or of any agreement applicable to any stock option, restricted stock grant, stock-based or other award granted to Employee by the Company, then the terms of this Agreement shall govern and the benefit under each such Company plan and Employee's rights and benefits under each such award shall be determined in accordance with the terms of this Agreement. For the avoidance of any doubt, in the event of the termination of Employee's employment under circumstances described in Section 6.8.2, the provisions of Section 4 shall apply to each stock option, restricted stock grant and to each other stock-based award whenever granted to the Employee and any forfeiture or recapture provision in any stock option, restricted stock grant, or other stock-based or incentive award which arises upon engaging in competition with the Company shall apply only in the event of Employee's material breach of Section 9(c) of this Agreement.

18. **Entire Agreement; Amendments**. This Agreement and the Confidentiality Agreement contain the entire agreement and understanding of the parties hereto relating to the subject matter hereof and thereof, and supersede all prior and contemporaneous discussions, agreements and understandings of every nature relating to the employment of Employee by the Company, including but not limited to the 2001 Agreement. This Agreement may not be changed or modified, except by an agreement in writing signed by each of the parties hereto.

19. **Consent to Suit**. Any legal proceeding arising out of or relating to this Agreement shall be instituted in the United States District Court for the Eastern District of Pennsylvania, or if such court does not have jurisdiction or will not accept jurisdiction, in any court of general jurisdiction in the county in Pennsylvania in which the Company maintains its principal place of business, and Employee and the Company hereby consent to the personal and exclusive jurisdiction of such court and hereby waive any objection that Employee or the Company may have to personal jurisdiction, venue, and any claim or defense of inconvenient forum.

20. **Counterparts and Facsimiles**. This Agreement may be executed, including execution by facsimile signature, in one or more counterparts, each of which shall be deemed an original, and all of which together shall be deemed to be one and the same instrument.

21. **Governing Law**. This Agreement shall be governed by, and enforced in accordance with, the laws of the Commonwealth of Pennsylvania without regard to the application of the principles of conflicts of laws.

[signature page follows]

The parties have executed this Employment Agreement as of the date stated above.

ORASURE TECHNOLOGIES, INC.

/s/ Ronald H. Spair

Ronald H. Spair

By: */s/ Douglas Watson*

Title: Chairman of the Board

EXHIBIT A

Specific Duties of Employee as Executive Vice President and Chief Financial Officer

Employee, as the Executive Vice President and Chief Financial Officer of the Company or the surviving entity in the event of a Change of Control, shall have duties commonly performed by a chief financial officer of a company with capital stock that is publicly traded on a national stock exchange, including, without limitation, being the individual primarily responsible for (i) overseeing the financial growth, structure and direction of the Company or such surviving entity; (ii) establishing and maintaining relationships between the Company or such surviving entity and investment bankers, research analysts, institutional investors and commercial banks; (iii) interfacing between the Company or such surviving entity and the Audit Committee of the Board of Directors of the Company or such entity; and (iv) assisting the Chief Executive Officer of the Company or such surviving entity in developing strategic business plans and in planning and evaluating mergers, acquisitions and other strategic matters.

EXHIBIT B

Transition Services Agreement

See Attached Document

TRANSITION SERVICES AGREEMENT

THIS TRANSITION SERVICES AGREEMENT (this "***Agreement***") is made as of _____, _____, by and between Orasure Technologies, Inc., a Delaware corporation (the "***Company***"), and Ronald H. Spair (the "***Consultant***").

BACKGROUND

The Consultant is the former Chief Financial Officer of the Company, whose employment with the Company ceased in connection with a Change of Control (as defined in the Employment Agreement by and between the Consultant and the Company dated July __, 2004 (the "Employment Agreement")). The Company desires to secure the services of the Consultant while his responsibilities are being transitioned to a new executive of the Company. The Consultant is willing to provide his services to the Company in accordance with the terms of this Agreement. This is the "***Transition Services Agreement***" referenced in the Employment Agreement.

TERMS

NOW THEREFORE, in consideration of the premises and mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

1. Provision of Services. The Company hereby engages the Consultant for, and the Consultant hereby agrees to render, from time to time to the extent reasonably requested by the Company, at mutually determined times and places, consulting and such other services as provided herein during the Consulting Period (as defined in Section 5), all upon the terms and conditions herein provided. It is understood and agreed by the Company that, notwithstanding anything else to the contrary contained herein, the services to be provided hereunder are to be provided on a part-time basis and that Consultant shall be able to provide services to other persons or entities as long as such services are not in material conflict with Consultant's obligations under this Agreement including without limitation Section 8 hereof and shall be able to take up to three (3) continuous weeks of vacation (subdivided as the Consultant may determine) during the Consulting Period without being in breach of this Agreement

2. Duties. The Consultant shall make himself available to the Board of Directors (the "***Board***") and the senior executive officers of the Company from time to time, upon reasonable notice, for the rendering of advice and counsel, consistent with his knowledge and experience, on financial and accounting matters and such other matters as the Board or such officers of the Company may reasonably request. Subject to reasonable business travel required in the performance of duties which are subject to reimbursement by the Company, it is agreed that Consultant's services shall generally be provided from his home. The Company agrees that it will (i) provide the Consultant with or, at its discretion reimburse the Consultant for the use of, a computer and fax machine and (ii) reimburse Consultant for the other reasonable costs of his use of a home-based office. The general scope of Consultant's services shall include, but not be

limited to, the following:

(a) Initial Transition Period. During the initial period of transition, which is contemplated to take up to approximately six (6) months (but may in fact require a shorter period), Consultant shall assist with and/or perform the following duties:

- Work to transition his responsibilities to one or more executives designed by the Company.
- Be available for consultation regarding routine SEC reporting.
- Provide introductions to financial analysts covering the Company.
- Provide introductions to the Company's current top institutional investors.

Consultant acknowledges that the consulting services hereunder will be most active during the initial transition period and may require a higher level of travel than that required after such period.

(b) On-going. Following the initial period during the Consulting Period, Consultant shall assist with and/or perform duties with respect to financial, accounting and disclosure matters.

The Company agrees that, unless otherwise agreed by Consultant, all services to be requested of the Consultant hereunder by the Board, both during the initial period and thereafter, shall be consistent with services routinely performed by senior executives of the Company.

3. Compensation.

(a) Payment for Consulting Services. During the Consulting Period, the Consultant will be paid compensation for the performance of the covenants under this Agreement at an annual rate equal to the salary (as defined in Section 3.1 of the Employment Agreement) paid to Executive immediately prior to his termination of employment with the Company (the ***"Consulting Payment"***), which shall be paid in equal monthly installments within ten (10) days of the end of each month of the Consulting Period or such earlier time(s) as the Company deems appropriate.

(b) No Right to Employee Benefits. Consultant hereby acknowledges and agrees that he is providing services as an independent contractor to the Company and is not and will not claim to be an employee of the Company in the performance of such services; thus, Consultant hereby waives any claim or argument that he is or may be entitled to or covered by any benefit plan or program provided by the Company to its employees. Notwithstanding the foregoing, nothing herein shall affect Consultant's entitlement to any benefit or other compensation provided for in the Employment Agreement.

4. Business Expenses. During the Consulting Period, the Company will pay for and Consultant will be entitled to receive reimbursement for all reasonable expenses incurred by him in performing services hereunder, including all expenses of travel and living expenses while away from home on business or at the request of and in service of the Company, upon submission by him of vouchers therefor or itemized lists thereof prepared in compliance with such rules and policies relating thereto as the Company may from time to time adopt for application to senior executives of the Company and as may be required in order to permit such payments as proper deductions to the Company under the Internal Revenue Code and the rules and regulations adopted pursuant thereto now or hereafter in effect.

5. Consulting Period.

(a) The period during which the Consultant shall serve as a consultant to the Company under this Agreement shall commence as of the date hereof and shall, unless sooner terminated pursuant to Section 5(b), continue for a period of six (6) months thereafter (the "***Consulting Period***"). The last date of the Consulting Period is hereinafter referred to as the "***Expiration Date***".

(b) The Consulting Period may be terminated at the option of and by written notice from the Company if the Board of Directors of the Company shall find "good cause" for termination (as defined below). The Consulting Period shall also terminate as of the date on which the Consultant dies or thirty (30) days after Consultant gives written notice of termination to the Company; provided, however that Consultant shall not give such 30-day notice during the first 60 days of the Consulting Period. For purposes of this Agreement, "***good cause***" shall mean (i) the conviction of a felony, (ii) failure to perform duties as directed by the Board consistent with those indicated hereunder or agreed to be performed by the Consultant, in each case which are able to be performed by Consultant on the part-time basis on which he is engaged (which failure is not cured within thirty (30) days following written notice from the Board), or (iii) any material breach by Consultant (which failure is not cured within thirty (30) days following written notice from the Board) of this Agreement. In the event that (a) the Company terminates this Agreement for any reason other than for "good cause" or (b) the Consultant terminates this Agreement because of breach of this Agreement by the Company (which breach is not cured within thirty (30) days following written notice to the Board), the Consulting Payment shall be payable by the Company to the Consultant for the remainder of the Consulting Period.

6. The Consultant acknowledges that the information, observations and data obtained by him while performing services hereunder for the Company and its subsidiaries concerning the business or affairs of the Company or any subsidiary ("***Confidential Information***") are the property of the Company or such subsidiary. Therefore, the Consultant agrees that he shall not disclose to any unauthorized person or use for his own purposes any Confidential Information without the prior written consent of the Board, unless and to the extent that the aforementioned matters (a) become generally known to and available for use by the public other than as a result of the Consultant's acts or omissions, (b) were lawfully in the possession of or demonstrably known by the Consultant prior to its receipt from the Company; (c) are independently developed by the Consultant without use of or reference to the Confidential Information; (d) become known by the Consultant from a third party that, to the Consultant's

knowledge, is not subject to an obligation of confidentiality to the Company or (e) are required to be disclosed by law, in which case the Consultant shall promptly notify the Company of such disclosure obligation and shall cooperate with the Company in seeking a protective order or other confidential treatment of such matters. The Consultant shall deliver to the Company at the termination of this Agreement, or at any other time the Company may request, all memoranda, notes, plans, records, reports, computer tapes, printouts and software and other documents and data (and copies thereof) relating to the Confidential Information, Work Product (as defined below) or the business of the Company or any Subsidiary which he may then possess or have under his control.

7. Inventions and Patents. The Consultant acknowledges that all inventions, innovations, improvements, developments, methods, designs, analyses, drawings, reports and all similar or related information (whether or not patentable) which relate to the Company's or any of its subsidiaries' actual or anticipated business, research and development or existing or future products or services and which are conceived, developed or made by the Consultant incident to the performance of his services hereunder ("***Work Product***") belong to the Company or such subsidiary. The Consultant shall promptly disclose such Work Product to the Board and perform all actions reasonably requested by the Board (whether during or after the Expiration Date) to establish and confirm such ownership (including, without limitation, assignments, consents, powers of attorney and other instruments).

8. Representations. The Consultant hereby represents and warrants to the Company that (i) the execution, delivery and performance of this Agreement by him does not and shall not conflict with, breach, violate or cause a default under any contract, agreement, instrument, order, judgment or decree to which the Consultant is a party or by which he is bound, (ii) as of the date of this Agreement, he is not a party to or bound by any employment agreement, non-compete agreement or confidentiality agreement with any other person or entity except as disclosed to the Company by him in writing (including a copy of such agreement), and (iii) upon the execution and delivery of this Agreement by the Company, this Agreement shall be the valid and binding obligation of the Consultant, enforceable in accordance with its terms. The Company hereby represents and warrants to the Consultant that (x) the execution, delivery and performance of this Agreement by him does not and shall not conflict with, breach, violate or cause a default under any contract, agreement, instrument, order, judgment or decree to which the Company or any of its subsidiaries is a party or by which he is bound and (y) upon the execution and delivery of this Agreement by the Consultant, this Agreement shall be the valid and binding obligation of the Company, enforceable in accordance with its terms.

9. Relationship of the Parties.

(a) Independent Contractors. Company and Consultant are independent contractors as to one another. Nothing in this Agreement shall be deemed to create a partnership or a joint venture between the Company and the Consultant, or to cause Company to be liable for any of debts or obligations of Consultant. Consultant hereby acknowledges and agrees that he will not claim to be or in any way hold himself out as an officer, director or employee of the Company at any time and shall not act for or incur any liability or obligation of any kind, express or implied, in the name of or on behalf of, the Company.

(b) Taxes. Consultant shall be solely responsible for the timely payment of all employment and income taxes for which he might be liable, and Company will not deduct or withhold taxes from any monies payable to Consultant.

10. Survival. Sections 6 through 18 shall survive and continue in full force and effect in accordance with their terms notwithstanding any termination of the Consultant's engagement by the Company.

11. Notices. Any notice provided for in this Agreement shall be in writing and shall be either personally delivered, or mailed by overnight courier (by a nationally recognized courier service) or first class mail, return receipt requested, to the recipient at the address below indicated:

Notices to the Consultant:

Notices to the Company:

General Counsel
OraSure Technologies, Inc.
220 East First Street
Bethlehem, PA 18015

With a required copy to:

Pepper Hamilton LLP
400 Berwyn Park
899 Cassatt Road
Berwyn, PA 19312
Attn: Jeffrey P. Libson, Esq.

or such other address or to the attention of such other person as the recipient party shall have specified by prior written notice to the sending party. Any notice under this Agreement shall be deemed to have been given when so delivered or mailed.

12. Severability. The provisions of this Agreement are severable, and if any provision hereof is held invalid or unenforceable, it shall be enforced to the maximum extent permissible, and the remaining provisions of the Agreement shall continue in full force and effect.

13. Complete Agreement. This Agreement and the Employment Agreement embody the complete agreement and understanding among the parties and supersede and preempt any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

14. No Strict Construction. The language used in this Agreement shall be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction shall be applied against any party.

15. Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the Company and Employee and their respective successors, executors, administrators, heirs and/or permitted assigns; *provided*, *however*, that neither Employee nor the Company may make any assignments of this Agreement or any interest herein, by operation of law or otherwise, without the prior written consent of the other party, except that, without such consent, the Company may assign this Agreement to any successor to all or substantially all the business or assets of the Company by means of liquidation, dissolution, merger, consolidation, transfer of assets, or otherwise and Employee may transfer this Agreement by will or the laws of descent and distribution. The Company will require any successor (whether direct or indirect, by merger, consolidation, transfer of assets, or otherwise) acquiring all or substantially all of the business and/or assets of the Company (whether such assets are held directly or indirectly) to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

16. Consent to Suit. Any legal proceeding arising out of or relating to this Agreement shall be instituted in the United States District Court for the Eastern District of Pennsylvania, or if such court does not have jurisdiction or will not accept jurisdiction, in any court of general jurisdiction in the county in Pennsylvania in which the Company maintains its principal place of business, and Employee and the Company hereby consent to the personal and exclusive jurisdiction of such court and hereby waive any objection that Employee or the Company may have to personal jurisdiction, venue, and any claim or defense of inconvenient forum.

17. Counterparts and Facsimiles. This Agreement may be executed, including execution by facsimile signature, in one or more counterparts, each of which shall be deemed an original, and all of which together shall be deemed to be one and the same instrument.

18. Governing Law. This Agreement shall be governed by, and enforced in accordance with, the laws of the Commonwealth of Pennsylvania without regard to the application of the principles of conflicts of laws.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Transition Services Agreement as of the date first written above.

ORASURE TECHNOLOGIES, INC.

By:
Title:

CONSULTANT

RONALD H. SPAIR

EXHIBIT C

RELEASE AGREEMENT

THIS RELEASE AGREEMENT (the "Agreement") is entered into on this __ day of _____, _____, by and between Ronald H. Spair ("Executive") and OraSure Technologies, Inc., a Delaware corporation, together with each and every of its predecessors, successors (by merger or otherwise), parents, subsidiaries, affiliates, divisions and related entities directors, officers, Executives, attorneys and agents, whether present or former (collectively the "Company");

WHEREAS, Executive is entitled to receive severance under an Employment Agreement ("Employment Agreement"), dated July __, 2004, between Employee and the Company;

WHEREAS, Executive agrees to execute this Separation Agreement and Release as additional consideration for such severance; and

WHEREAS, capitalized terms not otherwise defined in this Agreement shall have the meanings set forth in the Employment Agreement.

NOW, THEREFORE, the parties agree as follows, in consideration of the mutual covenants and obligations contained herein, and intending to be legally held bound:

1. Consideration. In consideration for Executive's receipt of severance as provided in the foregoing Employment Agreement, Executive is willing to enter into this Agreement and provide the release set forth herein.

2. Executive's Release. Executive hereby generally releases and discharges the Company, together with each and every of its predecessors, successors (by merger or otherwise), parents, subsidiaries, affiliates, divisions and related entities, directors, officers, executives, attorneys and agents, whether present or former (collectively the "Releasees"), from any and all suits, causes of action, complaints, obligations, demands, or claims of any kind, whether in law or in equity, direct or indirect, known or unknown, suspected or unsuspected (hereinafter "claims"), which the Executive ever had or now has arising out of or relating to any matter, thing or event occurring up to and including the date of this Agreement. Except as otherwise expressly provided in this Agreement, Executive's release specifically includes, but is not limited to:

a. any and all claims for wages and benefits including, without limitation, salary, stock, options, commissions, royalties, license fees, health and welfare benefits, separation pay, vacation pay, incentives, and bonuses;

b. any and all claims for wrongful discharge, breach of contract (whether express or implied), or for breach of the implied covenant of good faith and fair dealing;

c. any and all claims for alleged employment discrimination on the basis of age, race, color, religion, sex, national origin, veteran status, disability and/or handicap and any and all other claims in violation of any federal, state or local statute, ordinance, judicial precedent or executive order, including but not limited to claims under the following statutes: Title VII of the Civil Rights Act of 1964, as amended, 42 U.S.C. §2000e et seq., the Civil Rights Act of 1866, 42 U.S.C. §1981, the Age Discrimination in Employment Act, 29 U.S.C. §621 et seq., the Older Workers Benefit Protection Act, 29 U.S.C. §626(f), the Americans with Disabilities Act, 42 U.S.C. §12101 et seq., the Family and Medical Leave Act of 1993, the Fair Labor Standards Act, the Employee Retirement Income Security Act of 1974, or any comparable statute of any other state, country, or locality except as required by law, but excluding claims for vested benefits under the Company's pension plans;

d. any and all claims under any federal, state or local statute or law;

e. any and all claims in tort (including but not limited to any claims for misrepresentation, defamation, interference with contract or prospective economic advantage, intentional or negligent infliction of emotional distress, duress, loss of consortium, invasion of privacy and negligence);

f. any and all claims for attorneys' fees and costs; and

g. any and all other claims for damages of any kind.

Notwithstanding the foregoing, nothing contained in this paragraph shall apply to, or shall release the Company from, (i) any obligation of the Company under this Agreement, the Transition Services Agreement (if any) or the Employment Agreement; (ii) any accrued or vested benefit of Executive pursuant to any employee benefit plan of the Company, including any benefit not yet due and payable, (iii) any obligation of the Company under existing stock options, restricted stock or other stock awards; or (iv) any right to indemnification under the Agreement, the By-Laws or Certificate of Incorporation of the Company or any subsidiary or any insurance policy maintained by the Company or any subsidiary or other entity.

3. Acknowledgment. Executive understands that his release extends to all of the aforementioned claims and potential claims which arose on or before the date of this Agreement, whether now known or unknown, suspected or unsuspected, and that this constitutes an essential term of this Agreement. Executive further understands and acknowledges the significance and consequence of this Agreement and of each specific release and waiver, and expressly consents that this Agreement shall be given full force and effect according to each and all of its express terms and provisions, including those relating to unknown and unsuspected claims, demands, obligations, and causes of action, if any, as well as those relating to any other claims, demands, obligations or causes of action herein above-specified.

4. Remedies. All remedies at law or in equity shall be available to the Company for the enforcement of this Agreement. This Agreement may be pleaded as a full bar to the enforcement of any claim that Executive may assert against the Company in violation of this Agreement.

5. No Admissions. Neither the execution of this Agreement by the Company, nor the terms hereof, constitute an admission by the Company of liability to Executive.

6. Confidentiality. To the extent not otherwise made public by the Company, Executive shall not disclose or publicize the terms or fact of this Agreement, directly or indirectly, to any person or entity, except to Executive's attorney, spouse, and to others as required by law. Executive is specifically prohibited from disclosing the facts or terms of this Agreement to any former or present executive of the Company except as required by law.

7. Entire Agreement. This Agreement, together with the terms of the Employment Agreement, contain the entire agreement of the parties with respect to the subject matter hereof, supersede any prior agreements or understandings with respect to the subject matter hereof, and shall be binding upon their respective heirs, executors, administrators, successors and assigns.

8. Severability. If any term or provision of this Agreement shall be held to be invalid or unenforceable for any reason, the validity or enforceability of the remaining terms or provisions shall not be affected, and such term or provision shall be deemed modified to the extent necessary to make it enforceable.

9. Advice of Counsel; Revocation Period. Executive is hereby advised to seek the advice of counsel. Executive acknowledges that he is acting of his own free will, that he has been afforded a reasonable time to read and review the terms of this Agreement, and that Executive is voluntarily entering into this Agreement with full knowledge of its provisions and effects. Executive intends that this Agreement shall not be subject to any claim for duress. Executive further acknowledges that he has been given at least twenty-one (21) days within which to consider this Agreement and that if Executive decides to execute this Agreement before the twenty-one day period has expired, Executive does so voluntarily and waives the opportunity to use the full review period. Executive also acknowledges that he has seven (7) days following his execution of this Agreement to revoke acceptance of this Agreement, with the Agreement not becoming effective until the revocation period has expired. If Executive chooses to revoke his acceptance of this Agreement, he should provide written notice to:

General Counsel
OraSure Technologies, Inc.
220 East First Street
Bethlehem, Pennsylvania 18015

10. Amendments. Neither this Agreement nor any term hereof may be orally changed, waived, discharged, or terminated, and may be amended only by a written agreement between the parties hereto.

