

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 quarter ended September 30, 2001.

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 1-10492

ORASURE TECHNOLOGIES, INC.
(Exact Name of Registrant as Specified in Its Charter)

DELAWARE 36-4370966
(State or Other Jurisdiction of (IRS Employer Identification No.)
Incorporation or Organization)

150 Webster 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

Number of shares of Common Stock, par value \$.000001 per share, outstanding as of November 6, 2001: 37,208,445

PART I. FINANCIAL INFORMATION

	Page No.
Item 1. Financial Statements (unaudited)	3
Balance Sheets at September 30, 2001 and December 31, 2000....	3
Statements of Operations for the three months and nine months ended September 30, 2001 and 2000.....	4
Statements of Stockholders' Equity for the nine months ended September 30, 2001.....	5
Statements of Cash Flows for the nine months ended September 30, 2001 and 2000.....	6
Notes to Financial Statements.....	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	10
Item 3. Quantitative and Qualitative Disclosures About Market Risk	19

PART II. OTHER INFORMATION

Item 2. Changes in Securities and Use of Proceeds.....	21
Item 5. Other Information.....	21
Item 6. Exhibits and Reports on Form 8-K.....	21

Item 1. FINANCIAL STATEMENTS

ORASURE TECHNOLOGIES, INC.
BALANCE SHEETS
(Unaudited)

	September 30, 2001	December 31, 2000
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,295,719	\$ 5,095,639
Short-term investments	13,410,799	14,956,779
Accounts receivable, net of allowance for doubtful accounts of \$207,138 and \$114,685	7,306,719	5,276,772
Notes receivable from officer	75,000	175,649
Inventories	3,420,102	1,495,604
Prepaid expenses and other	1,171,417	1,189,210
	-----	-----
Total current assets	27,679,756	28,189,653
	-----	-----
PROPERTY AND EQUIPMENT, net	7,523,851	6,738,034
PATENTS AND PRODUCT RIGHTS, net	2,132,496	2,402,386
OTHER ASSETS	1,141,492	406,099
	-----	-----
	\$ 38,477,595	\$ 37,736,172
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 1,098,707	\$ 1,125,138
Accounts payable	2,125,285	1,522,295
Accrued expenses	3,291,433	4,047,231
	-----	-----
Total current liabilities	6,515,425	6,694,664
	-----	-----
LONG-TERM DEBT	3,829,899	4,644,098
	-----	-----
OTHER LIABILITIES	117,834	225,334
	-----	-----
STOCKHOLDERS' EQUITY:		
Preferred stock, par value \$.000001, 25,000,000 shares authorized, none issued	-	-
Common stock, par value \$.000001, 120,000,000 shares authorized, 37,195,877 and 36,434,004 shares issued and outstanding	37	36
Additional paid-in capital	151,818,602	148,767,789
Accumulated other comprehensive loss	(14,422)	(231,247)
Accumulated deficit	(123,789,780)	(122,364,502)
	-----	-----
Total stockholders' equity	28,014,437	26,172,076
	-----	-----
	\$ 38,477,595	\$ 37,736,172
	=====	=====

The accompanying notes are an integral part of these statements.

ORASURE TECHNOLOGIES, INC.
STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
REVENUES:				
Product	\$8,236,352	\$6,867,729	\$23,207,345	\$20,397,691
Licensing and product development	362,302	354,649	1,303,129	604,608
	<u>8,598,654</u>	<u>7,222,378</u>	<u>24,510,474</u>	<u>21,002,299</u>
COSTS AND EXPENSES:				
Cost of products sold	2,872,753	3,096,668	8,579,752	8,210,484
Research and development	2,247,975	2,800,366	6,838,056	6,632,699
Sales and marketing	1,961,817	1,791,039	5,888,432	4,995,080
General and administrative	1,527,081	1,827,928	4,594,217	5,502,178
Merger-related	-	5,919,764	-	5,919,764
Restructuring-related	-	-	450,000	-
	<u>8,609,626</u>	<u>15,435,765</u>	<u>26,350,457</u>	<u>31,260,205</u>
Operating loss	(10,972)	(8,213,387)	(1,839,983)	(10,257,906)
INTEREST EXPENSE	(101,555)	(122,869)	(310,279)	(375,677)
INTEREST INCOME	241,805	396,686	742,818	943,869
FOREIGN CURRENCY GAIN (LOSS)	(114,819)	28,418	2,911	19,750
GAIN ON SALE OF SECURITIES	-	-	-	600,000
	<u>14,459</u>	<u>(7,911,152)</u>	<u>(1,404,533)</u>	<u>(9,069,964)</u>
Income (loss) before income taxes				
INCOME TAXES	1,199	(12,673)	(20,745)	(24,363)
	<u>15,658</u>	<u>(7,923,825)</u>	<u>(1,425,278)</u>	<u>(9,094,327)</u>
NET INCOME (LOSS)				
EARNINGS (LOSS) PER SHARE:				
BASIC	\$ 0.00	\$ (0.22)	\$ (0.04)	\$ (0.26)
DILUTED	\$ 0.00	\$ (0.22)	\$ (0.04)	\$ (0.26)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:				
BASIC	37,057,079	35,369,781	36,740,600	34,546,219
DILUTED	39,009,095	35,369,781	36,740,600	34,546,219

The accompanying notes are an integral part of these statements.

ORASURE TECHNOLOGIES, INC.
STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

	Common Stock		Additional Paid-in Capital	Other Comprehensive Income (Loss)	Accumulated Deficit	Total
	Shares	Amount				
Balance at December 31, 2000	36,434,004	\$36	\$148,767,789	\$(231,247)	\$(122,364,502)	\$26,172,076
Common stock issued upon exercise of options	76,729	-	219,196	-	-	219,196
Compensation expense for stock option grants	-	-	70,580	-	-	70,580
Comprehensive loss:						
Net loss	-	-	-	-	(996,759)	(996,759)
Currency translation adjustment	-	-	-	(108,213)	-	(108,213)
Unrealized loss on marketable securities	-	-	-	(50,275)	-	(50,275)
Total comprehensive loss						(1,155,247)
Balance at March 31, 2001	36,510,733	36	149,057,565	(389,735)	(123,361,261)	25,306,605
Common stock issued upon exercise of options	417,733	1	1,544,513	-	-	1,544,514
Comprehensive loss:						
Net loss	-	-	-	-	(444,177)	(444,177)
Currency translation adjustment	-	-	-	(70,409)	-	(70,409)
Unrealized gain on marketable securities	-	-	-	29,624	-	29,624
Total comprehensive loss						(484,962)
Balance at June 30, 2001	36,928,466	37	150,602,078	(430,520)	(123,805,438)	26,366,157
Common stock issued upon exercise of options	267,411	-	1,216,524	-	-	1,216,524
Comprehensive income:						
Net income	-	-	-	-	15,658	15,658
Currency translation adjustment	-	-	-	118,241	-	118,241
Unrealized gain on marketable securities	-	-	-	297,857	-	297,857
Total comprehensive income						431,756
Balance at September 30, 2001	37,195,877	\$ 37	\$151,818,602	\$(14,422)	\$(123,789,780)	\$28