11. Governing Law. This Agreement shall be governed by the laws of the Commonwealth of Pennsylvania, without regard to the conflict of law principles of any jurisdiction.

12. Legally Binding. The terms of this Agreement contained herein are contractual, and not a mere recital.

IN WITNESS WHEREOF, the parties, acknowledging that they are acting of their own free will, have caused the execution of this Agreement as of this day and year written below.

OraSure Technologies, Inc.

By: _____

Name: _____

Title: _____

_____

Ronald H. Spair

Exhibit 10.5

Execution Copy

EMPLOYMENT AGREEMENT

This Employment Agreement is entered into as of July 1, 2004 (this "Agreement"), between P. Michael Formica ("Employee") and OraSure Technologies, Inc., a Delaware corporation (the "Company").

WHEREAS, the parties entered into an Employment Agreement, dated September 29, 2000 (the "2000 Agreement"), and a Confidentiality Agreement of even date herewith (the "Confidentiality Agreement"); and

WHEREAS, the parties wish to amend the terms of their relationship and to enter into this new Employment Agreement.

NOW, THEREFORE, intending to be legally bound, the parties set forth below the terms and conditions of Employee's relationship with the Company.

1. **Services.**

1.1 **Employment.** The Company agrees to continue to employ Employee as Executive Vice President, Operations of the Company, and Employee hereby accepts such employment in accordance with the terms and conditions of this Agreement.

1.2 **Duties.** Employee shall have the position named in Section 1.1 with such powers and duties appropriate to that office (a) as may be provided by the bylaws of the Company, (b) as otherwise set forth in Exhibit A attached to this Agreement, and (c) as determined by the Company's board of directors (the "Board of Directors") from time to time. Employee's primary place of work shall be the Company's headquarters, at its present location in Bethlehem, Pennsylvania. Subject to the provisions of Section 6 hereof, Employee's position and duties may be changed and Employee's primary place of work may be relocated from time to time during the Term (as defined below) of this Agreement.

1.3 **Outside Activities.** Employee shall obtain the consent of the Chief Executive Officer of the Company before he engages, either directly or indirectly, in any other professional or business activities that may require an appreciable portion of Employee's time or effort to the detriment of the Company's business.

1.4 **Direction of Services.** Employee shall at all times report directly to, and discharge his duties in consultation with and under the supervision and direction of, the Chief Executive Officer of the Company.

2. **Term.** The initial term of this Agreement shall begin as of the date first written above and end on the second anniversary of that date, unless Employee's employment is sooner terminated in accordance with Section 6 below (the "Initial Term"). Thereafter, this Agreement shall automatically renew and Employee's employment shall continue for successive two-year terms (each, a "Renewal Term" and together with the Initial Term, the "Term") unless the Company gives Employee written notice of the Company's intent not to renew this Agreement at least 60 days before the expiration of the Initial Term or any Renewal Term, or (b) Employee's employment under this Agreement is terminated in accordance with Section 6 below.

3. **Compensation and Expenses.**

3.1 **Salary.** As compensation for services under this Agreement, the Company shall pay to Employee a regular salary of $242,550 per annum. Subject to the provisions of Section 6 hereof, such salary may be adjusted from time to time in the discretion of the Board of Directors. Payment shall be made on a bi-weekly basis, less all amounts required by law or authorized by Employee to be withheld or deducted. For all purposes under this Agreement, the term "salary" shall mean the regular annual compensation of Employee payable under this Section 3.1, as increased but not decreased.

3.2 **Bonus.** The Company shall establish an incentive plan each year for the payment of cash bonuses to senior executive officers (each, a "Bonus Plan"), on such terms as may be approved by the Board of Directors or its compensation committee (the "Compensation Committee"). In addition to the salary described in Section 3.1 above, Employee shall be entitled to participate in each Bonus Plan, subject to its terms; provided that (a) Employee shall have a target bonus amount as determined by the Compensation Committee under each Bonus Plan which is at least equal to Employee's target as of the date of this Agreement and (b) cash bonuses payable to Employee under each Bonus Plan shall be determined in the same manner as the cash bonuses paid to other senior executive officers of the Company under the applicable Bonus Plan with respect to the same time period.

3.3 **Long-Term Incentive.** Employee shall be entitled to participate in accordance with the terms of the plan in any long-term incentive plan that may from time to time be adopted by the Board of Directors or the Compensation Committee, in its sole discretion; provided that compensation or other benefits provided to Employee under each such long-term incentive plan shall be determined in the same manner as the compensation or other benefits provided under such plans to other senior executive officers of the Company with respect to the same time period.

3.4 **Additional Employee Benefits.** Employee shall be entitled to receive or participate in any additional benefits, including without limitation medical and dental insurance programs, qualified and non-qualified profit sharing or pension plans, disability plans, medical reimbursement plans, and life insurance programs, which may from time to time be made available by the Company to corporate officers. The Company may change or discontinue such benefits at any time in its sole discretion; provided that additional benefits provided to Employee shall be determined in the same manner as the benefits provided to other senior executive officers of the Company under such plans with respect to the same time period.

3.5 **Expenses.** The Company shall reimburse Employee for all reasonable and necessary expenses incurred in carrying out his duties under this Agreement, subject to compliance with the Company's reasonable policies relating to expense reimbursement. Expenses subject to reimbursement under this Section 3.5 shall include, but not be limited to, the cost of business-related travel, lodging and meals and the fees and expenses incurred by Employee to maintain his membership in professional associations and obtain continuing professional education reasonably required in connection with Employee's performance of his duties under this Agreement.

3.6 **Fees.** All compensation earned by Employee, other than pursuant to this Agreement, as a result of services performed on behalf of the Company or as a result of or arising out of any work done by Employee in any way related to the scientific or business activities of the Company shall belong to the Company. Employee shall pay or deliver such compensation to the Company promptly upon receipt. For the purposes of this provision, "compensation" shall include, but is not limited to, all professional and nonprofessional fees, lecture fees, expert testimony fees, publishing fees, royalties, and any related income, earnings, or other things of value; and "scientific or business activities of the Company" shall include, but not be limited to, any project or projects in which the Company is involved and any subject matter that is directly or indirectly researched, tested, developed, promoted, or marketed by the Company.

4. **Stock Awards.** Employee shall be entitled to participate in the Company stock award plan, as may be amended from time to time, and in any successor or replacement stock award or similar plan. The number of stock options or other stock awards that are granted to Employee under the plan from time to time shall be determined by the Board of Directors or the Compensation Committee; provided that (a) Employee shall have a target amount of stock options as determined by the Compensation Committee under the Company's stock award plan, which is at least equal to the target amount for Employee under the Company's stock option guidelines for senior managers as in effect on the date of this Agreement (such guidelines having been filed as Exhibit 10.15 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002), and (b) Employee shall be entitled to receive stock options and other stock awards which are determined in the same manner as the stock options and stock awards granted to other senior executive officers of the Company under the stock award plan with respect to the same time period. All stock options or other stock awards granted to Employee prior to or on or after the date of this Agreement shall, to the extent then unvested, immediately vest (i) in the event of a Change of Control (as defined herein) or (ii) in the event Employee's employment is terminated with Good Reason (as defined herein) pursuant to Section 6.4 or without Cause (as defined herein) pursuant to Section 6.5 during a Change of Control Period (as defined herein), and 50% of such stock options or other stock awards shall, to the extent then unvested, immediately vest in the event Employee's employment is terminated with Good Reason pursuant to Section 6.4 or without Cause pursuant to Section 6.5 during any period other than a Change of Control Period.

5. **Confidentiality Agreement.** Employee and the Company are parties to the Confidentiality Agreement. Employee's compliance with the terms of the Confidentiality Agreement is a material requirement of this Agreement and any breach of the Confidentiality Agreement that is materially detrimental to the Company and that, if capable of being cured, is not cured within 30 days of written notice thereof from the Company to Employee, shall constitute a material breach of this Agreement.

6. **Termination.**

6.1 **Termination Upon Death or Disability.** This Agreement shall terminate immediately upon Employee's death or Disability. The term "Disability" means a mental or physical incapacity which renders Employee unable, with or without reasonable accommodation, to continue to perform the essential duties of his job and which, at least 180 days after its commencement, is determined to be total and permanent by a physician agreed to by the Company and Employee (such agreement not to be unreasonably withheld), or in the event of Employee's inability to designate a physician, Employee's legal representative.

6.2 **Termination by Employee.** Employee may terminate his employment under this Agreement by 60 days' written notice to the Company.

6.3 **Termination by the Company for Cause.** Employee's employment under this Agreement may be terminated by the Company at any time for Cause. Only the following actions, failures, or events by or affecting Employee shall constitute "Cause" for termination of Employee by the Company: (i) willful and continued failure by Employee to substantially perform his duties provided herein after a written demand for substantial performance is delivered to Employee by the Chief Executive Officer or Board of Directors of the Company, which demand identifies with reasonable specificity the manner in which Employee has not substantially performed his duties, and Employee's failure to comply with such demand within a reasonable time; (ii) the engaging by Employee in gross misconduct or gross negligence materially injurious to the Company; (iii) the commission of any act in direct competition with or materially detrimental to the best interests of the Company; or (iv) Employee's conviction of having committed a felony. Notwithstanding the foregoing, Employee shall not be deemed to have been terminated by the Company for Cause unless and until there shall have been delivered to him a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board of Directors of the Company finding that, in the good faith opinion of the Board of Directors, the Company has Cause for the termination of the employment of Employee as set forth in any of clauses (i) through (iv) above and specifying the particulars thereof in reasonable detail. The findings of the Board of Directors shall not be binding in connection with any litigation or dispute arising out of this Agreement.

6.4 **Termination by Employee With Good Reason**. Employee may terminate his employment under this Agreement for Good Reason; provided that Employee gives written notice to the Chief Executive Officer or the Board of Directors within 60 days of the event constituting Good Reason. The term "Good Reason" shall mean any of the following: (a) a material breach of this Agreement by the Company which is not cured within 30 days of written notice thereof by Employee; (b) any diminution in Employee's position, duties or responsibilities as provided in Section 1.2 of this Agreement or requirement that Employee report to any person other than the Chief Executive Officer; (c) any relocation of Employee's primary place of work to a location which is more than 25 miles from the Company's Bethlehem, Pennsylvania facilities; or (d) a reduction in Employee's salary (unless such reduction is a part of and in proportion to a reduction in all executive officers' salaries).

6.5 **Termination by the Company Without Cause.** The Company may terminate Employee's employment under this Agreement without Cause by 60 day's written notice to Employee. In the event the Company fails to renew this Agreement pursuant to Section 2, such failure shall be deemed to be a termination of Employee's employment by the Company without Cause.

6.6 **Termination by Employee After Change of Control**. Employee may terminate his employment under this Agreement at any time within 180 days following a Change of Control (as defined below).

6.7 **Definitions**. For purposes of this Agreement, the term "Change of Control Period" shall mean the period which begins 3 months prior to the occurrence of a Change of Control and ends 18 months after the occurrence of Change of Control. For purposes of this Agreement, the term "Change of Control" shall mean a change of control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A as in effect on the date hereof pursuant to the Securities Exchange Act of 1934 (the "Exchange Act"); provided that, without limitation, such a change of control shall be deemed to have occurred at such time as (i) any Acquiring Person hereafter becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of 30 percent or more of the combined voting power of Voting Securities; (ii) during any period of 12 consecutive calendar months, individuals who at the beginning of such period constitute the board of directors cease for any reason to constitute at least a majority thereof unless the election, or the nomination for election, by the Company's shareholders of each new director was approved by a vote of at least a majority of the directors then still in office who were directors at the beginning of the period; (iii) there shall be consummated (a) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which Voting Securities would be converted into cash, securities, or other property, other than a merger of the Company in which the holders of Voting Securities immediately prior to the merger have the same, or substantially the same, proportionate ownership of common stock of the surviving corporation immediately after the merger, or (b) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of the Company; or (iv) approval by the stockholders of the Company of any plan or proposal for the liquidation or dissolution of the Company. For purposes of this Agreement, "Acquiring Person" means any person or related persons which constitute a "group" for purposes of Section 13(d) and Rule 13d-5 under the Exchange Act, as such Section and Rule are in effect as of the date of this Agreement; provided, however, that the term Acquiring Person shall not include: (i) the Company or any of its subsidiaries; (ii) any employee benefit plan of the Company or any of its subsidiaries; (iii) any entity holding voting capital stock of the Company for or pursuant to the terms of any such employee benefit plan; or (iv) any person or group solely because such person or group has voting power with respect to capital stock of the Company arising from a revocable proxy or consent given in response to a public proxy or consent solicitation made pursuant to the Exchange Act. For purposes of this Agreement, "Voting Securities" means the Company's issued and outstanding securities ordinarily having the right to vote at elections for the Company's Board of Directors.

6.8 **Compensation Upon Termination.**

6.8.1 **Termination Upon Death or Disability, by Employee (Other Than for Good Reason) or for Cause**. In the event of a termination of Employee's employment under Sections 6.1, 6.2, or 6.3, Employee (i) shall be paid all salary pursuant to Section 3.1 through the date of termination and any bonus that has been approved by the Board of Directors or Compensation Committee prior to the date of termination but not yet paid and (ii) in the case of a termination under Section 6.1, shall receive a prorated portion of any cash bonus for the calendar year in which termination occurs (calculated based on the number of days in the calendar year that have passed prior to Employee's death or commencement of Employee's Disability, as the case may be), which would have been otherwise payable pursuant to Section 3.2 in the absence of the termination of Employee's employment, which bonus shall be payable to Employee or his estate at the time that cash bonuses are or would otherwise be payable to other officers of the Company in respect of such year. All salary and benefits shall cease on the date of termination under Sections 6.1, 6.2 or 6.3, subject to the terms of any benefit plans then in force and applicable to Employee, and the Company shall have no further liability or obligation hereunder by reason of such termination.

6.8.2 **Termination Without Cause, Upon Good Reason, or After a Change of Control**. In the event of a termination of Employee's employment by Employee with Good Reason as provided in Section 6.4, by the Company without Cause as provided in Section 6.5, or by Employee after a Change of Control as provided in Section 6.6, Employee (i) shall be paid all salary pursuant to Section 3.1 through the date of termination and any bonus that has been approved by the Board of Directors or Compensation Committee prior to the date of termination but not yet paid; (ii) shall (A) if such termination is for Good Reason pursuant to Section 6.4 or without Cause pursuant to Section 6.5 and does not occur during a Change of Control Period, continue to be paid the salary provided in Section 3.1 (with payments made on a monthly basis) either for the greater of 12 months from termination or the remainder of the Term if such termination occurs during the Initial Term or for 12 months from termination if such termination occurs after the Initial Term, or (B) if such termination is for Good Reason pursuant to Section 6.4 or without Cause pursuant to Section 6.5 and occurs during a Change of Control Period or such termination is by Employee after a Change of Control pursuant to Section 6.6, continue to be paid the salary provided in Section 3.1 (with payments made on a monthly basis) for 18 months, with such monthly payments of salary under this subclause (B) to begin immediately after the Consulting Period (as defined below); (iii) shall, if such termination is for Good Reason pursuant to Section 6.4 or without Cause pursuant to Section 6.5 and occurs during a Change of Control Period or such termination is by Employee after a Change of Control pursuant to Section 6.6, enter into a Transitional Services Agreement with the Company substantially in the form set forth in Exhibit B hereto and perform the transitional services for the consideration set forth therein for the 6 month period immediately following the date of termination (the "Consulting Period"); (iv) shall receive a prorated portion of any cash bonus for the calendar year in which termination occurs (calculated based on the number of days in the calendar year that have passed prior to Employee's termination date), which would have otherwise been payable pursuant to Section 3.2 in the absence of the termination of Employee's employment, which bonus shall be payable to Employee at the time that cash bonuses are payable to other officers of the Company in respect of such year; and (v) for a period of one year after the date of termination or such longer period as any Company plan, program, practice or

policy may provide, shall receive benefits for Employee and/or Employee's family at levels substantially equal to those which would have been provided to them in accordance with the plans described in Section 3.4 of this Agreement if Employee's employment had not been terminated, including health, disability and life insurance, in accordance with the most favorable plans of the Company in effect during the 90-day period immediately preceding the date of termination (amounts payable under clauses (ii), (iv) and (v) are collectively referred to as "severance"). As a condition to receipt of severance under this Section 6.8.2, Employee shall sign and deliver a release agreement, in form and substance substantially as set forth in Exhibit C hereto, releasing all claims related to Employee's employment. The severance shall be in lieu of and not in addition to any other severance arrangement maintained by the Company, and shall be offset by any monies Employee may owe to the Company. The Company's obligation to pay the amounts stated in clauses (ii), (iv) and (v) of this Section 6.8.2 shall terminate if Employee fails to comply with the Confidentiality Agreement during the period that severance is being paid by the Company and such failure would constitute a material breach of this Agreement under Section 5 hereof.

7. **Indemnification.** The Company agrees that if Employee is made a party (or is threatened to be made a party to) any action, suit, or proceeding, whether civil, criminal, administrative, or investigative (a "Proceeding"), by reason of his service (including past service) as an officer, director, employee, agent, or the like of the Company, or is or was serving at the request of the Company as an officer, director, employee, agent, or the like of another entity, including, without limitation, as a fiduciary of an employee benefit plan sponsored or established by the Company (any such service for a subsidiary, affiliate, joint venture or other entity in which the Company has an ownership or other financial interest, or as a fiduciary of any employee benefit plan sponsored by the Company or any such other entity, shall be presumed to be at the request of the Company), whether or not the basis of such Proceeding is an act or omission alleged to have occurred while Employee was acting in an official capacity as a director, officer, employee, agent, or the like, then Employee shall be indemnified and held harmless by the Company to the fullest extent authorized by applicable law (including for all reasonable attorneys' fees and costs incurred by Employee), and such indemnification shall continue even if Employee has ceased to be a director, officer, employee, agent, or the like of the Company for any reason.

8. **Insurance**. During the Term and for a period of six years thereafter (regardless of the reason for the termination of Employee's employment), the Company shall maintain suitable directors and officers insurance coverage for Employee in his respective roles and shall name Employee as an additional insured under such insurance policies, which policies shall be no less favorable to Employee than such insurance policies that cover the Company's directors during such time period.

9. **Non-Competition.** In consideration of the severance payable hereunder, during the Term and for a period of one (1) year thereafter, Executive agrees that, unless he obtains written agreement from the Company or the Board of Directors, he will not:

a. recruit, solicit, or hire any executive or employee of the Company;

b. induce or solicit any current or prospective customer, client, or supplier

of the Company to cease being a customer, client or supplier or divert Company business away from any customer, client, or supplier of the Company; or

c. own, manage, control, work for, or provide services to any entity which competes with the Company in the market for rapid point-of-care, oral fluid diagnostic testing in the United States (the "Protected Business");

provided, however, that this Section 9 (i) shall not prevent Employee from accepting a position with and working for any other entity which competes with the Company in the Protected Business, if such business is diversified, Employee is employed in a department, division or other unit of the business that is not engaged in the Protected Business and Employee does not, directly or indirectly, provide any assistance, services, advice, consultation or information with respect to rapid point-of-care oral fluid diagnostic testing to the department, division or unit of the business engaged in the Protected Business; and (ii) shall not prevent Employee from purchasing or owning less than five percent (5%) of the stock or other securities of any entity, provided that such stock or other securities are traded on any national or regional securities exchange or are actively traded in the over-the-counter market and registered under Section 12(g) of the Securities Exchange Act of 1934, as amended.

10. **Golden Parachute Excise Tax.**

a. **Initial Determinations by Accounting Firm.** In the event a change in "the ownership or effective control" of the Company or "the ownership of a substantial portion of the assets" of the Company occurs or is expected to occur (in either case within the meaning of Section 280G of the Internal Revenue Code, as amended (the "Code")) (a "Change in Ownership"), the Company shall retain a national accounting firm selected by the Company and reasonably acceptable to Employee (the "Accounting Firm") to perform the calculations necessary under this Section 10. The Accounting Firm shall have discretion to retain one or more independent appraisers with adequate expertise (collectively, the "Appraisers") to provide any valuations necessary for the Accounting Firm's calculations hereunder. The Company shall pay all the fees and costs associated with the work performed by the Accounting Firm and any Appraiser retained by the Accounting Firm. If the Accounting Firm has previously performed services for any person, entity or group in connection with the Change in Ownership, Employee may select an alternative national accounting firm to be the Accounting Firm. If any Appraiser otherwise performs work for any of the entities involved in the Change in Ownership or their affiliates (or has performed work for any such entity within the three years preceding the calculations hereunder), then Employee may select an alternative appraiser of national stature with adequate expertise to be an Appraiser. The Accounting Firm shall provide promptly to both the Company and Employee a written report setting forth the calculations required under this Section 10, together with a detailed report of all relevant supporting data, valuations and calculations. All determinations of the Accounting Firm and the Appraisers shall be binding on Employee and the Company. When making the calculations required hereunder, Employee shall be deemed to pay (i) Federal income taxes at the highest applicable marginal rate of Federal income taxation for the taxable year for which any such calculation is made, and (ii) any applicable state and local income taxes at the highest applicable marginal rate of taxation for the taxable year for which any such calculation is made, net of the maximum reduction in Federal

income taxes which could be obtained by Employee from deduction of such state and local taxes. The Accounting Firm shall determine (y) the aggregate amount of all payments, benefits and distributions provided by the Company to Employee or for his benefit, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or any other agreement, plan or arrangement of the Company or otherwise (other than any payment pursuant to this Section 10) which are in the nature of compensation and are contingent upon a Change in Ownership (valued pursuant to Section 280G of the Code) (collectively the "Payments"); and (z) the maximum amount of the Payments Employee would be entitled to receive without being subject to the excise tax imposed by Section 4999 of the Code (the "Threshold Amount") (such excise tax, together with any interest or penalties with respect to such excise tax, are hereinafter collectively referred to as the "Excise Tax").

b. **Gross-up Payment.** If the amount of the Payments exceeds the Threshold Amount by more than Fifty Thousand Dollars ($50,000), then the Company shall pay to Employee an additional payment (a "Gross-up Payment") in an amount of up to the first Five Hundred Thousand Dollars ($500,000) of Excise Tax imposed upon the Payments (inclusive of any Excise Tax, federal, state and local payroll (such as Social Security and Medicare taxes) and other taxes and income taxes imposed upon the Gross-up Payment). All determinations required to be made as to whether a Gross-up Payment is required and the amount of such Gross-up Payment shall be made by the Accounting Firm. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies as described below, and Employee is thereafter required to make a payment or an additional payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to Employee or for his benefit, subject to the aggregate dollar limitation set forth in the first sentence of this Section 10(b).

c. **Cut-Back.** Payments shall be made without regard to whether the deductibility of such Payments (or any other payments) would be limited or precluded by Section 280G of the Code and without regard to whether such payments would subject the Employee to Excise Tax; *provided, however*, that if the Total After-Tax Payments (as defined below) would be increased by the limitation or elimination of any portion of the Payments, then the Payments will be reduced to the extent necessary to maximize the Total After-Tax Payments. In the event of any underpayment or overpayment under this Section 10 (as determined after the application of this Section 10(c)), the amount of such underpayment or overpayment will be immediately paid by the Company to Employee or refunded by Employee to the Company. For purposes of this Agreement, "Total After-Tax Payments" means the difference between (A) the sum of (i) the total of all "parachute payments" (as that term is defined in Section 280G(b)(2) of the Code) made to or for the benefit of Employee and (ii) the amount of any Gross-up Payment (whether made hereunder or otherwise), less (b) all applicable federal, state, and local payroll and other taxes and income taxes (including, without limitation, the Excise Tax described in Section 4999 of the Code) imposed on the parachute payments and Gross-Up Payment.

d. **Procedures With Respect to IRS Claims.** Employee shall notify the Company in writing of any claim by the Internal Revenue Service relating to any unpaid excise tax applicable to the Payments. Such notification shall be given as soon as practicable but no later than 20 business days after the Employee knows of such claim. Employee shall not pay such claim without the Company's written consent prior to the expiration of the 30-day period following the date on which Employee gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies Employee in writing prior to the expiration of such period that it desires to contest such claim, Employee shall (i) give the Company any information reasonably requested by the Company relating to such claim; (ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company; (iii) cooperate with the Company in good faith in order effectively to contest such claim; and (iv) permit the Company to participate in any proceedings relating to such claim; provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold Employee harmless, on an after-tax basis, for any and all taxes, including any Excise Tax, and including interest and penalties with respect thereto, imposed as a result of such representation and payment of costs and expenses. Without limiting the generality of the foregoing, if the Company has notified Employee that it desires to contest such claim, the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct Employee to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-up Payment would be payable hereunder and Employee shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

11. **Remedies.** The respective rights and duties of the Company and Employee under this Agreement are in addition to, and not in lieu of, those rights and duties afforded to and imposed upon them by law or at equity.

12. **Severability of Provisions.** The provisions of this Agreement are severable, and if any provision hereof is held invalid or unenforceable, it shall be enforced to the maximum extent permissible, and the remaining provisions of the Agreement shall continue in full force and effect.

13. **Nonwaiver.** Failure by either party at any time to require performance of any provision of this Agreement shall not limit the right of the party failing to require performance to enforce the provision. No provision of this Agreement may be waived by either party except by a writing signed by that party. A waiver of any breach of a provision of this Agreement shall be construed narrowly and shall not be deemed to be a waiver of any succeeding breach of that provision or a waiver of that provision itself or of any other provision.

14. **Non-Disparagement.** Both during and after his employment, Employee agrees not to disparage the Company or any of its stockholders, directors, officers, or employees, and the Company agrees not to disparage, and to cause its directors, officers and employees not to disparage, Employee. Employee and the Company agree not to make any statement or engage in any conduct that might affect adversely the business or professional reputation of the other party or, in the case of the Company, any of its stockholders, directors, officers or employees and the Company. Any breach of this Section 14 by a director, officer or employee of the Company shall be deemed to be a breach by the Company.

15. **Other Agreements.** Employee represents, warrants and, where applicable, covenants to the Company that:

(a) There are no restrictions, agreements or understandings whatsoever to which Employee is a party which would prevent or make unlawful Employee's execution of this Agreement or Employee's employment hereunder, or which is or would be inconsistent or in conflict with this Agreement or Employee's employment hereunder, or would prevent, limit or impair in any way the performance by Employee of his obligations hereunder;

(b) Employee's execution of this Agreement and Employee's employment hereunder shall not constitute a breach of any contract, agreement or understanding, oral or written, to which Employee is a party or by which Employee is bound; and

(c) Employee is free to execute this Agreement and to be employed by the Company as an employee pursuant to the provisions set forth herein.

16. **Successors and Assigns**. This Agreement shall inure to the benefit of and be binding upon the Company and Employee and their respective successors, executors, administrators, heirs and/or permitted assigns; *provided, however*, that neither Employee nor the Company may make any assignments of this Agreement or any interest herein, by operation of law or otherwise, without the prior written consent of the other party, except that, without such consent, the Company may assign this Agreement to any successor to all or substantially all the business or assets of the Company by means of liquidation, dissolution, merger, consolidation, transfer of assets, or otherwise and Employee may transfer this Agreement by will or the laws of descent and distribution. The Company will require any successor (whether direct or indirect, by merger, consolidation, transfer of assets, or otherwise) acquiring all or substantially all of the business and/or assets of the Company (whether such assets are held directly or indirectly) to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

17. **Non-exclusivity of Rights; Effect of Agreement**. Nothing in this Agreement shall prevent or limit Employee's continuing or further participation in any benefit, bonus, incentive, stock-based or other plan or program provided by the Company and for which Employee may qualify. Except as otherwise provided herein, amounts and benefits which are vested benefits or which Employee is otherwise entitled to receive at or subsequent to the date of

termination shall be payable in accordance with such plan or program. In the event any term of this Agreement is more favorable to Employee than the corresponding terms of any Company plan in which Employee participates or of any agreement applicable to any stock option, restricted stock grant, stock-based or other award granted to Employee by the Company, then the terms of this Agreement shall govern and the benefit under each such Company plan and Employee's rights and benefits under each such award shall be determined in accordance with the terms of this Agreement. For the avoidance of any doubt, in the event of the termination of Employee's employment under circumstances described in Section 6.8.2, the provisions of Section 4 shall apply to each stock option, restricted stock grant and to each other stock-based award whenever granted to the Employee and any forfeiture or recapture provision in any stock option, restricted stock grant, or other stock-based or incentive award which arises upon engaging in competition with the Company shall apply only in the event of Employee's material breach of Section 9(c) of this Agreement.

18. **Entire Agreement; Amendments**. This Agreement and the Confidentiality Agreement contain the entire agreement and understanding of the parties hereto relating to the subject matter hereof and thereof, and supersede all prior and contemporaneous discussions, agreements and understandings of every nature relating to the employment of Employee by the Company, including but not limited to the 2000 Agreement. This Agreement may not be changed or modified, except by an agreement in writing signed by each of the parties hereto.

19. **Consent to Suit**. Any legal proceeding arising out of or relating to this Agreement shall be instituted in the United States District Court for the Eastern District of Pennsylvania, or if such court does not have jurisdiction or will not accept jurisdiction, in any court of general jurisdiction in the county in Pennsylvania in which the Company maintains its principal place of business, and Employee and the Company hereby consent to the personal and exclusive jurisdiction of such court and hereby waive any objection that Employee or the Company may have to personal jurisdiction, venue, and any claim or defense of inconvenient forum.

20. **Counterparts and Facsimiles**. This Agreement may be executed, including execution by facsimile signature, in one or more counterparts, each of which shall be deemed an original, and all of which together shall be deemed to be one and the same instrument.

21. **Governing Law**. This Agreement shall be governed by, and enforced in accordance with, the laws of the Commonwealth of Pennsylvania without regard to the application of the principles of conflicts of laws.

[signature page follows]

The parties have executed this Employment Agreement as of the date stated above.

ORASURE TECHNOLOGIES, INC.

/s/ P. Michael Formica

P. Michael Formica

By: */s/ Douglas Watson*

Title: Chairman of the Board

EXHIBIT A

Specific Duties of Employee as Executive Vice President, Operations

Employee, as the Executive Vice President, Operations of the Company, or the surviving entity in the event of a Change of Control, shall have duties commonly performed by the officer in charge of operations of a company with capital stock that is publicly traded on a national stock exchange, including, without limitation, being the individual primarily responsible for overseeing the manufacturing, procurement, information systems, quality and regulatory functions of the Company or such surviving entity. Since November 2003, Employee has also had management responsibility for the Company's research and development function on an interim basis. It is understood that the Company or such surviving entity may desire to remove responsibility for the research and development, quality and regulatory functions from Employee's duties. In the event the Chief Executive Officer of the Company or such surviving entity elects to remove responsibility from Employee for any such functions and, in the case of the quality and regulatory functions, removal is required or recommended by any regulatory agency, the Company's outside auditors, applicable law or regulation or a resolution duly adopted by the Company's Board of Directors, then such action, in whole or in part, shall not constitute a diminishment of Employee's position, duties or responsibilities or otherwise constitute Good Reason (as defined in Section 6.4 of the Agreement).

EXHIBIT B

Transition Services Agreement

See Attached Document

TRANSITION SERVICES AGREEMENT

THIS TRANSITION SERVICES AGREEMENT (this "***Agreement***") is made as of _____, _____, by and between Orasure Technologies, Inc., a Delaware corporation (the "***Company***"), and P. Michael Formica (the "***Consultant***").

BACKGROUND

The Consultant is the former Executive Vice President, Operations of the Company, whose employment with the Company ceased in connection with a Change of Control (as defined in the Employment Agreement by and between the Consultant and the Company dated July __, 2004 (the "Employment Agreement")). The Company desires to secure the services of the Consultant while his responsibilities are being transitioned to a new executive of the Company. The Consultant is willing to provide his services to the Company in accordance with the terms of this Agreement. This is the "***Transition Services Agreement***" referenced in the Employment Agreement.

TERMS

NOW THEREFORE, in consideration of the premises and mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

1. Provision of Services. The Company hereby engages the Consultant for, and the Consultant hereby agrees to render, from time to time to the extent reasonably requested by the Company, at mutually determined times and places, consulting and such other services as provided herein during the Consulting Period (as defined in Section 5), all upon the terms and conditions herein provided. It is understood and agreed by the Company that, notwithstanding anything else to the contrary contained herein, the services to be provided hereunder are to be provided on a part-time basis and that Consultant shall be able to provide services to other persons or entities as long as such services are not in material conflict with Consultant's obligations under this Agreement including without limitation Section 8 hereof and shall be able to take up to three (3) continuous weeks of vacation (subdivided as the Consultant may determine) during the Consulting Period without being in breach of this Agreement.

2. Duties. The Consultant shall make himself available to the Board of Directors (the "***Board***") and the senior executive officers of the Company from time to time, upon reasonable notice, for the rendering of advice and counsel, consistent with his knowledge and experience, on operational matters and such other matters as the Board or officers of the Company may reasonably request. Subject to reasonable business travel required in the performance of duties which are subject to reimbursement by the Company, it is agreed that Consultant's services shall generally be provided from his home. The Company agrees that it will (i) provide the Consultant with or, at its discretion reimburse the Consultant for the use of, a computer and fax machine and (ii) reimburse Consultant for the other reasonable costs of his use of a home-based office. The general scope of Consultant's services shall include, but not be limited to, the following:

(a) Initial Transition Period. During the initial period of transition, which is contemplated to take up to approximately six (6) months (but may in fact require a shorter or longer period), Consultant shall assist with and/or perform the following duties:

- Work to transition his responsibilities to one or more executives designed by the Company.
- Be available for consultation regarding manufacturing, procurement, quality and other operational matters.

Consultant acknowledges that the consulting services hereunder will be most active during the initial transition period and may require a higher level of travel than that required after such period.

(b) On-going. Following the initial period during the Consulting Period, Consultant shall assist with and/or perform duties with respect to manufacturing, procurement, quality and other operational matters.

The Company agrees that, unless otherwise agreed by Consultant, all services to be requested of the Consultant hereunder by the Board, both during the initial period and thereafter, shall be consistent with services routinely performed by senior executives of the Company.

3. Compensation.

(a) Payment for Consulting Services. During the Consulting Period, the Consultant will be paid compensation for the performance of the covenants under this Agreement at an annual rate equal to the salary (as defined in Section 3.1 of the Employment Agreement) paid to Executive immediately prior to his termination of employment with the Company (the ***"Consulting Payment"***), which shall be paid in equal monthly installments within ten (10) days of the end of each month of the Consulting Period or such earlier time(s) as the Company deems appropriate.

(b) No Right to Employee Benefits. Consultant hereby acknowledges and agrees that he is providing services as an independent contractor to the Company and is not and will not claim to be an employee of the Company in the performance of such services; thus, Consultant hereby waives any claim or argument that he is or may be entitled to or covered by any benefit plan or program provided by the Company to its employees. Notwithstanding the foregoing, nothing herein shall affect Consultant's entitlement to any benefit or other compensation provided for in the Employment Agreement.

4. Business Expenses. During the Consulting Period, the Company will pay for and Consultant will be entitled to receive reimbursement for all reasonable expenses incurred by him in performing services hereunder, including all expenses of travel and living expenses while away from home on business or at the request of and in service of the Company, upon submission by him of vouchers therefor or itemized lists thereof prepared in compliance with such rules and policies relating thereto as the Company may from time to time adopt for application to senior executives of the Company and as may be required in order to permit such payments as proper deductions to the Company under the Internal Revenue Code and the rules and regulations adopted pursuant thereto now or hereafter in effect.

5. Consulting Period.

(a) The period during which the Consultant shall serve as a consultant to the Company under this Agreement shall commence as of the date hereof and shall, unless sooner terminated pursuant to Section 5(b), continue for a period of six (6) months thereafter (the "***Consulting Period***"). The last date of the Consulting Period is hereinafter referred to as the "***Expiration Date***".

(b) The Consulting Period may be terminated at the option of and by written notice from the Company if the Board of Directors of the Company shall find "good cause" for termination (as defined below). The Consulting Period shall also terminate as of the date on which the Consultant dies or thirty (30) days after Consultant gives written notice of termination to the Company; provided, however that Consultant shall not give such 30-day notice during the first 60 days of the Consulting Period. For purposes of this Agreement, "***good cause***" shall mean (i) the conviction of a felony, (ii) failure to perform duties as directed by the Board consistent with those indicated hereunder or agreed to be performed by the Consultant, in each case which are able to be performed by Consultant on the part-time basis on which he is engaged (which failure is not cured within thirty (30) days following written notice from the Board), or (iii) any material breach by Consultant (which failure is not cured within thirty (30) days following written notice from the Board) of this Agreement. In the event that (a) the Company terminates this Agreement for any reason other than for "good cause" or (b) the Consultant terminates this Agreement because of breach of this Agreement by the Company (which breach is not cured within thirty (30) days following written notice to the Board), the Consulting Payment shall be payable by the Company to the Consultant for the remainder of the Consulting Period.

6. Confidential Information. The Consultant acknowledges that the information, observations and data obtained by him while performing services hereunder for the Company and its subsidiaries concerning the business or affairs of the Company or any subsidiary ("***Confidential Information***") are the property of the Company or such subsidiary. Therefore, the Consultant agrees that he shall not disclose to any unauthorized person or use for his own purposes any Confidential Information without the prior written consent of the Board, unless and to the extent that the aforementioned matters (a) become generally known to and available for use by the public other than as a result of the Consultant's acts or omissions; (b) were lawfully in the possession of or demonstrably known by the Consultant prior to its receipt from the Company; (c) are independently developed by the Consultant without use of or reference to the Confidential Information; (d) become known by the Consultant from a third party that, to the Consultant's knowledge, is not subject to an obligation of confidentiality to the Company or (e) are required to be disclosed by law, in which case the Consultant shall promptly notify the Company of such disclosure obligation and shall cooperate with the Company in seeking a protective order or other confidential treatment of such matters. The Consultant shall deliver to the Company at the termination of this Agreement, or at any other time the Company may request, all memoranda, notes, plans, records, reports, computer tapes, printouts and software and other documents and data (and copies thereof) relating to the Confidential Information, Work Product (as defined below) or the business of the Company or any Subsidiary which he may then possess or have under his control.

7. Inventions and Patents. The Consultant acknowledges that all inventions, innovations, improvements, developments, methods, designs, analyses, drawings, reports and all similar or related information (whether or not patentable) which relate to the Company's or any of its subsidiaries' actual or anticipated business, research and development or existing or future products or services and which are conceived, developed or made by the Consultant incident to the performance of his services hereunder ("***Work Product***") belong to the Company or such subsidiary. The Consultant shall promptly disclose such Work Product to the Board and perform all actions reasonably requested by the Board (whether during or after the Expiration Date) to establish and confirm such ownership (including, without limitation, assignments, consents, powers of attorney and other instruments).

8. Representations. The Consultant hereby represents and warrants to the Company that (i) the execution, delivery and performance of this Agreement by him does not and shall not conflict with, breach, violate or cause a default under any contract, agreement, instrument, order, judgment or decree to which the Consultant is a party or by which he is bound, (ii) as of the date of this Agreement, he is not a party to or bound by any employment agreement, non-compete agreement or confidentiality agreement with any other person or entity except as disclosed to the Company by him in writing (including a copy of such agreement), and (iii) upon the execution and delivery of this Agreement by the Company, this Agreement shall be the valid and binding obligation of the Consultant, enforceable in accordance with its terms. The Company hereby represents and warrants to the Consultant that (x) the execution, delivery and performance of this Agreement by him does not and shall not conflict with, breach, violate or cause a default under any contract, agreement, instrument, order, judgment or decree to which the Company or any of its subsidiaries is a party or by which he is bound and (y) upon the execution and delivery of this Agreement by the Consultant, this Agreement shall be the valid and binding obligation of the Company, enforceable in accordance with its terms.

9. Relationship of the Parties.

(a) Independent Contractors. Company and Consultant are independent contractors as to one another. Nothing in this Agreement shall be deemed to create a partnership or a joint venture between the Company and the Consultant, or to cause Company to be liable for any of debts or obligations of Consultant. Consultant hereby acknowledges and agrees that he will not claim to be or in any way hold himself out as an officer, director or employee of the Company at any time and shall not act for or incur any liability or obligation of any kind, express or implied, in the name of or on behalf of, the Company.

(b) Taxes. Consultant shall be solely responsible for the timely payment of all employment and income taxes for which he might be liable, and Company will not deduct or withhold taxes from any monies payable to Consultant.

10. Survival. Sections 6 through 18 shall survive and continue in full force and effect in accordance with their terms notwithstanding any termination of the Consultant's engagement by the Company.

11. Notices. Any notice provided for in this Agreement shall be in writing and shall be either personally delivered, or mailed by overnight courier (by a nationally recognized courier service) or first class mail, return receipt requested, to the recipient at the address below indicated:

Notices to the Consultant:

Notices to the Company:

General Counsel
OraSure Technologies, Inc.
220 East First Street
Bethlehem, PA 18015

With a required copy to:

Pepper Hamilton LLP
400 Berwyn Park
899 Cassatt Road
Berwyn, PA 19312
Attn: Jeffrey P. Libson, Esq.

or such other address or to the attention of such other person as the recipient party shall have specified by prior written notice to the sending party. Any notice under this Agreement shall be deemed to have been given when so delivered or mailed.

12. Severability. The provisions of this Agreement are severable, and if any provision hereof is held invalid or unenforceable, it shall be enforced to the maximum extent permissible, and the remaining provisions of the Agreement shall continue in full force and effect.

13. Complete Agreement. This Agreement and the Employment Agreement embody the complete agreement and understanding among the parties and supersede and preempt any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

14. No Strict Construction. The language used in this Agreement shall be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction shall be applied against any party.

15. Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the Company and Employee and their respective successors, executors, administrators, heirs and/or permitted assigns; *provided*, *however*, that neither Employee nor the Company may make any assignments of this Agreement or any interest herein, by operation of law or otherwise, without the prior written consent of the other party, except that, without such consent, the Company may assign this Agreement to any successor to all or substantially all the business or assets of the Company by means of liquidation, dissolution, merger, consolidation, transfer of assets, or otherwise and Employee may transfer this Agreement by will or the laws of descent and distribution. The Company will require any successor (whether direct or indirect, by merger, consolidation, transfer of assets, or otherwise) acquiring all or substantially all of the business and/or assets of the Company (whether such assets are held directly or indirectly) to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

16. Consent to Suit. Any legal proceeding arising out of or relating to this Agreement shall be instituted in the United States District Court for the Eastern District of Pennsylvania, or if such court does not have jurisdiction or will not accept jurisdiction, in any court of general jurisdiction in the county in Pennsylvania in which the Company maintains its principal place of business, and Employee and the Company hereby consent to the personal and exclusive jurisdiction of such court and hereby waive any objection that Employee or the Company may have to personal jurisdiction, venue, and any claim or defense of inconvenient forum.

17. Counterparts and Facsimiles. This Agreement may be executed, including execution by facsimile signature, in one or more counterparts, each of which shall be deemed an original, and all of which together shall be deemed to be one and the same instrument.

18. Governing Law. This Agreement shall be governed by, and enforced in accordance with, the laws of the Commonwealth of Pennsylvania without regard to the application of the principles of conflicts of laws.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Transition Services Agreement as of the date first written above.

ORASURE TECHNOLOGIES, INC.

By:
Title:

CONSULTANT

P. MICHAEL FORMICA

EXHIBIT C

RELEASE AGREEMENT

THIS RELEASE AGREEMENT (the "Agreement") is entered into on this __ day of _____, _____, by and between P. Michael Formica ("Executive") and OraSure Technologies, Inc., a Delaware corporation, together with each and every of its predecessors, successors (by merger or otherwise), parents, subsidiaries, affiliates, divisions and related entities directors, officers, Executives, attorneys and agents, whether present or former (collectively the "Company");

WHEREAS, Executive is entitled to receive severance under an Employment Agreement ("Employment Agreement"), dated July __, 2004, between Employee and the Company;

WHEREAS, Executive agrees to execute this Separation Agreement and Release as additional consideration for such severance; and

WHEREAS, capitalized terms not otherwise defined in this Agreement shall have the meanings set forth in the Employment Agreement.

NOW, THEREFORE, the parties agree as follows, in consideration of the mutual covenants and obligations contained herein, and intending to be legally held bound:

1. Consideration. In consideration for Executive's receipt of severance as provided in the foregoing Employment Agreement, Executive is willing to enter into this Agreement and provide the release set forth herein.

2. Executive's Release. Executive hereby generally releases and discharges the Company, together with each and every of its predecessors, successors (by merger or otherwise), parents, subsidiaries, affiliates, divisions and related entities, directors, officers, executives, attorneys and agents, whether present or former (collectively the "Releasees"), from any and all suits, causes of action, complaints, obligations, demands, or claims of any kind, whether in law or in equity, direct or indirect, known or unknown, suspected or unsuspected (hereinafter "claims"), which the Executive ever had or now has arising out of or relating to any matter, thing or event occurring up to and including the date of this Agreement. Except as otherwise expressly provided in this Agreement, Executive's release specifically includes, but is not limited to:

a. any and all claims for wages and benefits including, without limitation, salary, stock, options, commissions, royalties, license fees, health and welfare benefits, separation pay, vacation pay, incentives, and bonuses;

b. any and all claims for wrongful discharge, breach of contract (whether express or implied), or for breach of the implied covenant of good faith and fair dealing;

c. any and all claims for alleged employment discrimination on the basis of age, race, color, religion, sex, national origin, veteran status, disability and/or handicap and any and all other claims in violation of any federal, state or local statute, ordinance, judicial precedent or executive order, including but not limited to claims under the following statutes: Title VII of the Civil Rights Act of 1964, as amended, 42 U.S.C. §2000e et seq., the Civil Rights Act of 1866, 42 U.S.C. §1981, the Age Discrimination in Employment Act, 29 U.S.C. §621 et seq., the Older Workers Benefit Protection Act, 29 U.S.C. §626(f), the Americans with Disabilities Act, 42 U.S.C. §12101 et seq., the Family and Medical Leave Act of 1993, the Fair Labor Standards Act, the Employee Retirement Income Security Act of 1974, or any comparable statute of any other state, country, or locality except as required by law, but excluding claims for vested benefits under the Company's pension plans;

d. any and all claims under any federal, state or local statute or law;

e. any and all claims in tort (including but not limited to any claims for misrepresentation, defamation, interference with contract or prospective economic advantage, intentional or negligent infliction of emotional distress, duress, loss of consortium, invasion of privacy and negligence);

f. any and all claims for attorneys' fees and costs; and

g. any and all other claims for damages of any kind.

Notwithstanding the foregoing, nothing contained in this paragraph shall apply to, or shall release the Company from, (i) any obligation of the Company under this Agreement, the Transition Services Agreement (if any) or the Employment Agreement; (ii) any accrued or vested benefit of Executive pursuant to any employee benefit plan of the Company, including any benefit not yet due and payable; (iii) any obligation of the Company under existing stock options, restricted stock or other stock awards; or (iv) any right to indemnification under the Agreement, the By-Laws or Certificate of Incorporation of the Company or any subsidiary or any insurance policy maintained by the Company or any subsidiary or other entity.

3. Acknowledgment. Executive understands that his release extends to all of the aforementioned claims and potential claims which arose on or before the date of this Agreement, whether now known or unknown, suspected or unsuspected, and that this constitutes an essential term of this Agreement. Executive further understands and acknowledges the significance and consequence of this Agreement and of each specific release and waiver, and expressly consents that this Agreement shall be given full force and effect according to each and all of its express terms and provisions, including those relating to unknown and unsuspected claims, demands, obligations, and causes of action, if any, as well as those relating to any other claims, demands, obligations or causes of action herein above-specified.

4. Remedies. All remedies at law or in equity shall be available to the Company for the enforcement of this Agreement . This Agreement may be pleaded as a full bar to the enforcement of any claim that Executive may assert against the Company in violation of this Agreement .

5. No Admissions. Neither the execution of this Agreement by the Company, nor the terms hereof, constitute an admission by the Company of liability to Executive.

6. Confidentiality. To the extent not otherwise made public by the Company, Executive shall not disclose or publicize the terms or fact of this Agreement , directly or indirectly, to any person or entity, except to Executive's attorney, spouse, and to others as required by law. Executive is specifically prohibited from disclosing the facts or terms of this Agreement to any former or present executive of the Company except as required by law.

7. Entire Agreement. This Agreement , together with the terms of the Employment Agreement, contain the entire agreement of the parties with respect to the subject matter hereof, supersede any prior agreements or understandings with respect to the subject matter hereof, and shall be binding upon their respective heirs, executors, administrators, successors and assigns.

8. Severability. If any term or provision of this Agreement shall be held to be invalid or unenforceable for any reason, the validity or enforceability of the remaining terms or provisions shall not be affected, and such term or provision shall be deemed modified to the extent necessary to make it enforceable. 9. Advice of Counsel; Revocation Period. Executive is hereby advised to seek the advice of counsel. Executive acknowledges that he is acting of his own free will, that he has been afforded a reasonable time to read and review the terms of this Agreement, and that Executive is voluntarily entering into this Agreement with full knowledge of its provisions and effects. Executive intends that this Agreement shall not be subject to any claim for duress. Executive further acknowledges that he has been given at least twenty-one (21) days within which to consider this Agreement and that if Executive decides to execute this Agreement before the twenty-one day period has expired, Executive does so voluntarily and waives the opportunity to use the full review period. Executive also acknowledges that he has seven (7) days following his execution of this Agreement to revoke acceptance of this Agreement , with the Agreement not becoming effective until the revocation period has expired. If Executive chooses to revoke his acceptance of this Agreement , he should provide written notice to:

General Counsel
OraSure Technologies, Inc.
220 East First Street
Bethlehem, Pennsylvania 18015

10. Amendments. Neither this Agreement nor any term hereof may be orally changed, waived, discharged, or terminated, and may be amended only by a written agreement between the parties hereto.

11. Governing Law. This Agreement shall be governed by the laws of the Commonwealth of Pennsylvania, without regard to the conflict of law principles of any jurisdiction.

12. Legally Binding. The terms of this Agreement contained herein are contractual, and not a mere recital.

IN WITNESS WHEREOF, the parties, acknowledging that they are acting of their own free will, have caused the execution of this Agreement as of this day and year written below.

OraSure Technologies, Inc.

By: _____

Name: _____

Title: _____

_____

P. Michael Formica

Exhibit 10.6

Execution Copy

EMPLOYMENT AGREEMENT

This Employment Agreement is entered into as of July 1, 2004 (this "Agreement"), between Joseph E. Zack ("Employee") and OraSure Technologies, Inc., a Delaware corporation (the "Company").

WHEREAS, the parties entered into a Confidentiality Agreement, dated September 9, 2002 (the "Confidentiality Agreement"); and

WHEREAS, the parties wish to set forth the terms of their relationship and to enter into this Employment Agreement.

NOW, THEREFORE, intending to be legally bound, the parties set forth below the terms and conditions of Employee's relationship with the Company.

1. **Services.**

1.1 **Employment.** The Company agrees to continue to employ Employee as Executive Vice President, Marketing and Sales of the Company, and Employee hereby accepts such employment in accordance with the terms and conditions of this Agreement.

1.2 **Duties.** Employee shall have the position named in Section 1.1 with such powers and duties appropriate to that office (a) as may be provided by the bylaws of the Company, (b) as otherwise set forth in Exhibit A attached to this Agreement, and (c) as determined by the Company's board of directors (the "Board of Directors") from time to time. Employee's primary place of work shall be the Company's headquarters, at its present location in Bethlehem, Pennsylvania. Subject to the provisions of Section 6 hereof, Employee's position and duties may be changed and Employee's primary place of work may be relocated from time to time during the Term (as defined below) of this Agreement.

1.3 **Outside Activities.** Employee shall obtain the consent of the Chief Executive Officer of the Company before he engages, either directly or indirectly, in any other professional or business activities that may require an appreciable portion of Employee's time or effort to the detriment of the Company's business.

1.4 **Direction of Services.** Employee shall at all times report directly to, and discharge his duties in consultation with and under the supervision and direction of, the Chief Executive Officer of the Company.

2. **Term.** The initial term of this Agreement shall begin as of the date first written above and end on the second anniversary of that date, unless Employee's employment is sooner terminated in accordance with Section 6 below (the "Initial Term"). Thereafter, this Agreement shall automatically renew and Employee's employment shall continue for successive two-year terms (each, a "Renewal Term" and together with the Initial Term, the "Term") unless the Company gives Employee written notice of the Company's intent not to renew this Agreement at least 60 days before the expiration of the Initial Term or any Renewal Term, or (b) Employee's employment under this Agreement is terminated in accordance with Section 6 below.

3. **Compensation and Expenses.**

3.1 **Salary.** As compensation for services under this Agreement, the Company shall pay to Employee a regular salary of $222,111 per annum. Subject to the provisions of Section 6 hereof, such salary may be adjusted from time to time in the discretion of the Board of Directors. Payment shall be made on a bi-weekly basis, less all amounts required by law or authorized by Employee to be withheld or deducted. For all purposes under this Agreement, the term "salary" shall mean the regular annual compensation of Employee payable under this Section 3.1, as increased but not decreased.

3.2 **Bonus.** The Company shall establish an incentive plan each year for the payment of cash bonuses to senior executive officers (each, a "Bonus Plan"), on such terms as may be approved by the Board of Directors or its compensation committee (the "Compensation Committee"). In addition to the salary described in Section 3.1 above, Employee shall be entitled to participate in each Bonus Plan, subject to its terms; provided that (a) Employee shall have a target bonus amount as determined by the Compensation Committee under each Bonus Plan which is at least equal to Employee's target as of the date of this Agreement and (b) cash bonuses payable to Employee under each Bonus Plan shall be determined in the same manner as the cash bonuses paid to other senior executive officers of the Company under the applicable Bonus Plan with respect to the same time period.

3.3 **Long-Term Incentive.** Employee shall be entitled to participate in accordance with the terms of the plan in any long-term incentive plan that may from time to time be adopted by the Board of Directors or the Compensation Committee, in its sole discretion; provided that compensation or other benefits provided to Employee under each such long-term incentive plan shall be determined in the same manner as the compensation or other benefits provided under such plans to other senior executive officers of the Company with respect to the same time period.

3.4 **Additional Employee Benefits.** Employee shall be entitled to receive or participate in any additional benefits, including without limitation medical and dental insurance programs, qualified and non-qualified profit sharing or pension plans, disability plans, medical reimbursement plans, and life insurance programs, which may from time to time be made available by the Company to corporate officers. The Company may change or discontinue such benefits at any time in its sole discretion; provided that additional benefits provided to Employee shall be determined in the same manner as the benefits provided to other senior executive officers of the Company under such plans with respect to the same time period.

3.5 **Expenses.** The Company shall reimburse Employee for all reasonable and necessary expenses incurred in carrying out his duties under this Agreement, subject to compliance with the Company's reasonable policies relating to expense reimbursement. Expenses subject to reimbursement under this Section 3.5 shall include, but not be limited to, the cost of business-related travel, lodging and meals and the fees and expenses incurred by Employee to maintain his membership in professional associations and obtain continuing professional education reasonably required in connection with Employee's performance of his duties under this Agreement.

3.6 **Fees.** All compensation earned by Employee, other than pursuant to this Agreement, as a result of services performed on behalf of the Company or as a result of or arising out of any work done by Employee in any way related to the scientific or business activities of the Company shall belong to the Company. Employee shall pay or deliver such compensation to the Company promptly upon receipt. For the purposes of this provision, "compensation" shall include, but is not limited to, all professional and nonprofessional fees, lecture fees, expert testimony fees, publishing fees, royalties, and any related income, earnings, or other things of value; and "scientific or business activities of the Company" shall include, but not be limited to, any project or projects in which the Company is involved and any subject matter that is directly or indirectly researched, tested, developed, promoted, or marketed by the Company.

4. **Stock Awards.** Employee shall be entitled to participate in the Company stock award plan, as may be amended from time to time, and in any successor or replacement stock award or similar plan. The number of stock options or other stock awards that are granted to Employee under the plan from time to time shall be determined by the Board of Directors or the Compensation Committee; provided that (a) Employee shall have a target amount of stock options as determined by the Compensation Committee under the Company's stock award plan, which is at least equal to the target amount for Employee under the Company's stock option guidelines for senior managers as in effect on the date of this Agreement (such guidelines having been filed as Exhibit 10.15 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002), and (b) Employee shall be entitled to receive stock options and other stock awards which are determined in the same manner as the stock options and stock awards granted to other senior executive officers of the Company under the stock award plan with respect to the same time period. All stock options or other stock awards granted to Employee prior to or on or after the date of this Agreement shall, to the extent then unvested, immediately vest (i) in the event of a Change of Control (as defined herein) or (ii) in the event Employee's employment is terminated with Good Reason (as defined herein) pursuant to Section 6.4 or without Cause (as defined herein) pursuant to Section 6.5 during a Change of Control Period (as defined herein), and 50% of such stock options or other stock awards shall, to the extent then unvested, immediately vest in the event Employee's employment is terminated with Good Reason pursuant to Section 6.4 or without Cause pursuant to Section 6.5 during any period other than a Change of Control Period.

5. **Confidentiality Agreement.** Employee and the Company are parties to the Confidentiality Agreement. Employee's compliance with the terms of the Confidentiality Agreement is a material requirement of this Agreement and any breach of the Confidentiality Agreement that is materially detrimental to the company and that, if capable of being cured, is not cured within 30 days of written notice thereof from the Company to Employee, shall constitute a material breach of this Agreement.

6. **Termination.**

6.1 **Termination Upon Death or Disability.** This Agreement shall terminate immediately upon Employee's death or Disability. The term "Disability" means a mental or physical incapacity which renders Employee unable, with or without reasonable accommodation, to continue to perform the essential duties of his job and which, at least 180 days after its commencement, is determined to be total and permanent by a physician agreed to by the Company and Employee (such agreement not to be unreasonably withheld), or in the event of Employee's inability to designate a physician, Employee's legal representative.

6.2 **Termination by Employee.** Employee may terminate his employment under this Agreement by 60 days' written notice to the Company.

6.3 **Termination by the Company for Cause.** Employee's employment under this Agreement may be terminated by the Company at any time for Cause. Only the following actions, failures, or events by or affecting Employee shall constitute "Cause" for termination of Employee by the Company: (i) willful and continued failure by Employee to substantially perform his duties provided herein after a written demand for substantial performance is delivered to Employee by the Chief Executive Officer or Board of Directors of the Company, which demand identifies with reasonable specificity the manner in which Employee has not substantially performed his duties, and Employee's failure to comply with such demand within a reasonable time; (ii) the engaging by Employee in gross misconduct or gross negligence materially injurious to the Company; (iii) the commission of any act in direct competition with or materially detrimental to the best interests of the Company; or (iv) Employee's conviction of having committed a felony. Notwithstanding the foregoing, Employee shall not be deemed to have been terminated by the Company for Cause unless and until there shall have been delivered to him a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board of Directors of the Company finding that, in the good faith opinion of the Board of Directors, the Company has Cause for the termination of the employment of Employee as set forth in any of clauses (i) through (iv) above and specifying the particulars thereof in reasonable detail. The findings of the Board of Directors shall not be binding in connection with any litigation or dispute arising out of this Agreement.

6.4 **Termination by Employee With Good Reason**. Employee may terminate his employment under this Agreement for Good Reason; provided that Employee gives written notice to the Chief Executive Officer or the Board of Directors within 60 days of the event constituting Good Reason. The term "Good Reason" shall mean any of the following: (a) a material breach of this Agreement by the Company which is not cured within 30 days of written notice thereof by Employee; (b) any diminution in Employee's position, duties or responsibilities as provided in Section 1.2 of this Agreement or requirement that Employee report to any person other than the Chief Executive Officer; (c) any relocation of Employee's primary place of work to a location which is more than 25 miles from the Company's Bethlehem, Pennsylvania facilities; or (d) a reduction in Employee's salary (unless such reduction is a part of and in proportion to a reduction in all executive officers' salaries).

6.5 **Termination by the Company Without Cause.** The Company may terminate Employee's employment under this Agreement without Cause by 60 day's written notice to Employee. In the event the Company fails to renew this Agreement pursuant to Section 2, such failure shall be deemed to be a termination of Employee's employment by the Company without Cause.

6.6 **Termination by Employee After Change of Control**. Employee may terminate his employment under this Agreement at any time within 180 days following a Change of Control (as defined below).

6.7 **Definitions**. For purposes of this Agreement, the term "Change of Control Period" shall mean the period which begins 3 months prior to the occurrence of a Change of Control and ends 18 months after the occurrence of Change of Control. For purposes of this Agreement, the term "Change of Control" shall mean a change of control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A as in effect on the date hereof pursuant to the Securities Exchange Act of 1934 (the "Exchange Act"); provided that, without limitation, such a change of control shall be deemed to have occurred at such time as (i) any Acquiring Person hereafter becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of 30 percent or more of the combined voting power of Voting Securities; (ii) during any period of 12 consecutive calendar months, individuals who at the beginning of such period constitute the board of directors cease for any reason to constitute at least a majority thereof unless the election, or the nomination for election, by the Company's shareholders of each new director was approved by a vote of at least a majority of the directors then still in office who were directors at the beginning of the period; (iii) there shall be consummated (a) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which Voting Securities would be converted into cash, securities, or other property, other than a merger of the Company in which the holders of Voting Securities immediately prior to the merger have the same, or substantially the same, proportionate ownership of common stock of the surviving corporation immediately after the merger, or (b) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of the Company; or (iv) approval by the stockholders of the Company of any plan or proposal for the liquidation or dissolution of the Company. For purposes of this Agreement, "Acquiring Person" means any person or related persons which constitute a "group" for purposes of Section 13(d) and Rule 13d-5 under the Exchange Act, as such Section and Rule are in effect as of the date of this Agreement; provided, however, that the term Acquiring Person shall not include: (i) the Company or any of its subsidiaries; (ii) any employee benefit plan of the Company or any of its subsidiaries; (iii) any entity holding voting capital stock of the Company for or pursuant to the terms of any such employee benefit plan; or (iv) any person or group solely because such person or group has voting power with respect to capital stock of the Company arising from a revocable proxy or consent given in response to a public proxy or consent solicitation made pursuant to the Exchange Act. For purposes of this Agreement, "Voting Securities" means the Company's issued and outstanding securities ordinarily having the right to vote at elections for the Company's Board of Directors.

6.8 **Compensation Upon Termination.**

6.8.1 **Termination Upon Death or Disability, by Employee (Other Than for Good Reason) or for Cause**. In the event of a termination of Employee's employment under Sections 6.1, 6.2, or 6.3, Employee (i) shall be paid all salary pursuant to Section 3.1 through the date of termination and any bonus that has been approved by the Board of Directors or Compensation Committee prior to the date of termination but not yet paid and (ii) in the case of a termination under Section 6.1, shall receive a prorated portion of any cash bonus for the calendar year in which termination occurs (calculated based on the number of days in the calendar year that have passed prior to Employee's death or commencement of Employee's Disability, as the case may be), which would have been otherwise payable pursuant to Section 3.2 in the absence of the termination of Employee's employment, which bonus shall be payable to Employee or his estate at the time that cash bonuses are or would otherwise be payable to other officers of the Company in respect of such year. All salary and benefits shall cease on the date of termination under Sections 6.1, 6.2 or 6.3, subject to the terms of any benefit plans then in force and applicable to Employee, and the Company shall have no further liability or obligation hereunder by reason of such termination.

6.8.2 **Termination Without Cause, Upon Good Reason, or After a Change of Control**. In the event of a termination of Employee's employment by Employee with Good Reason as provided in Section 6.4, by the Company without Cause as provided in Section 6.5, or by Employee after a Change of Control as provided in Section 6.6, Employee (i) shall be paid all salary pursuant to Section 3.1 through the date of termination and any bonus that has been approved by the Board of Directors or Compensation Committee prior to the date of termination but not yet paid; (ii) shall (A) if such termination is for Good Reason pursuant to Section 6.4 or without Cause pursuant to Section 6.5 and does not occur during a Change of Control Period, continue to be paid the salary provided in Section 3.1 (with payments made on a monthly basis) either for the greater of 12 months from termination or the remainder of the Term if such termination occurs during the Initial Term or for 12 months from termination if such termination occurs after the Initial Term, or (B) if such termination is for Good Reason pursuant to Section 6.4 or without Cause pursuant to Section 6.5 and occurs during a Change of Control Period or such termination is by Employee after a Change of Control pursuant to Section 6.6, continue to be paid the salary provided in Section 3.1 (with payments made on a monthly basis) for 18 months, with such monthly payments of salary under this subclause (B) to begin immediately after the Consulting Period (as defined below); (iii) shall, if such termination is for Good Reason pursuant to Section 6.4 or without Cause pursuant to Section 6.5 and occurs during a Change of Control Period or such termination is by Employee after a Change of Control pursuant to Section 6.6, enter into a Transitional Services Agreement with the Company substantially in the form set forth in Exhibit B hereto and perform the transitional services for the consideration set forth therein for the 6 month period immediately following the date of termination (the "Consulting Period"); (iv) shall receive a prorated portion of any cash bonus for the calendar year in which termination occurs (calculated based on the number of days in the calendar year that have passed prior to Employee's termination date), which would have otherwise been payable pursuant to Section 3.2 in the absence of the termination of Employee's employment, which bonus shall be payable to Employee at the time that cash bonuses are payable to other officers of the Company in respect of such year; and (v) for a period of one year after the date of termination or such longer period as any Company plan, program, practice or

policy may provide, shall receive benefits for Employee and/or Employee's family at levels substantially equal to those which would have been provided to them in accordance with the plans described in Section 3.4 of this Agreement if Employee's employment had not been terminated, including health, disability and life insurance, in accordance with the most favorable plans of the Company in effect during the 90-day period immediately preceding the date of termination (amounts payable under clauses (ii), (iv) and (v) are collectively referred to as "severance"). As a condition to receipt of severance under this Section 6.8.2, Employee shall sign and deliver a release agreement, in form and substance substantially as set forth in Exhibit C hereto, releasing all claims related to Employee's employment. The severance shall be in lieu of and not in addition to any other severance arrangement maintained by the Company, and shall be offset by any monies Employee may owe to the Company. The Company's obligation to pay the amounts stated in clauses (ii), (iv) and (v) of this Section 6.8.2 shall terminate if Employee fails to comply with the Confidentiality Agreement during the period that severance is being paid by the Company and such failure would constitute a material breach of this Agreement under Section 5 hereof.

7. **Indemnification.** The Company agrees that if Employee is made a party (or is threatened to be made a party to) any action, suit, or proceeding, whether civil, criminal, administrative, or investigative (a "Proceeding"), by reason of his service (including past service) as an officer, director, employee, agent, or the like of the Company, or is or was serving at the request of the Company as an officer, director, employee, agent, or the like of another entity, including, without limitation, as a fiduciary of an employee benefit plan sponsored or established by the Company (any such service for a subsidiary, affiliate, joint venture or other entity in which the Company has an ownership or other financial interest, or as a fiduciary of any employee benefit plan sponsored by the Company or any such other entity, shall be presumed to be at the request of the Company), whether or not the basis of such Proceeding is an act or omission alleged to have occurred while Employee was acting in an official capacity as a director, officer, employee, agent, or the like, then Employee shall be indemnified and held harmless by the Company to the fullest extent authorized by applicable law (including for all reasonable attorneys' fees and costs incurred by Employee), and such indemnification shall continue even if Employee has ceased to be a director, officer, employee, agent, or the like of the Company for any reason.

8. **Insurance**. During the Term and for a period of six years thereafter (regardless of the reason for the termination of Employee's employment), the Company shall maintain suitable directors and officers insurance coverage for Employee in his respective roles and shall name Employee as an additional insured under such insurance policies, which policies shall be no less favorable to Employee than such insurance policies that cover the Company's directors during such time period.

9. **Non-Competition.** In consideration of the severance payable hereunder, during the Term and for a period of one (1) year thereafter, Executive agrees that, unless he obtains written agreement from the Company or the Board of Directors, he will not:

a. recruit, solicit, or hire any executive or employee of the Company;

b. induce or solicit any current or prospective customer, client, or supplier

of the Company to cease being a customer, client or supplier or divert Company business away from any customer, client, or supplier of the Company; or

c. own, manage, control, work for, or provide services to any entity which competes with the Company in the market for rapid point-of-care, oral fluid diagnostic testing in the United States (the "Protected Business");

provided, however, that this Section 9 (i) shall not prevent Employee from accepting a position with and working for any other entity which competes with the Company in the Protected Business, if such business is diversified, Employee is employed in a department, division or other unit of the business that is not engaged in the Protected Business and Employee does not, directly or indirectly, provide any assistance, services, advice, consultation or information with respect to rapid point-of-care oral fluid diagnostic testing to the department, division or unit of the business engaged in the Protected Business; and (ii) shall not prevent Employee from purchasing or owning less than five percent (5%) of the stock or other securities of any entity, provided that such stock or other securities are traded on any national or regional securities exchange or are actively traded in the over-the-counter market and registered under Section 12(g) of the Securities Exchange Act of 1934, as amended.

10. **Golden Parachute Excise Tax.**

a. **Initial Determinations by Accounting Firm.** In the event a change in "the ownership or effective control" of the Company or "the ownership of a substantial portion of the assets" of the Company occurs or is expected to occur (in either case within the meaning of Section 280G of the Internal Revenue Code, as amended (the "Code")) (a "Change in Ownership"), the Company shall retain a national accounting firm selected by the Company and reasonably acceptable to Employee (the "Accounting Firm") to perform the calculations necessary under this Section 10. The Accounting Firm shall have discretion to retain one or more independent appraisers with adequate expertise (collectively, the "Appraisers") to provide any valuations necessary for the Accounting Firm's calculations hereunder. The Company shall pay all the fees and costs associated with the work performed by the Accounting Firm and any Appraiser retained by the Accounting Firm. If the Accounting Firm has previously performed services for any person, entity or group in connection with the Change in Ownership, Employee may select an alternative national accounting firm to be the Accounting Firm. If any Appraiser otherwise performs work for any of the entities involved in the Change in Ownership or their affiliates (or has performed work for any such entity within the three years preceding the calculations hereunder), then Employee may select an alternative appraiser of national stature with adequate expertise to be an Appraiser. The Accounting Firm shall provide promptly to both the Company and Employee a written report setting forth the calculations required under this Section 10, together with a detailed report of all relevant supporting data, valuations and calculations. All determinations of the Accounting Firm and the Appraisers shall be binding on Employee and the Company. When making the calculations required hereunder, Employee shall be deemed to pay (i) Federal income taxes at the highest applicable marginal rate of Federal income taxation for the taxable year for which any such calculation is made, and (ii) any applicable state and local income taxes at the highest applicable marginal rate of taxation for the taxable year for which any such calculation is made, net of the maximum reduction in Federal

income taxes which could be obtained by Employee from deduction of such state and local taxes. The Accounting Firm shall determine (y) the aggregate amount of all payments, benefits and distributions provided by the Company to Employee or for his benefit, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or any other agreement, plan or arrangement of the Company or otherwise (other than any payment pursuant to this Section 10) which are in the nature of compensation and are contingent upon a Change in Ownership (valued pursuant to Section 280G of the Code) (collectively the "Payments"); and (z) the maximum amount of the Payments Employee would be entitled to receive without being subject to the excise tax imposed by Section 4999 of the Code (the "Threshold Amount") (such excise tax, together with any interest or penalties with respect to such excise tax, are hereinafter collectively referred to as the "Excise Tax").

b. **Gross-up Payment.** If the amount of the Payments exceeds the Threshold Amount by more than Fifty Thousand Dollars ($50,000), then the Company shall pay to Employee an additional payment (a "Gross-up Payment") in an amount of up to the first Five Hundred Thousand Dollars ($500,000) of Excise Tax imposed upon the Payments (inclusive of any Excise Tax, federal, state and local payroll (such as Social Security and Medicare taxes) and other taxes and income taxes imposed upon the Gross-up Payment). All determinations required to be made as to whether a Gross-up Payment is required and the amount of such Gross-up Payment shall be made by the Accounting Firm. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies as described below, and Employee is thereafter required to make a payment or an additional payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to Employee or for his benefit, subject to the aggregate dollar limitation set forth in the first sentence of this Section 10(b).

c. **Cut-Back.** Payments shall be made without regard to whether the deductibility of such Payments (or any other payments) would be limited or precluded by Section 280G of the Code and without regard to whether such payments would subject the Employee to Excise Tax; *provided, however*, that if the Total After-Tax Payments (as defined below) would be increased by the limitation or elimination of any portion of the Payments, then the Payments will be reduced to the extent necessary to maximize the Total After-Tax Payments. In the event of any underpayment or overpayment under this Section 10 (as determined after the application of this Section 10(c)), the amount of such underpayment or overpayment will be immediately paid by the Company to Employee or refunded by Employee to the Company. For purposes of this Agreement, "Total After-Tax Payments" means the difference between (A) the sum of (i) the total of all "parachute payments" (as that term is defined in Section 280G(b)(2) of the Code) made to or for the benefit of Employee and (ii) the amount of any Gross-up Payment (whether made hereunder or otherwise), less (b) all applicable federal, state, and local payroll and other taxes and income taxes (including, without limitation, the Excise Tax described in Section 4999 of the Code) imposed on the parachute payments and Gross-Up Payment.

d. **Procedures With Respect to IRS Claims.** Employee shall notify the Company in writing of any claim by the Internal Revenue Service relating to any unpaid excise tax applicable to the Payments. Such notification shall be given as soon as practicable but no later than 20 business days after the Employee knows of such claim. Employee shall not pay such claim without the Company's written consent prior to the expiration of the 30-day period following the date on which Employee gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies Employee in writing prior to the expiration of such period that it desires to contest such claim, Employee shall (i) give the Company any information reasonably requested by the Company relating to such claim; (ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company; (iii) cooperate with the Company in good faith in order effectively to contest such claim; and (iv) permit the Company to participate in any proceedings relating to such claim; provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold Employee harmless, on an after-tax basis, for any and all taxes, including any Excise Tax, and including interest and penalties with respect thereto, imposed as a result of such representation and payment of costs and expenses. Without limiting the generality of the foregoing, if the Company has notified Employee that it desires to contest such claim, the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct Employee to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-up Payment would be payable hereunder and Employee shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

11. **Remedies.** The respective rights and duties of the Company and Employee under this Agreement are in addition to, and not in lieu of, those rights and duties afforded to and imposed upon them by law or at equity.

12. **Severability of Provisions.** The provisions of this Agreement are severable, and if any provision hereof is held invalid or unenforceable, it shall be enforced to the maximum extent permissible, and the remaining provisions of the Agreement shall continue in full force and effect.

13. **Nonwaiver.** Failure by either party at any time to require performance of any provision of this Agreement shall not limit the right of the party failing to require performance to enforce the provision. No provision of this Agreement may be waived by either party except by a writing signed by that party. A waiver of any breach of a provision of this Agreement shall be construed narrowly and shall not be deemed to be a waiver of any succeeding breach of that provision or a waiver of that provision itself or of any other provision.

14. **Non-Disparagement.** Both during and after his employment, Employee agrees not to disparage the Company or any of its stockholders, directors, officers, or employees, and the Company agrees not to disparage, and to cause its directors, officers and employees not to disparage, Employee. Employee and the Company agree not to make any statement or engage in any conduct that might affect adversely the business or professional reputation of the other party or, in the case of the Company, any of its stockholders, directors, officers or employees and the Company. Any breach of this Section 14 by a director, officer or employee of the Company shall be deemed to be a breach by the Company.

15. **Other Agreements.** Employee represents, warrants and, where applicable, covenants to the Company that:

(a) There are no restrictions, agreements or understandings whatsoever to which Employee is a party which would prevent or make unlawful Employee's execution of this Agreement or Employee's employment hereunder, or which is or would be inconsistent or in conflict with this Agreement or Employee's employment hereunder, or would prevent, limit or impair in any way the performance by Employee of his obligations hereunder;

(b) Employee's execution of this Agreement and Employee's employment hereunder shall not constitute a breach of any contract, agreement or understanding, oral or written, to which Employee is a party or by which Employee is bound; and

(c) Employee is free to execute this Agreement and to be employed by the Company as an employee pursuant to the provisions set forth herein.

16. **Successors and Assigns**. This Agreement shall inure to the benefit of and be binding upon the Company and Employee and their respective successors, executors, administrators, heirs and/or permitted assigns; *provided, however*, that neither Employee nor the Company may make any assignments of this Agreement or any interest herein, by operation of law or otherwise, without the prior written consent of the other party, except that, without such consent, the Company may assign this Agreement to any successor to all or substantially all the business or assets of the Company by means of liquidation, dissolution, merger, consolidation, transfer of assets, or otherwise and Employee may transfer this Agreement by will or the laws of descent and distribution. The Company will require any successor (whether direct or indirect, by merger, consolidation, transfer of assets, or otherwise) acquiring all or substantially all of the business and/or assets of the Company (whether such assets are held directly or indirectly) to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

17. **Non-exclusivity of Rights; Effect of Agreement**. Nothing in this Agreement shall prevent or limit Employee's continuing or further participation in any benefit, bonus, incentive, stock-based or other plan or program provided by the Company and for which Employee may qualify. Except as otherwise provided herein, amounts and benefits which are vested benefits or which Employee is otherwise entitled to receive at or subsequent to the date of

termination shall be payable in accordance with such plan or program. In the event any term of this Agreement is more favorable to Employee than the corresponding terms of any Company plan in which Employee participates or of any agreement applicable to any stock option, restricted stock grant, stock-based or other award granted to Employee by the Company, then the terms of this Agreement shall govern and the benefit under each such Company plan and Employee's rights and benefits under each such award shall be determined in accordance with the terms of this Agreement. For the avoidance of any doubt, in the event of the termination of Employee's employment under circumstances described in Section 6.8.2, the provisions of Section 4 shall apply to each stock option, restricted stock grant and to each other stock-based award whenever granted to the Employee and any forfeiture or recapture provision in any stock option, restricted stock grant, or other stock-based or incentive award which arises upon engaging in competition with the Company shall apply only in the event of Employee's material breach of Section 9(c) of this Agreement.

18. **Entire Agreement; Amendments**. This Agreement and the Confidentiality Agreement contain the entire agreement and understanding of the parties hereto relating to the subject matter hereof and thereof, and supersede all prior and contemporaneous discussions, agreements and understandings of every nature relating to the employment of Employee by the Company. This Agreement may not be changed or modified, except by an agreement in writing signed by each of the parties hereto.

19. **Consent to Suit**. Any legal proceeding arising out of or relating to this Agreement shall be instituted in the United States District Court for the Eastern District of Pennsylvania, or if such court does not have jurisdiction or will not accept jurisdiction, in any court of general jurisdiction in the county in Pennsylvania in which the Company maintains its principal place of business, and Employee and the Company hereby consent to the personal and exclusive jurisdiction of such court and hereby waive any objection that Employee or the Company may have to personal jurisdiction, venue, and any claim or defense of inconvenient forum.

20. **Counterparts and Facsimiles**. This Agreement may be executed, including execution by facsimile signature, in one or more counterparts, each of which shall be deemed an original, and all of which together shall be deemed to be one and the same instrument.

21. **Governing Law**. This Agreement shall be governed by, and enforced in accordance with, the laws of the Commonwealth of Pennsylvania without regard to the application of the principles of conflicts of laws.

[signature page follows]

The parties have executed this Employment Agreement as of the date stated above.

ORASURE TECHNOLOGIES, INC.

/s/ Joseph E. Zack

Joseph E. Zack

By: */s/ Douglas Watson*

Title: Chairman of the Board

EXHIBIT A

Specific Duties of Employee as Executive Vice President, Marketing and Sales

Employee, as the Executive Vice President, Marketing and Sales of the Company or the surviving entity in the event of a Change of Control, shall have duties commonly performed by the officer in charge of marketing and sales of a company with capital stock that is publicly traded on a national stock exchange, including, without limitation, being the individual primarily responsible for (i) overseeing the product marketing and sales activities of the Company or such surviving entity; (ii) assisting in identifying and evaluating new products and technologies and product improvements and enhancements to be developed or acquired by the Company or such surviving entity; and (iii) assisting the Chief Executive Officer of the Company or such surviving entity in developing strategic business plans and in planning and evaluating mergers, acquisitions and other strategic matters.

EXHIBIT B

Transition Services Agreement

See Attached Document

TRANSITION SERVICES AGREEMENT

THIS TRANSITION SERVICES AGREEMENT (this "***Agreement***") is made as of _____, _____, by and between Orasure Technologies, Inc., a Delaware corporation (the "***Company***"), and Joseph E. Zack (the "***Consultant***").

BACKGROUND

The Consultant is the former Executive Vice President, Marketing and Sales of the Company, whose employment with the Company ceased in connection with a Change of Control (as defined in the Employment Agreement by and between the Consultant and the Company dated July __, 2004 (the "Employment Agreement")). The Company desires to secure the services of the Consultant while his responsibilities are being transitioned to a new executive of the Company. The Consultant is willing to provide his services to the Company in accordance with the terms of this Agreement. This is the "***Transition Services Agreement***" referenced in the Employment Agreement.

TERMS

NOW THEREFORE, in consideration of the premises and mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

1. Provision of Services. The Company hereby engages the Consultant for, and the Consultant hereby agrees to render, from time to time to the extent reasonably requested by the Company, at mutually determined times and places, consulting and such other services as provided herein during the Consulting Period (as defined in Section 5), all upon the terms and conditions herein provided. It is understood and agreed by the Company that, notwithstanding anything else to the contrary contained herein, the services to be provided hereunder are to be provided on a part-time basis and that Consultant shall be able to provide services to other persons or entities as long as such services are not in material conflict with Consultant's obligations under this Agreement including without limitation Section 8 hereof and shall be able to take up to three (3) continuous weeks of vacation (subdivided as the Consultant may determine) during the Consulting Period without being in breach of this Agreement.

2. Duties. The Consultant shall make himself available to the Board of Directors (the "***Board***") and the senior executive officers of the Company from time to time, upon reasonable notice, for the rendering of advice and counsel, consistent with his knowledge and experience, on marketing and sales matters and such other matters as the Board or officers of the Company may reasonably request. Subject to reasonable business travel required in the performance of duties which are subject to reimbursement by the Company, it is agreed that Consultant's services shall generally be provided from his home. The Company agrees that it will (i) provide the Consultant with or, at its discretion reimburse the Consultant for the use of, a computer and fax machine and (ii) reimburse Consultant for the other reasonable costs of his use of a home-based office. The general scope of Consultant's services shall include, but not be limited to, the following:

(a) Initial Transition Period. During the initial period of transition, which is contemplated to take up to approximately six (6) months (but may in fact require a shorter or longer period), Consultant shall assist with and/or perform the following duties:

- Work to transition his responsibilities to one or more executives designed by the Company.
- Be available for consultation regarding the Company's marketing and sales activities.
- Be available for consultation in strategic matters, such as potential new products and technologies and product enhancements and improvements.

Consultant acknowledges that the consulting services hereunder will be most active during the initial transition period and may require a higher level of travel than that required after such period.

(b) On-going. Following the initial period during the Consulting Period, Consultant shall assist with and/or perform duties with respect to marketing and sales matters.

The Company agrees that, unless otherwise agreed by Consultant, all services to be requested of the Consultant hereunder by the Board, both during the initial period and thereafter, shall be consistent with services routinely performed by senior executives of the Company.

3. Compensation.

(a) Payment for Consulting Services. During the Consulting Period, the Consultant will be paid compensation for the performance of the covenants under this Agreement at an annual rate equal to the salary (as defined in Section 3.1 of the Employment Agreement) paid to Executive immediately prior to his termination of employment with the Company (the ***"Consulting Payment"***), which shall be paid in equal monthly installments within ten (10) days of the end of each month of the Consulting Period or such earlier time(s) as the Company deems appropriate.

(b) No Right to Employee Benefits. Consultant hereby acknowledges and agrees that he is providing services as an independent contractor to the Company and is not and will not claim to be an employee of the Company in the performance of such services; thus, Consultant hereby waives any claim or argument that he is or may be entitled to or covered by any benefit plan or program provided by the Company to its employees. Notwithstanding the foregoing, nothing herein shall affect Consultant's entitlement to any benefit or other compensation provided for in the Employment Agreement.

4. Business Expenses. During the Consulting Period, the Company will pay for and Consultant will be entitled to receive reimbursement for all reasonable expenses incurred by him in performing services hereunder, including all expenses of travel and living expenses while away from home on business or at the request of and in service of the Company, upon

submission by him of vouchers therefor or itemized lists thereof prepared in compliance with such rules and policies relating thereto as the Company may from time to time adopt for application to senior executives of the Company and as may be required in order to permit such payments as proper deductions to the Company under the Internal Revenue Code and the rules and regulations adopted pursuant thereto now or hereafter in effect.

5. Consulting Period.

(a) The period during which the Consultant shall serve as a consultant to the Company under this Agreement shall commence as of the date hereof and shall, unless sooner terminated pursuant to Section 5(b), continue for a period of six (6) months thereafter (the "***Consulting Period***"). The last date of the Consulting Period is hereinafter referred to as the "***Expiration Date***".

(b) The Consulting Period may be terminated at the option of and by written notice from the Company if the Board of Directors of the Company shall find "good cause" for termination (as defined below). The Consulting Period shall also terminate as of the date on which the Consultant dies or thirty (30) days after Consultant gives written notice of termination to the Company; provided, however that Consultant shall not give such 30-day notice during the first 60 days of the Consulting Period. For purposes of this Agreement, "***good cause***" shall mean (i) the conviction of a felony, (ii) failure to perform duties as directed by the Board consistent with those indicated hereunder or agreed to be performed by the Consultant, in each case which are able to be performed by Consultant on the part-time basis on which he is engaged (which failure is not cured within thirty (30) days following written notice from the Board), or (iii) any material breach by Consultant (which failure is not cured within thirty (30) days following written notice from the Board) of this Agreement. In the event that (a) the Company terminates this Agreement for any reason other than for "good cause" or (b) the Consultant terminates this Agreement because of breach of this Agreement by the Company (which breach is not cured within thirty (30) days following written notice to the Board), the Consulting Payment shall be payable by the Company to the Consultant for the remainder of the Consulting Period.

6. Confidential Information. The Consultant acknowledges that the information, observations and data obtained by him while performing services hereunder for the Company and its subsidiaries concerning the business or affairs of the Company or any subsidiary ("***Confidential Information***") are the property of the Company or such subsidiary. Therefore, the Consultant agrees that he shall not disclose to any unauthorized person or use for his own purposes any Confidential Information without the prior written consent of the Board, unless and to the extent that the aforementioned matters (a) become generally known to and available for use by the public other than as a result of the Consultant's acts or omissions; (b) were lawfully in the possession of or demonstrably known by the Consultant prior to its receipt from the Company; (c) are independently developed by the Consultant without use of or reference to the Confidential Information; (d) become known by the Consultant from a third party that, to the Consultant's knowledge, is not subject to an obligation of confidentiality to the Company or (e) are required to be disclosed by law, in which case the Consultant shall promptly notify the Company of such disclosure obligation and shall cooperate with the Company in seeking a protective order or other confidential treatment of such matters. The Consultant shall

deliver to the Company at the termination of this Agreement, or at any other time the Company may request, all memoranda, notes, plans, records, reports, computer tapes, printouts and software and other documents and data (and copies thereof) relating to the Confidential Information, Work Product (as defined below) or the business of the Company or any Subsidiary which he may then possess or have under his control.

7. Inventions and Patents. The Consultant acknowledges that all inventions, innovations, improvements, developments, methods, designs, analyses, drawings, reports and all similar or related information (whether or not patentable) which relate to the Company's or any of its subsidiaries' actual or anticipated business, research and development or existing or future products or services and which are conceived, developed or made by the Consultant incident to the performance of his services hereunder ("***Work Product***") belong to the Company or such subsidiary. The Consultant shall promptly disclose such Work Product to the Board and perform all actions reasonably requested by the Board (whether during or after the Expiration Date) to establish and confirm such ownership (including, without limitation, assignments, consents, powers of attorney and other instruments).

8. Representations. The Consultant hereby represents and warrants to the Company that (i) the execution, delivery and performance of this Agreement by him does not and shall not conflict with, breach, violate or cause a default under any contract, agreement, instrument, order, judgment or decree to which the Consultant is a party or by which he is bound, (ii) as of the date of this Agreement, he is not a party to or bound by any employment agreement, non-compete agreement or confidentiality agreement with any other person or entity except as disclosed to the Company by him in writing (including a copy of such agreement), and (iii) upon the execution and delivery of this Agreement by the Company, this Agreement shall be the valid and binding obligation of the Consultant, enforceable in accordance with its terms. The Company hereby represents and warrants to the Consultant that (x) the execution, delivery and performance of this Agreement by him does not and shall not conflict with, breach, violate or cause a default under any contract, agreement, instrument, order, judgment or decree to which the Company or any of its subsidiaries is a party or by which he is bound and (y) upon the execution and delivery of this Agreement by the Consultant, this Agreement shall be the valid and binding obligation of the Company, enforceable in accordance with its terms.

9. Relationship of the Parties.

(a) Independent Contractors. Company and Consultant are independent contractors as to one another. Nothing in this Agreement shall be deemed to create a partnership or a joint venture between the Company and the Consultant, or to cause Company to be liable for any of debts or obligations of Consultant. Consultant hereby acknowledges and agrees that he will not claim to be or in any way hold himself out as an officer, director or employee of the Company at any time and shall not act for or incur any liability or obligation of any kind, express or implied, in the name of or on behalf of, the Company.

(b) Taxes. Consultant shall be solely responsible for the timely payment of all employment and income taxes for which he might be liable, and Company will not deduct or withhold taxes from any monies payable to Consultant.

10. Survival. Sections 6 through 18 shall survive and continue in full force and effect in accordance with their terms notwithstanding any termination of the Consultant's engagement by the Company.

11. Notices. Any notice provided for in this Agreement shall be in writing and shall be either personally delivered, or mailed by overnight courier (by a nationally recognized courier service) or first class mail, return receipt requested, to the recipient at the address below indicated:

Notices to the Consultant:

Notices to the Company:

General Counsel
OraSure Technologies, Inc.
220 East First Street
Bethlehem, PA 18015

With a required copy to:

Pepper Hamilton LLP
400 Berwyn Park
899 Cassatt Road
Berwyn, PA 19312
Attn: Jeffrey P. Libson, Esq.

or such other address or to the attention of such other person as the recipient party shall have specified by prior written notice to the sending party. Any notice under this Agreement shall be deemed to have been given when so delivered or mailed.

12. Severability. The provisions of this Agreement are severable, and if any provision hereof is held invalid or unenforceable, it shall be enforced to the maximum extent permissible, and the remaining provisions of the Agreement shall continue in full force and effect.

13. Complete Agreement. This Agreement and the Employment Agreement embody the complete agreement and understanding among the parties and supersede and preempt any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

14. No Strict Construction. The language used in this Agreement shall be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction shall be applied against any party.

15. Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the Company and Employee and their respective successors, executors, administrators, heirs and/or permitted assigns; *provided, however*, that neither Employee nor the Company may make any assignments of this Agreement or any interest herein, by operation of law or otherwise, without the prior written consent of the other party, except that, without such consent, the Company may assign this Agreement to any successor to all or substantially all the business or assets of the Company by means of liquidation, dissolution, merger, consolidation, transfer of assets, or otherwise and Employee may transfer this Agreement by will or the laws of descent and distribution. The Company will require any successor (whether direct or indirect, by merger, consolidation, transfer of assets, or otherwise) acquiring all or substantially all of the business and/or assets of the Company (whether such assets are held directly or indirectly) to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

16. Consent to Suit. Any legal proceeding arising out of or relating to this Agreement shall be instituted in the United States District Court for the Eastern District of Pennsylvania, or if such court does not have jurisdiction or will not accept jurisdiction, in any court of general jurisdiction in the county in Pennsylvania in which the Company maintains its principal place of business, and Employee and the Company hereby consent to the personal and exclusive jurisdiction of such court and hereby waive any objection that Employee or the Company may have to personal jurisdiction, venue, and any claim or defense of inconvenient forum.

17. Counterparts and Facsimiles. This Agreement may be executed, including execution by facsimile signature, in one or more counterparts, each of which shall be deemed an original, and all of which together shall be deemed to be one and the same instrument.

18. Governing Law. This Agreement shall be governed by, and enforced in accordance with, the laws of the Commonwealth of Pennsylvania without regard to the application of the principles of conflicts of laws.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Transition Services Agreement as of the date first written above.

ORASURE TECHNOLOGIES, INC.

By:
Title:

CONSULTANT

JOSEPH E. ZACK

EXHIBIT C

RELEASE AGREEMENT

THIS RELEASE AGREEMENT (the "Agreement") is entered into on this __ day of _____, _____, by and between Joseph E. Zack ("Executive") and OraSure Technologies, Inc., a Delaware corporation, together with each and every of its predecessors, successors (by merger or otherwise), parents, subsidiaries, affiliates, divisions and related entities directors, officers, Executives, attorneys and agents, whether present or former (collectively the "Company");

WHEREAS, Executive is entitled to receive severance under an Employment Agreement ("Employment Agreement"), dated July __, 2004, between Employee and the Company;

WHEREAS, Executive agrees to execute this Separation Agreement and Release as additional consideration for such severance; and

WHEREAS, capitalized terms not otherwise defined in this Agreement shall have the meanings set forth in the Employment Agreement.

NOW, THEREFORE, the parties agree as follows, in consideration of the mutual covenants and obligations contained herein, and intending to be legally held bound:

1. Consideration. In consideration for Executive's receipt of severance as provided in the foregoing Employment Agreement, Executive is willing to enter into this Agreement and provide the release set forth herein.

2. Executive's Release. Executive hereby generally releases and discharges the Company, together with each and every of its predecessors, successors (by merger or otherwise), parents, subsidiaries, affiliates, divisions and related entities, directors, officers, executives, attorneys and agents, whether present or former (collectively the "Releasees"), from any and all suits, causes of action, complaints, obligations, demands, or claims of any kind, whether in law or in equity, direct or indirect, known or unknown, suspected or unsuspected (hereinafter "claims"), which the Executive ever had or now has arising out of or relating to any matter, thing or event occurring up to and including the date of this Agreement. Except as otherwise expressly provided in this Agreement, Executive's release specifically includes, but is not limited to:

a. any and all claims for wages and benefits including, without limitation, salary, stock, options, commissions, royalties, license fees, health and welfare benefits, separation pay, vacation pay, incentives, and bonuses;

b. any and all claims for wrongful discharge, breach of contract (whether express or implied), or for breach of the implied covenant of good faith and fair dealing;

c. any and all claims for alleged employment discrimination on the basis of age, race, color, religion, sex, national origin, veteran status, disability and/or handicap and any and all other claims in violation of any federal, state or local statute, ordinance, judicial precedent or executive order, including but not limited to claims under the following statutes: Title VII of the Civil Rights Act of 1964, as amended, 42 U.S.C. §2000e et seq., the Civil Rights Act of 1866, 42 U.S.C. §1981, the Age Discrimination in Employment Act, 29 U.S.C. §621 et seq., the Older Workers Benefit Protection Act, 29 U.S.C. §626(f), the Americans with Disabilities Act, 42 U.S.C. §12101 et seq., the Family and Medical Leave Act of 1993, the Fair Labor Standards Act, the Employee Retirement Income Security Act of 1974, or any comparable statute of any other state, country, or locality except as required by law, but excluding claims for vested benefits under the Company's pension plans;

d. any and all claims under any federal, state or local statute or law;

e. any and all claims in tort (including but not limited to any claims for misrepresentation, defamation, interference with contract or prospective economic advantage, intentional or negligent infliction of emotional distress, duress, loss of consortium, invasion of privacy and negligence);

f. any and all claims for attorneys' fees and costs; and

g. any and all other claims for damages of any kind.

Notwithstanding the foregoing, nothing contained in this paragraph shall apply to, or shall release the Company from, (i) any obligation of the Company under this Agreement, the Transition Services Agreement (if any) or the Employment Agreement; (ii) any accrued or vested benefit of Executive pursuant to any employee benefit plan of the Company, including any benefit not yet due and payable; (iii) any obligation of the Company under existing stock options, restricted stock or other stock awards; or (iv) any right to indemnification under the Agreement, the By-Laws or Certificate of Incorporation of the Company or any subsidiary or any insurance policy maintained by the Company or any subsidiary or other entity.

3. Acknowledgment. Executive understands that his release extends to all of the aforementioned claims and potential claims which arose on or before the date of this Agreement, whether now known or unknown, suspected or unsuspected, and that this constitutes an essential term of this Agreement. Executive further understands and acknowledges the significance and consequence of this Agreement and of each specific release and waiver, and expressly consents that this Agreement shall be given full force and effect according to each and all of its express terms and provisions, including those relating to unknown and unsuspected claims, demands, obligations, and causes of action, if any, as well as those relating to any other claims, demands, obligations or causes of action herein above-specified.

4. Remedies. All remedies at law or in equity shall be available to the Company for the enforcement of this Agreement . This Agreement may be pleaded as a full bar to the enforcement of any claim that Executive may assert against the Company in violation of this Agreement .

5. No Admissions. Neither the execution of this Agreement by the Company, nor the terms hereof, constitute an admission by the Company of liability to Executive.

6. Confidentiality. To the extent not otherwise made public by the Company, Executive shall not disclose or publicize the terms or fact of this Agreement , directly or indirectly, to any person or entity, except to Executive's attorney, spouse, and to others as required by law. Executive is specifically prohibited from disclosing the facts or terms of this Agreement to any former or present executive of the Company except as required by law.

7. Entire Agreement. This Agreement , together with the terms of the Employment Agreement, contain the entire agreement of the parties with respect to the subject matter hereof, supersede any prior agreements or understandings with respect to the subject matter hereof, and shall be binding upon their respective heirs, executors, administrators, successors and assigns.

8. Severability. If any term or provision of this Agreement shall be held to be invalid or unenforceable for any reason, the validity or enforceability of the remaining terms or provisions shall not be affected, and such term or provision shall be deemed modified to the extent necessary to make it enforceable. 9. Advice of Counsel; Revocation Period. Executive is hereby advised to seek the advice of counsel. Executive acknowledges that he is acting of his own free will, that he has been afforded a reasonable time to read and review the terms of this Agreement, and that Executive is voluntarily entering into this Agreement with full knowledge of its provisions and effects. Executive intends that this Agreement shall not be subject to any claim for duress. Executive further acknowledges that he has been given at least twenty-one (21) days within which to consider this Agreement and that if Executive decides to execute this Agreement before the twenty-one day period has expired, Executive does so voluntarily and waives the opportunity to use the full review period. Executive also acknowledges that he has seven (7) days following his execution of this Agreement to revoke acceptance of this Agreement , with the Agreement not becoming effective until the revocation period has expired. If Executive chooses to revoke his acceptance of this Agreement , he should provide written notice to:

General Counsel
OraSure Technologies, Inc.
220 East First Street
Bethlehem, Pennsylvania 18015

10. Amendments. Neither this Agreement nor any term hereof may be orally changed, waived, discharged, or terminated, and may be amended only by a written agreement between the parties hereto.

11. Governing Law. This Agreement shall be governed by the laws of the Commonwealth of Pennsylvania, without regard to the conflict of law principles of any jurisdiction.

12. Legally Binding. The terms of this Agreement contained herein are contractual, and not a mere recital.

IN WITNESS WHEREOF, the parties, acknowledging that they are acting of their own free will, have caused the execution of this Agreement as of this day and year written below.

OraSure Technologies, Inc.

By: _____

Name: _____

Title: _____

_____

Joseph E. Zack

Exhibit 10.7

Execution Copy

EMPLOYMENT AGREEMENT

This Employment Agreement is entered into as of July 1, 2004 (this "Agreement"), between Jack E. Jerrett ("Employee") and OraSure Technologies, Inc., a Delaware corporation (the "Company").

WHEREAS, the parties entered into a Confidentiality Agreement, dated April 1, 2004 (the "Confidentiality Agreement"); and

WHEREAS, the parties wish to set forth the terms of their relationship and to enter into this Employment Agreement.

NOW, THEREFORE, intending to be legally bound, the parties set forth below the terms and conditions of Employee's relationship with the Company.

1. **Services.**

1.1 **Employment.** The Company agrees to continue to employ Employee as Senior Vice President, General Counsel and Secretary of the Company, and Employee hereby accepts such employment in accordance with the terms and conditions of this Agreement.

1.2 **Duties.** Employee shall have the positions named in Section 1.1 with such powers and duties appropriate to such offices (a) as may be provided by the bylaws of the Company, (b) as otherwise set forth in Exhibit A attached to this Agreement, and (c) as determined by the Company's board of directors (the "Board of Directors") from time to time. Employee's primary place of work shall be the Company's headquarters, at its present location in Bethlehem, Pennsylvania. Subject to the provisions of Section 6 hereof, Employee's position and duties may be changed and Employee's primary place of work may be relocated from time to time during the Term (as defined below) of this Agreement.

1.3 **Outside Activities.** Employee shall obtain the consent of the Chief Executive Officer of the Company before he engages, either directly or indirectly, in any other professional or business activities that may require an appreciable portion of Employee's time or effort to the detriment of the Company's business.

1.4 **Direction of Services.** Employee shall at all times report directly to, and discharge his duties in consultation with and under the supervision and direction of, the Chief Executive Officer of the Company.

2. **Term.** The initial term of this Agreement shall begin as of the date first written above and end on the second anniversary of that date, unless Employee's employment is sooner terminated in accordance with Section 6 below (the "Initial Term"). Thereafter, this Agreement shall automatically renew and Employee's employment shall continue for successive two-year terms (each, a "Renewal Term" and together with the Initial Term, the "Term") unless the Company gives Employee written notice of the Company's intent not to renew this Agreement at least 60 days before the expiration of the Initial Term or any Renewal Term, or (b) Employee's employment under this Agreement is terminated in accordance with Section 6 below.

3. **Compensation and Expenses.**

3.1 **Salary.** As compensation for services under this Agreement, the Company shall pay to Employee a regular salary of $192,825 per annum. Subject to the provisions of Section 6 hereof, such salary may be adjusted from time to time in the discretion of the Board of Directors. Payment shall be made on a bi-weekly basis, less all amounts required by law or authorized by Employee to be withheld or deducted. For all purposes under this Agreement, the term "salary" shall mean the regular annual compensation of Employee payable under this Section 3.1, as increased but not decreased.

3.2 **Bonus.** The Company shall establish an incentive plan each year for the payment of cash bonuses to senior executive officers (each, a "Bonus Plan"), on such terms as may be approved by the Board of Directors or its compensation committee (the "Compensation Committee"). In addition to the salary described in Section 3.1 above, Employee shall be entitled to participate in each Bonus Plan, subject to its terms; provided that (a) Employee shall have a target bonus amount as determined by the Compensation Committee under each Bonus Plan which is at least equal to Employee's target as of the date of this Agreement and (b) cash bonuses payable to Employee under each Bonus Plan shall be determined in the same manner as the cash bonuses paid to other senior executive officers of the Company under the applicable Bonus Plan with respect to the same time period.

3.3 **Long-Term Incentive.** Employee shall be entitled to participate in accordance with the terms of the plan in any long-term incentive plan that may from time to time be adopted by the Board of Directors or the Compensation Committee, in its sole discretion; provided that compensation or other benefits provided to Employee under each such long-term incentive plan shall be determined in the same manner as the compensation or other benefits provided under such plans to other senior executive officers of the Company with respect to the same time period.

3.4 **Additional Employee Benefits.** Employee shall be entitled to receive or participate in any additional benefits, including without limitation medical and dental insurance programs, qualified and non-qualified profit sharing or pension plans, disability plans, medical reimbursement plans, and life insurance programs, which may from time to time be made available by the Company to corporate officers. The Company may change or discontinue such benefits at any time in its sole discretion; provided that additional benefits provided to Employee shall be determined in the same manner as the benefits provided to other senior executive officers of the Company under such plans with respect to the same time period.

3.5 **Expenses.** The Company shall reimburse Employee for all reasonable and necessary expenses incurred in carrying out his duties under this Agreement, subject to compliance with the Company's reasonable policies relating to expense reimbursement. Expenses subject to reimbursement under this Section 3.5 shall include, but not be limited to, the cost of business-related travel, lodging and meals and the fees and expenses incurred by Employee to maintain his membership in professional associations and obtain continuing professional education reasonably required in connection with Employee's performance of his duties under this Agreement.

3.6 **Fees.** All compensation earned by Employee, other than pursuant to this Agreement, as a result of services performed on behalf of the Company or as a result of or arising out of any work done by Employee in any way related to the scientific or business activities of the Company shall belong to the Company. Employee shall pay or deliver such compensation to the Company promptly upon receipt. For the purposes of this provision, "compensation" shall include, but is not limited to, all professional and nonprofessional fees, lecture fees, expert testimony fees, publishing fees, royalties, and any related income, earnings, or other things of value; and "scientific or business activities of the Company" shall include, but not be limited to, any project or projects in which the Company is involved and any subject matter that is directly or indirectly researched, tested, developed, promoted, or marketed by the Company.

4. **Stock Awards.** Employee shall be entitled to participate in the Company stock award plan, as may be amended from time to time, and in any successor or replacement stock award or similar plan. The number of stock options or other stock awards that are granted to Employee under the plan from time to time shall be determined by the Board of Directors or the Compensation Committee; provided that (a) Employee shall have a target amount of stock options as determined by the Compensation Committee under the Company's stock award plan, which is at least equal to the target amount for Employee under the Company's stock option guidelines for senior managers as in effect on the date of this Agreement (such guidelines having been filed as Exhibit 10.15 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002), and (b) Employee shall be entitled to receive stock options and other stock awards which are determined in the same manner as the stock options and stock awards granted to other senior executive officers of the Company under the stock award plan with respect to the same time period. All stock options or other stock awards granted to Employee prior to or on or after the date of this Agreement shall, to the extent then unvested, immediately vest (i) in the event of a Change of Control (as defined herein) or (ii) in the event Employee's employment is terminated with Good Reason (as defined herein) pursuant to Section 6.4 or without Cause (as defined herein) pursuant to Section 6.5 during a Change of Control Period (as defined herein), and 50% of such stock options or other stock awards shall, to the extent then unvested, immediately vest in the event Employee's employment is terminated with Good Reason pursuant to Section 6.4 or without Cause pursuant to Section 6.5 during any period other than a Change of Control Period.

5. **Confidentiality Agreement.** Employee and the Company are parties to the Confidentiality Agreement. Employee's compliance with the terms of the Confidentiality Agreement is a material requirement of this Agreement and any breach of the Confidentiality Agreement that is materially detrimental to the Company and that, if capable of being cured, is not cured within 30 days of written notice thereof from the Company to Employee, shall constitute a material breach of this Agreement.

6. **Termination.**

6.1 **Termination Upon Death or Disability.** This Agreement shall terminate immediately upon Employee's death or Disability. The term "Disability" means a mental or physical incapacity which renders Employee unable, with or without reasonable accommodation, to continue to perform the essential duties of his job and which, at least 180 days after its commencement, is determined to be total and permanent by a physician agreed to by the Company and Employee (such agreement not to be unreasonably withheld), or in the event of Employee's inability to designate a physician, Employee's legal representative.

6.2 **Termination by Employee.** Employee may terminate his employment under this Agreement by 60 days' written notice to the Company.

6.3 **Termination by the Company for Cause.** Employee's employment under this Agreement may be terminated by the Company at any time for Cause. Only the following actions, failures, or events by or affecting Employee shall constitute "Cause" for termination of Employee by the Company: (i) willful and continued failure by Employee to substantially perform his duties provided herein after a written demand for substantial performance is delivered to Employee by the Chief Executive Officer or Board of Directors of the Company, which demand identifies with reasonable specificity the manner in which Employee has not substantially performed his duties, and Employee's failure to comply with such demand within a reasonable time; (ii) the engaging by Employee in gross misconduct or gross negligence materially injurious to the Company; (iii) the commission of any act in direct competition with or materially detrimental to the best interests of the Company; or (iv) Employee's conviction of having committed a felony. Notwithstanding the foregoing, Employee shall not be deemed to have been terminated by the Company for Cause unless and until there shall have been delivered to him a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board of Directors of the Company finding that, in the good faith opinion of the Board of Directors, the Company has Cause for the termination of the employment of Employee as set forth in any of clauses (i) through (iv) above and specifying the particulars thereof in reasonable detail. The findings of the Board of Directors shall not be binding in connection with any litigation or dispute arising out of this Agreement.

6.4 **Termination by Employee With Good Reason**. Employee may terminate his employment under this Agreement for Good Reason; provided that Employee gives written notice to the Chief Executive Officer or the Board of Directors within 60 days of the event constituting Good Reason. The term "Good Reason" shall mean any of the following: (a) a material breach of this Agreement by the Company which is not cured within 30 days of written notice thereof by Employee; (b) any diminution in Employee's position, duties or responsibilities as provided in Section 1.2 of this Agreement or requirement that Employee report to any person other than the Chief Executive Officer; (c) any relocation of Employee's primary place of work to a location which is more than 25 miles from the Company's Bethlehem, Pennsylvania facilities; or (d) a reduction in Employee's salary (unless such reduction is a part of and in proportion to a reduction in all executive officers' salaries).

6.5 **Termination by the Company Without Cause.** The Company may terminate Employee's employment under this Agreement without Cause by 60 day's written notice to Employee. In the event the Company fails to renew this Agreement pursuant to Section 2, such failure shall be deemed to be a termination of Employee's employment by the Company without Cause.

6.6 **Termination by Employee After Change of Control**. Employee may terminate his employment under this Agreement at any time within 180 days following a Change of Control (as defined below).

6.7 **Definitions**. For purposes of this Agreement, the term "Change of Control Period" shall mean the period which begins 3 months prior to the occurrence of a Change of Control and ends 18 months after the occurrence of Change of Control. For purposes of this Agreement, the term "Change of Control" shall mean a change of control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A as in effect on the date hereof pursuant to the Securities Exchange Act of 1934 (the "Exchange Act"); provided that, without limitation, such a change of control shall be deemed to have occurred at such time as (i) any Acquiring Person hereafter becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of 30 percent or more of the combined voting power of Voting Securities; (ii) during any period of 12 consecutive calendar months, individuals who at the beginning of such period constitute the board of directors cease for any reason to constitute at least a majority thereof unless the election, or the nomination for election, by the Company's shareholders of each new director was approved by a vote of at least a majority of the directors then still in office who were directors at the beginning of the period; (iii) there shall be consummated (a) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which Voting Securities would be converted into cash, securities, or other property, other than a merger of the Company in which the holders of Voting Securities immediately prior to the merger have the same, or substantially the same, proportionate ownership of common stock of the surviving corporation immediately after the merger, or (b) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of the Company; or (iv) approval by the stockholders of the Company of any plan or proposal for the liquidation or dissolution of the Company. For purposes of this Agreement, "Acquiring Person" means any person or related persons which constitute a "group" for purposes of Section 13(d) and Rule 13d-5 under the Exchange Act, as such Section and Rule are in effect as of the date of this Agreement; provided, however, that the term Acquiring Person shall not include: (i) the Company or any of its subsidiaries; (ii) any employee benefit plan of the Company or any of its subsidiaries; (iii) any entity holding voting capital stock of the Company for or pursuant to the terms of any such employee benefit plan; or (iv) any person or group solely because such person or group has voting power with respect to capital stock of the Company arising from a revocable proxy or consent given in response to a public proxy or consent solicitation made pursuant to the Exchange Act. For purposes of this Agreement, "Voting Securities" means the Company's issued and outstanding securities ordinarily having the right to vote at elections for the Company's Board of Directors.

6.8 **Compensation Upon Termination.**

6.8.1 **Termination Upon Death or Disability, by Employee (Other Than for Good Reason) or for Cause**. In the event of a termination of Employee's employment under Sections 6.1, 6.2, or 6.3, Employee (i) shall be paid all salary pursuant to Section 3.1 through the date of termination and any bonus that has been approved by the Board of Directors or Compensation Committee prior to the date of termination but not yet paid and (ii) in the case of a termination under Section 6.1, shall receive a prorated portion of any cash bonus for the calendar year in which termination occurs (calculated based on the number of days in the calendar year that have passed prior to Employee's death or commencement of Employee's Disability, as the case may be), which would have been otherwise payable pursuant to Section 3.2 in the absence of the termination of Employee's employment, which bonus shall be payable to Employee or his estate at the time that cash bonuses are or would otherwise be payable to other officers of the Company in respect of such year. All salary and benefits shall cease on the date of termination under Sections 6.1, 6.2 or 6.3, subject to the terms of any benefit plans then in force and applicable to Employee, and the Company shall have no further liability or obligation hereunder by reason of such termination.

6.8.2 **Termination Without Cause, Upon Good Reason, or After a Change of Control**. In the event of a termination of Employee's employment by Employee with Good Reason as provided in Section 6.4, by the Company without Cause as provided in Section 6.5, or by Employee after a Change of Control as provided in Section 6.6, Employee (i) shall be paid all salary pursuant to Section 3.1 through the date of termination and any bonus that has been approved by the Board of Directors or Compensation Committee prior to the date of termination but not yet paid; (ii) shall (A) if such termination is for Good Reason pursuant to Section 6.4 or without Cause pursuant to Section 6.5 and does not occur during a Change of Control Period, continue to be paid the salary provided in Section 3.1 (with payments made on a monthly basis) either for the greater of 12 months from termination or the remainder of the Term if such termination occurs during the Initial Term or for 12 months from termination if such termination occurs after the Initial Term, or (B) if such termination is for Good Reason pursuant to Section 6.4 or without Cause pursuant to Section 6.5 and occurs during a Change of Control Period or such termination is by Employee after a Change of Control pursuant to Section 6.6, continue to be paid the salary provided in Section 3.1 (with payments made on a monthly basis) for 18 months, with such monthly payments of salary under this subclause (B) to begin immediately after the Consulting Period (as defined below); (iii) shall, if such termination is for Good Reason pursuant to Section 6.4 or without Cause pursuant to Section 6.5 and occurs during a Change of Control Period or such termination is by Employee after a Change of Control pursuant to Section 6.6, enter into a Transitional Services Agreement with the Company substantially in the form set forth in Exhibit B hereto and perform the transitional services for the consideration set forth therein for the 6 month period immediately following the date of termination (the "Consulting Period"); (iv) shall receive a prorated portion of any cash bonus for the calendar year in which termination occurs (calculated based on the number of days in the calendar year that have passed prior to Employee's termination date), which would have otherwise been payable pursuant to Section 3.2 in the absence of the termination of Employee's employment, which bonus shall be payable to Employee at the time that cash bonuses are payable to other officers of the Company in respect of such year; and (v) for a period of one year after the date of termination or such longer period as any Company plan, program, practice or

policy may provide, shall receive benefits for Employee and/or Employee's family at levels substantially equal to those which would have been provided to them in accordance with the plans described in Section 3.4 of this Agreement if Employee's employment had not been terminated, including health, disability and life insurance, in accordance with the most favorable plans of the Company in effect during the 90-day period immediately preceding the date of termination (amounts payable under clauses (ii), (iv) and (v) are collectively referred to as "severance"). As a condition to receipt of severance under this Section 6.8.2, Employee shall sign and deliver a release agreement, in form and substance substantially as set forth in Exhibit C hereto, releasing all claims related to Employee's employment. The severance shall be in lieu of and not in addition to any other severance arrangement maintained by the Company, and shall be offset by any monies Employee may owe to the Company. The Company's obligation to pay the amounts stated in clauses (ii), (iv) and (v) of this Section 6.8.2 shall terminate if Employee fails to comply with the Confidentiality Agreement during the period that severance is being paid by the Company and such failure would constitute a material breach of this Agreement under Section 5 hereof.

7. **Indemnification.** The Company agrees that if Employee is made a party (or is threatened to be made a party to) any action, suit, or proceeding, whether civil, criminal, administrative, or investigative (a "Proceeding"), by reason of his service (including past service) as an officer, director, employee, agent, or the like of the Company, or is or was serving at the request of the Company as an officer, director, employee, agent, or the like of another entity, including, without limitation, as a fiduciary of an employee benefit plan sponsored or established by the Company (any such service for a subsidiary, affiliate, joint venture or other entity in which the Company has an ownership or other financial interest, or as a fiduciary of any employee benefit plan sponsored by the Company or any such other entity, shall be presumed to be at the request of the Company), whether or not the basis of such Proceeding is an act or omission alleged to have occurred while Employee was acting in an official capacity as a director, officer, employee, agent, or the like, then Employee shall be indemnified and held harmless by the Company to the fullest extent authorized by applicable law (including for all reasonable attorneys' fees and costs incurred by Employee), and such indemnification shall continue even if Employee has ceased to be a director, officer, employee, agent, or the like of the Company for any reason.

8. **Insurance**. During the Term and for a period of six years thereafter (regardless of the reason for the termination of Employee's employment), the Company shall maintain suitable directors and officers insurance coverage for Employee in his respective roles and shall name Employee as an additional insured under such insurance policies, which policies shall be no less favorable to Employee than such insurance policies that cover the Company's directors during such time period.

9. **Non-Competition.** In consideration of the severance payable hereunder, during the Term and for a period of one (1) year thereafter, Executive agrees that, unless he obtains written agreement from the Company or the Board of Directors, he will not:

a. recruit, solicit, or hire any executive or employee of the Company;

b. induce or solicit any current or prospective customer, client, or supplier

of the Company to cease being a customer, client or supplier or divert Company business away from any customer, client, or supplier of the Company; or

c. own, manage, control, work for, or provide services to any entity which competes with the Company in the market for rapid point-of-care, oral fluid diagnostic testing in the United States (the "Protected Business");

provided, however, that this Section 9 (i) shall not prevent Employee from accepting a position with and working for any other entity which competes with the Company in the Protected Business, if such business is diversified, Employee is employed in a department, division or other unit of the business that is not engaged in the Protected Business and Employee does not, directly or indirectly, provide any assistance, services, advice, consultation or information with respect to rapid point-of-care oral fluid diagnostic testing to the department, division or unit of the business engaged in the Protected Business; and (ii) shall not prevent Employee from purchasing or owning less than five percent (5%) of the stock or other securities of any entity, provided that such stock or other securities are traded on any national or regional securities exchange or are actively traded in the over-the-counter market and registered under Section 12(g) of the Securities Exchange Act of 1934, as amended.

10. **Golden Parachute Excise Tax.**

a. **Initial Determinations by Accounting Firm**. In the event a change in "the ownership or effective control" of the Company or "the ownership of a substantial portion of the assets" of the Company occurs or is expected to occur (in either case within the meaning of Section 280G of the Internal Revenue Code, as amended (the "Code")) (a "Change in Ownership"), the Company shall retain a national accounting firm selected by the Company and reasonably acceptable to Employee (the "Accounting Firm") to perform the calculations necessary under this Section 10. The Accounting Firm shall have discretion to retain one or more independent appraisers with adequate expertise (collectively, the "Appraisers") to provide any valuations necessary for the Accounting Firm's calculations hereunder. The Company shall pay all the fees and costs associated with the work performed by the Accounting Firm and any Appraiser retained by the Accounting Firm. If the Accounting Firm has previously performed services for any person, entity or group in connection with the Change in Ownership, Employee may select an alternative national accounting firm to be the Accounting Firm. If any Appraiser otherwise performs work for any of the entities involved in the Change in Ownership or their affiliates (or has performed work for any such entity within the three years preceding the calculations hereunder), then Employee may select an alternative appraiser of national stature with adequate expertise to be an Appraiser. The Accounting Firm shall provide promptly to both the Company and Employee a written report setting forth the calculations required under this Section 10, together with a detailed report of all relevant supporting data, valuations and calculations. All determinations of the Accounting Firm and the Appraisers shall be binding on Employee and the Company. When making the calculations required hereunder, Employee shall be deemed to pay (i) Federal income taxes at the highest applicable marginal rate of Federal income taxation for the taxable year for which any such calculation is made, and (ii) any applicable state and local income taxes at the highest applicable marginal rate of taxation for the taxable year for which any such calculation is made, net of the maximum reduction in Federal

income taxes which could be obtained by Employee from deduction of such state and local taxes. The Accounting Firm shall determine (y) the aggregate amount of all payments, benefits and distributions provided by the Company to Employee or for his benefit, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or any other agreement, plan or arrangement of the Company or otherwise (other than any payment pursuant to this Section 10) which are in the nature of compensation and are contingent upon a Change in Ownership (valued pursuant to Section 280G of the Code) (collectively the "Payments"); and (z) the maximum amount of the Payments Employee would be entitled to receive without being subject to the excise tax imposed by Section 4999 of the Code (the "Threshold Amount") (such excise tax, together with any interest or penalties with respect to such excise tax, are hereinafter collectively referred to as the "Excise Tax").

b. **Gross-up Payment**. If the amount of the Payments exceeds the Threshold Amount by more than Fifty Thousand Dollars ($50,000), then the Company shall pay to Employee an additional payment (a "Gross-up Payment") in an amount of up to the first Five Hundred Thousand Dollars ($500,000) of Excise Tax imposed upon the Payments (inclusive of any Excise Tax, federal, state and local payroll (such as Social Security and Medicare taxes) and other taxes and income taxes imposed upon the Gross-up Payment). All determinations required to be made as to whether a Gross-up Payment is required and the amount of such Gross-up Payment shall be made by the Accounting Firm. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies as described below, and Employee is thereafter required to make a payment or an additional payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to Employee or for his benefit, subject to the aggregate dollar limitation set forth in the first sentence of this Section 10(b).

c. **Cut-Back**. Payments shall be made without regard to whether the deductibility of such Payments (or any other payments) would be limited or precluded by Section 280G of the Code and without regard to whether such payments would subject the Employee to Excise Tax; *provided, however*, that if the Total After-Tax Payments (as defined below) would be increased by the limitation or elimination of any portion of the Payments, then the Payments will be reduced to the extent necessary to maximize the Total After-Tax Payments. In the event of any underpayment or overpayment under this Section 10 (as determined after the application of this Section 10(c)), the amount of such underpayment or overpayment will be immediately paid by the Company to Employee or refunded by Employee to the Company. For purposes of this Agreement, "Total After-Tax Payments" means the difference between (A) the sum of (i) the total of all "parachute payments" (as that term is defined in Section 280G(b)(2) of the Code) made to or for the benefit of Employee and (ii) the amount of any Gross-up Payment (whether made hereunder or otherwise), less (b) all applicable federal, state, and local payroll and other taxes and income taxes (including, without limitation, the Excise Tax described in Section 4999 of the Code) imposed on the parachute payments and Gross-Up Payment.

d. **Procedures With Respect to IRS Claims**. Employee shall notify the Company in writing of any claim by the Internal Revenue Service relating to any unpaid excise tax applicable to the Payments. Such notification shall be given as soon as practicable but no later than 20 business days after the Employee knows of such claim. Employee shall not pay such claim without the Company's written consent prior to the expiration of the 30-day period following the date on which Employee gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies Employee in writing prior to the expiration of such period that it desires to contest such claim, Employee shall (i) give the Company any information reasonably requested by the Company relating to such claim; (ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company; (iii) cooperate with the Company in good faith in order effectively to contest such claim; and (iv) permit the Company to participate in any proceedings relating to such claim; provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold Employee harmless, on an after-tax basis, for any and all taxes, including any Excise Tax, and including interest and penalties with respect thereto, imposed as a result of such representation and payment of costs and expenses. Without limiting the generality of the foregoing, if the Company has notified Employee that it desires to contest such claim, the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct Employee to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-up Payment would be payable hereunder and Employee shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

11. **Remedies**. The respective rights and duties of the Company and Employee under this Agreement are in addition to, and not in lieu of, those rights and duties afforded to and imposed upon them by law or at equity.

12. **Severability of Provisions**. The provisions of this Agreement are severable, and if any provision hereof is held invalid or unenforceable, it shall be enforced to the maximum extent permissible, and the remaining provisions of the Agreement shall continue in full force and effect.

13. **Nonwaiver**. Failure by either party at any time to require performance of any provision of this Agreement shall not limit the right of the party failing to require performance to enforce the provision. No provision of this Agreement may be waived by either party except by a writing signed by that party. A waiver of any breach of a provision of this Agreement shall be construed narrowly and shall not be deemed to be a waiver of any succeeding breach of that provision or a waiver of that provision itself or of any other provision.

14. **Non-Disparagement**. Both during and after his employment, Employee agrees not to disparage the Company or any of its stockholders, directors, officers, or employees, and the Company agrees not to disparage, and to cause its directors, officers and employees not to disparage, Employee. Employee and the Company agree not to make any statement or engage in any conduct that might affect adversely the business or professional reputation of the other party or, in the case of the Company, any of its stockholders, directors, officers or employees and the Company. Any breach of this Section 14 by a director, officer or employee of the Company shall be deemed to be a breach by the Company.

15. **Other Agreements**. Employee represents, warrants and, where applicable, covenants to the Company that:

(a) There are no restrictions, agreements or understandings whatsoever to which Employee is a party which would prevent or make unlawful Employee's execution of this Agreement or Employee's employment hereunder, or which is or would be inconsistent or in conflict with this Agreement or Employee's employment hereunder, or would prevent, limit or impair in any way the performance by Employee of his obligations hereunder;

(b) Employee's execution of this Agreement and Employee's employment hereunder shall not constitute a breach of any contract, agreement or understanding, oral or written, to which Employee is a party or by which Employee is bound; and

(c) Employee is free to execute this Agreement and to be employed by the Company as an employee pursuant to the provisions set forth herein.

16. **Successors and Assigns**. This Agreement shall inure to the benefit of and be binding upon the Company and Employee and their respective successors, executors, administrators, heirs and/or permitted assigns; *provided, however*, that neither Employee nor the Company may make any assignments of this Agreement or any interest herein, by operation of law or otherwise, without the prior written consent of the other party, except that, without such consent, the Company may assign this Agreement to any successor to all or substantially all the business or assets of the Company by means of liquidation, dissolution, merger, consolidation, transfer of assets, or otherwise and Employee may transfer this Agreement by will or the laws of descent and distribution. The Company will require any successor (whether direct or indirect, by merger, consolidation, transfer of assets, or otherwise) acquiring all or substantially all of the business and/or assets of the Company (whether such assets are held directly or indirectly) to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

17. **Non-exclusivity of Rights; Effect of Agreement**. Nothing in this Agreement shall prevent or limit Employee's continuing or further participation in any benefit, bonus, incentive, stock-based or other plan or program provided by the Company and for which Employee may qualify. Except as otherwise provided herein, amounts and benefits which are vested benefits or which Employee is otherwise entitled to receive at or subsequent to the date of

termination shall be payable in accordance with such plan or program. In the event any term of this Agreement is more favorable to Employee than the corresponding terms of any Company plan in which Employee participates or of any agreement applicable to any stock option, restricted stock grant, stock-based or other award granted to Employee by the Company, then the terms of this Agreement shall govern and the benefit under each such Company plan and Employee's rights and benefits under each such award shall be determined in accordance with the terms of this Agreement. For the avoidance of any doubt, in the event of the termination of Employee's employment under circumstances described in Section 6.8.2, the provisions of Section 4 shall apply to each stock option, restricted stock grant and to each other stock-based award whenever granted to the Employee and any forfeiture or recapture provision in any stock option, restricted stock grant, or other stock-based or incentive award which arises upon engaging in competition with the Company shall apply only in the event of Employee's material breach of Section 9(c) of this Agreement.

18. **Entire Agreement; Amendments**. This Agreement and the Confidentiality Agreement contain the entire agreement and understanding of the parties hereto relating to the subject matter hereof and thereof, and supersede all prior and contemporaneous discussions, agreements and understandings of every nature relating to the employment of Employee by the Company. This Agreement may not be changed or modified, except by an agreement in writing signed by each of the parties hereto.

19. **Consent to Suit**. Any legal proceeding arising out of or relating to this Agreement shall be instituted in the United States District Court for the Eastern District of Pennsylvania, or if such court does not have jurisdiction or will not accept jurisdiction, in any court of general jurisdiction in the county in Pennsylvania in which the Company maintains its principal place of business, and Employee and the Company hereby consent to the personal and exclusive jurisdiction of such court and hereby waive any objection that Employee or the Company may have to personal jurisdiction, venue, and any claim or defense of inconvenient forum.

20. **Counterparts and Facsimiles**. This Agreement may be executed, including execution by facsimile signature, in one or more counterparts, each of which shall be deemed an original, and all of which together shall be deemed to be one and the same instrument.

21. **Governing Law**. This Agreement shall be governed by, and enforced in accordance with, the laws of the Commonwealth of Pennsylvania without regard to the application of the principles of conflicts of laws.

The parties have executed this Employment Agreement as of the date stated above.

ORASURE TECHNOLOGIES, INC.

/s/ Jack E. Jerrett

Jack E. Jerrett

By: */s/ Douglas Watson*

Title: Chairman of the Board

EXHIBIT A

Specific Duties of Employee as Senior Vice President, General Counsel and Secretary

Employee, as the Senior Vice President, General Counsel and Secretary of the Company or the surviving entity in the event of a Change of Control, shall have duties commonly performed by the chief legal officer of a company with capital stock that is publicly traded on a national stock exchange, including, without limitation, being the individual primarily responsible for (i) overseeing all legal matters affecting the Company or such surviving entity; (ii) advising senior management and the Board of Directors of the Company or such surviving entity regarding commercial, corporate, securities, disclosure, governance and other legal matters; and (iii) attending meetings of and preparing minutes for the Board of Directors (and Committees of the Board) of the Company or such surviving entity.

EXHIBIT B

Transition Services Agreement

See Attached Document

TRANSITION SERVICES AGREEMENT

THIS TRANSITION SERVICES AGREEMENT (this "***Agreement***") is made as of _____, _____, by and between Orasure Technologies, Inc., a Delaware corporation (the "***Company***"), and Jack E. Jerrett (the "***Consultant***").

BACKGROUND

The Consultant is the former Senior Vice President, General Counsel and Secretary of the Company, whose employment with the Company ceased in connection with a Change of Control (as defined in the Employment Agreement by and between the Consultant and the Company dated July __, 2004 (the "Employment Agreement")). The Company desires to secure the services of the Consultant while his responsibilities are being transitioned to a new executive of the Company. The Consultant is willing to provide his services to the Company in accordance with the terms of this Agreement. This is the "***Transition Services Agreement***" referenced in the Employment Agreement.

TERMS

NOW THEREFORE, in consideration of the premises and mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

1. Provision of Services. The Company hereby engages the Consultant for, and the Consultant hereby agrees to render, from time to time to the extent reasonably requested by the Company, at mutually determined times and places, consulting and such other services as provided herein during the Consulting Period (as defined in Section 5), all upon the terms and conditions herein provided. It is understood and agreed by the Company that, notwithstanding anything else to the contrary contained herein, the services to be provided hereunder are to be provided on a part-time basis and that Consultant shall be able to provide services to other persons or entities as long as such services are not in material conflict with Consultant's obligations under this Agreement including without limitation Section 8 hereof and shall be able to take up to three (3) continuous weeks of vacation (subdivided as the Consultant may determine) during the Consulting Period without being in breach of this Agreement.

2. Duties. The Consultant shall make himself available to the Board of Directors (the "***Board***") and the senior executive officers of the Company from time to time, upon reasonable notice, for the rendering of advice and counsel, consistent with his knowledge and experience, on legal matters and such other matters as the Board or officers of the Company may reasonably request. Subject to reasonable business travel required in the performance of duties which are subject to reimbursement by the Company, it is agreed that Consultant's services shall generally be provided from his home. The Company agrees that it will (i) provide the Consultant with or, at its discretion reimburse the Consultant for the use of, a computer and fax machine and (ii) reimburse Consultant for the other reasonable costs of his use of a home-based office. The general scope of Consultant's services shall include, but not be limited to, the following:

(a) Initial Transition Period. During the initial period of transition, which is contemplated to take up to approximately six (6) months (but may in fact require a shorter or longer period), Consultant shall assist with and/or perform the following duties:

- Work to transition his responsibilities to one or more executives designed by the Company.
- Be available for consultation regarding the Company's legal matters, including commercial transactions, pending litigation, and SEC, disclosure and governance matters.

Consultant acknowledges that the consulting services hereunder will be most active during the initial transition period and may require a higher level of travel than that required after such period.

(b) On-going. Following the initial period during the Consulting Period, Consultant shall assist with and/or perform duties with respect to legal matters.

The Company agrees that, unless otherwise agreed by Consultant, all services to be requested of the Consultant hereunder by the Board, both during the initial period and thereafter, shall be consistent with services routinely performed by senior executives of the Company.

3. Compensation.

(a) Payment for Consulting Services. During the Consulting Period, the Consultant will be paid compensation for the performance of the covenants under this Agreement at an annual rate equal to the salary (as defined in Section 3.1 of the Employment Agreement) paid to Executive immediately prior to his termination of employment with the Company (the ***"Consulting Payment"***), which shall be paid in equal monthly installments within ten (10) days of the end of each month of the Consulting Period or such earlier time(s) as the Company deems appropriate.

(b) No Right to Employee Benefits. Consultant hereby acknowledges and agrees that he is providing services as an independent contractor to the Company and is not and will not claim to be an employee of the Company in the performance of such services; thus, Consultant hereby waives any claim or argument that he is or may be entitled to or covered by any benefit plan or program provided by the Company to its employees. Notwithstanding the foregoing, nothing herein shall affect Consultant's entitlement to any benefit or other compensation provided for in the Employment Agreement.

4. Business Expenses. During the Consulting Period, the Company will pay for and Consultant will be entitled to receive reimbursement for all reasonable expenses incurred by him in performing services hereunder, including all expenses of travel and living expenses while away from home on business or at the request of and in service of the Company, upon submission by him of vouchers therefor or itemized lists thereof prepared in compliance with such rules and policies relating thereto as the Company may from time to time adopt for application to senior executives of the Company and as may be required in order to permit such payments as proper deductions to the Company under the Internal Revenue Code and the rules and regulations adopted pursuant thereto now or hereafter in effect.

5. Consulting Period.

(a) The period during which the Consultant shall serve as a consultant to the Company under this Agreement shall commence as of the date hereof and shall, unless sooner terminated pursuant to Section 5(b), continue for a period of six (6) months thereafter (the "***Consulting Period***"). The last date of the Consulting Period is hereinafter referred to as the "***Expiration Date***".

(b) The Consulting Period may be terminated at the option of and by written notice from the Company if the Board of Directors of the Company shall find "good cause" for termination (as defined below). The Consulting Period shall also terminate as of the date on which the Consultant dies or thirty (30) days after Consultant gives written notice of termination to the Company; provided, however that Consultant shall not give such 30-day notice during the first 60 days of the Consulting Period. For purposes of this Agreement, "***good cause***" shall mean (i) the conviction of a felony, (ii) failure to perform duties as directed by the Board consistent with those indicated hereunder or agreed to be performed by the Consultant, in each case which are able to be performed by Consultant on the part-time basis on which he is engaged (which failure is not cured within thirty (30) days following written notice from the Board), or (iii) any material breach by Consultant (which failure is not cured within thirty (30) days following written notice from the Board) of this Agreement. In the event that (a) the Company terminates this Agreement for any reason other than for "good cause" or (b) the Consultant terminates this Agreement because of breach of this Agreement by the Company (which breach is not cured within thirty (30) days following written notice to the Board), the Consulting Payment shall be payable by the Company to the Consultant for the remainder of the Consulting Period.

6. Confidential Information. The Consultant acknowledges that the information, observations and data obtained by him while performing services hereunder for the Company and its subsidiaries concerning the business or affairs of the Company or any subsidiary ("***Confidential Information***") are the property of the Company or such subsidiary. Therefore, the Consultant agrees that he shall not disclose to any unauthorized person or use for his own purposes any Confidential Information without the prior written consent of the Board, unless and to the extent that the aforementioned matters (a) become generally known to and available for use by the public other than as a result of the Consultant's acts or omissions; (b) were lawfully in the possession of or demonstrably known by the Consultant prior to its receipt from the Company; (c) are independently developed by the Consultant without use of or reference to the Confidential Information; (d) become known by the Consultant from a third party that, to the Consultant's knowledge, is not subject to an obligation of confidentiality to the Company or (e) are required to be disclosed by law, in which case the Consultant shall promptly notify the Company of such disclosure obligation and shall cooperate with the Company in seeking a protective order or other confidential treatment of such matters. The Consultant shall deliver to the Company at the termination of this Agreement, or at any other time the Company may request, all memoranda, notes, plans, records, reports, computer tapes, printouts and

software and other documents and data (and copies thereof) relating to the Confidential Information, Work Product (as defined below) or the business of the Company or any Subsidiary which he may then possess or have under his control.

7. Inventions and Patents. The Consultant acknowledges that all inventions, innovations, improvements, developments, methods, designs, analyses, drawings, reports and all similar or related information (whether or not patentable) which relate to the Company's or any of its subsidiaries' actual or anticipated business, research and development or existing or future products or services and which are conceived, developed or made by the Consultant incident to the performance of his services hereunder ("***Work Product***") belong to the Company or such subsidiary. The Consultant shall promptly disclose such Work Product to the Board and perform all actions reasonably requested by the Board (whether during or after the Expiration Date) to establish and confirm such ownership (including, without limitation, assignments, consents, powers of attorney and other instruments).

8. Representations. The Consultant hereby represents and warrants to the Company that (i) the execution, delivery and performance of this Agreement by him does not and shall not conflict with, breach, violate or cause a default under any contract, agreement, instrument, order, judgment or decree to which the Consultant is a party or by which he is bound, (ii) as of the date of this Agreement, he is not a party to or bound by any employment agreement, non-compete agreement or confidentiality agreement with any other person or entity except as disclosed to the Company by him in writing (including a copy of such agreement), and (iii) upon the execution and delivery of this Agreement by the Company, this Agreement shall be the valid and binding obligation of the Consultant, enforceable in accordance with its terms. The Company hereby represents and warrants to the Consultant that (x) the execution, delivery and performance of this Agreement by him does not and shall not conflict with, breach, violate or cause a default under any contract, agreement, instrument, order, judgment or decree to which the Company or any of its subsidiaries is a party or by which he is bound and (y) upon the execution and delivery of this Agreement by the Consultant, this Agreement shall be the valid and binding obligation of the Company, enforceable in accordance with its terms.

9. Relationship of the Parties.

(a) Independent Contractors. Company and Consultant are independent contractors as to one another. Nothing in this Agreement shall be deemed to create a partnership or a joint venture between the Company and the Consultant, or to cause Company to be liable for any of debts or obligations of Consultant. Consultant hereby acknowledges and agrees that he will not claim to be or in any way hold himself out as an officer, director or employee of the Company at any time and shall not act for or incur any liability or obligation of any kind, express or implied, in the name of or on behalf of, the Company.

(b) Taxes. Consultant shall be solely responsible for the timely payment of all employment and income taxes for which he might be liable, and Company will not deduct or withhold taxes from any monies payable to Consultant.

10. Survival. Sections 6 through 18 shall survive and continue in full force and effect in accordance with their terms notwithstanding any termination of the Consultant's engagement by the Company.

11. Notices. Any notice provided for in this Agreement shall be in writing and shall be either personally delivered, or mailed by overnight courier (by a nationally recognized courier service) or first class mail, return receipt requested, to the recipient at the address below indicated:

Notices to the Consultant:

Notices to the Company:

General Counsel
OraSure Technologies, Inc.
220 East First Street
Bethlehem, PA 18015

With a required copy to:
Pepper Hamilton LLP
400 Berwyn Park
899 Cassatt Road
Berwyn, PA 19312
Attn: Jeffrey P. Libson, Esq.

or such other address or to the attention of such other person as the recipient party shall have specified by prior written notice to the sending party. Any notice under this Agreement shall be deemed to have been given when so delivered or mailed.

12. Severability. The provisions of this Agreement are severable, and if any provision hereof is held invalid or unenforceable, it shall be enforced to the maximum extent permissible, and the remaining provisions of the Agreement shall continue in full force and effect.

13. Complete Agreement. This Agreement and the Employment Agreement embody the complete agreement and understanding among the parties and supersede and preempt any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

14. No Strict Construction. The language used in this Agreement shall be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction shall be applied against any party.

15. Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the Company and Employee and their respective successors, executors, administrators, heirs and/or permitted assigns; *provided*, *however*, that neither Employee nor the Company may make any assignments of this Agreement or any interest herein, by operation of law or otherwise, without the prior written consent of the other party, except that, without such consent, the Company may assign this Agreement to any successor to all or substantially all the business or assets of the Company by means of liquidation, dissolution, merger, consolidation, transfer of assets, or otherwise and Employee may transfer this Agreement by will or the laws of descent and distribution. The Company will require any successor (whether direct or indirect, by merger, consolidation, transfer of assets, or otherwise) acquiring all or substantially all of the business and/or assets of the Company (whether such assets are held directly or indirectly) to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

16. Consent to Suit. Any legal proceeding arising out of or relating to this Agreement shall be instituted in the United States District Court for the Eastern District of Pennsylvania, or if such court does not have jurisdiction or will not accept jurisdiction, in any court of general jurisdiction in the county in Pennsylvania in which the Company maintains its principal place of business, and Employee and the Company hereby consent to the personal and exclusive jurisdiction of such court and hereby waive any objection that Employee or the Company may have to personal jurisdiction, venue, and any claim or defense of inconvenient forum.

17. Counterparts and Facsimiles. This Agreement may be executed, including execution by facsimile signature, in one or more counterparts, each of which shall be deemed an original, and all of which together shall be deemed to be one and the same instrument.

18. Governing Law. This Agreement shall be governed by, and enforced in accordance with, the laws of the Commonwealth of Pennsylvania without regard to the application of the principles of conflicts of laws.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Transition Services Agreement as of the date first written above.

ORASURE TECHNOLOGIES, INC.

By:
Title:

CONSULTANT

JACK E. JERRETT

EXHIBIT C

RELEASE AGREEMENT

THIS RELEASE AGREEMENT (the "Agreement") is entered into on this __ day of _____, _____, by and between Jack E. Jerrett ("Executive") and OraSure Technologies, Inc., a Delaware corporation, together with each and every of its predecessors, successors (by merger or otherwise), parents, subsidiaries, affiliates, divisions and related entities directors, officers, Executives, attorneys and agents, whether present or former (collectively the "Company");

WHEREAS, Executive is entitled to receive severance under an Employment Agreement ("Employment Agreement"), dated July __, 2004, between Employee and the Company;

WHEREAS, Executive agrees to execute this Separation Agreement and Release as additional consideration for such severance; and

WHEREAS, capitalized terms not otherwise defined in this Agreement shall have the meanings set forth in the Employment Agreement.

NOW, THEREFORE, the parties agree as follows, in consideration of the mutual covenants and obligations contained herein, and intending to be legally held bound:

1. Consideration. In consideration for Executive's receipt of severance as provided in the foregoing Employment Agreement, Executive is willing to enter into this Agreement and provide the release set forth herein.

2. Executive's Release. Executive hereby generally releases and discharges the Company, together with each and every of its predecessors, successors (by merger or otherwise), parents, subsidiaries, affiliates, divisions and related entities, directors, officers, executives, attorneys and agents, whether present or former (collectively the "Releasees"), from any and all suits, causes of action, complaints, obligations, demands, or claims of any kind, whether in law or in equity, direct or indirect, known or unknown, suspected or unsuspected (hereinafter "claims"), which the Executive ever had or now has arising out of or relating to any matter, thing or event occurring up to and including the date of this Agreement. Except as otherwise expressly provided in this Agreement, Executive's release specifically includes, but is not limited to:

a. any and all claims for wages and benefits including, without limitation, salary, stock, options, commissions, royalties, license fees, health and welfare benefits, separation pay, vacation pay, incentives, and bonuses;

b. any and all claims for wrongful discharge, breach of contract (whether express or implied), or for breach of the implied covenant of good faith and fair dealing;

c. any and all claims for alleged employment discrimination on the basis of age, race, color, religion, sex, national origin, veteran status, disability and/or handicap and any and all other claims in violation of any federal, state or local statute, ordinance, judicial precedent or executive order, including but not limited to claims under the following statutes: Title VII of the Civil Rights Act of 1964, as amended, 42 U.S.C. §2000e et seq., the Civil Rights Act of 1866, 42 U.S.C. §1981, the Age Discrimination in Employment Act, 29 U.S.C. §621 et seq., the Older Workers Benefit Protection Act, 29 U.S.C. §626(f), the Americans with Disabilities Act, 42 U.S.C. §12101 et seq., the Family and Medical Leave Act of 1993, the Fair Labor Standards Act, the Employee Retirement Income Security Act of 1974, or any comparable statute of any other state, country, or locality except as required by law, but excluding claims for vested benefits under the Company's pension plans;

d. any and all claims under any federal, state or local statute or law;

e. any and all claims in tort (including but not limited to any claims for misrepresentation, defamation, interference with contract or prospective economic advantage, intentional or negligent infliction of emotional distress, duress, loss of consortium, invasion of privacy and negligence);

f. any and all claims for attorneys' fees and costs; and

g. any and all other claims for damages of any kind.

Notwithstanding the foregoing, nothing contained in this paragraph shall apply to, or shall release the Company from, (i) any obligation of the Company under this Agreement, the Transition Services Agreement (if any) or the Employment Agreement; (ii) any accrued or vested benefit of Executive pursuant to any employee benefit plan of the Company, including any benefit not yet due and payable; (iii) any obligation of the Company under existing stock options, restricted stock or other stock awards; or (iv) any right to indemnification under the Agreement, the By-Laws or Certificate of Incorporation of the Company or any subsidiary or any insurance policy maintained by the Company or any subsidiary or other entity.

3. Acknowledgment. Executive understands that his release extends to all of the aforementioned claims and potential claims which arose on or before the date of this Agreement, whether now known or unknown, suspected or unsuspected, and that this constitutes an essential term of this Agreement. Executive further understands and acknowledges the significance and consequence of this Agreement and of each specific release and waiver, and expressly consents that this Agreement shall be given full force and effect according to each and all of its express terms and provisions, including those relating to unknown and unsuspected claims, demands, obligations, and causes of action, if any, as well as those relating to any other claims, demands, obligations or causes of action herein above-specified.

4. Remedies. All remedies at law or in equity shall be available to the Company for the enforcement of this Agreement . This Agreement may be pleaded as a full bar to the enforcement of any claim that Executive may assert against the Company in violation of this Agreement .

5. No Admissions. Neither the execution of this Agreement by the Company, nor the terms hereof, constitute an admission by the Company of liability to Executive.

6. Confidentiality. To the extent not otherwise made public by the Company, Executive shall not disclose or publicize the terms or fact of this Agreement , directly or indirectly, to any person or entity, except to Executive's attorney, spouse, and to others as required by law. Executive is specifically prohibited from disclosing the facts or terms of this Agreement to any former or present executive of the Company except as required by law.

7. Entire Agreement. This Agreement , together with the terms of the Employment Agreement, contain the entire agreement of the parties with respect to the subject matter hereof, supersede any prior agreements or understandings with respect to the subject matter hereof, and shall be binding upon their respective heirs, executors, administrators, successors and assigns.

8. Severability. If any term or provision of this Agreement shall be held to be invalid or unenforceable for any reason, the validity or enforceability of the remaining terms or provisions shall not be affected, and such term or provision shall be deemed modified to the extent necessary to make it enforceable. 9. Advice of Counsel; Revocation Period. Executive is hereby advised to seek the advice of counsel. Executive acknowledges that he is acting of his own free will, that he has been afforded a reasonable time to read and review the terms of this Agreement, and that Executive is voluntarily entering into this Agreement with full knowledge of its provisions and effects. Executive intends that this Agreement shall not be subject to any claim for duress. Executive further acknowledges that he has been given at least twenty-one (21) days within which to consider this Agreement and that if Executive decides to execute this Agreement before the twenty-one day period has expired, Executive does so voluntarily and waives the opportunity to use the full review period. Executive also acknowledges that he has seven (7) days following his execution of this Agreement to revoke acceptance of this Agreement , with the Agreement not becoming effective until the revocation period has expired. If Executive chooses to revoke his acceptance of this Agreement , he should provide written notice to:

General Counsel
OraSure Technologies, Inc.
220 East First Street
Bethlehem, Pennsylvania 18015

10. Amendments. Neither this Agreement nor any term hereof may be orally changed, waived, discharged, or terminated, and may be amended only by a written agreement between the parties hereto.

11. Governing Law. This Agreement shall be governed by the laws of the Commonwealth of Pennsylvania, without regard to the conflict of law principles of any jurisdiction.

12. Legally Binding. The terms of this Agreement contained herein are contractual, and not a mere recital.

IN WITNESS WHEREOF, the parties, acknowledging that they are acting of their own free will, have caused the execution of this Agreement as of this day and year written below.

OraSure Technologies, Inc.

By: _____

Name: _____

Title: _____

_____

Jack E. Jerrett

Exhibit 31.1

Certification

I, Douglas A. Michels, certify that:

1. I have reviewed this report on Form 10-Q of OraSure Technologies, Inc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d –15(e)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2004

/s/ Douglas A. Michels

Douglas A. Michels
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

Certification

I, Ronald H. Spair, certify that:

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

Date: August 3, 2004

/s/ Ronald H. Spair

Ronald H. Spair
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

Certification

In connection with the Quarterly Report of OraSure Technologies, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Douglas A. Michels, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ Douglas A. Michels

Douglas A. Michels
President and Chief Executive Officer

August 3, 2004

Exhibit 32.2

Certification

In connection with the Quarterly Report of OraSure Technologies, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ronald H. Spair, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ Ronald H. Spair

Ronald H. Spair
Executive Vice President and
Chief Financial Officer

August 3, 2004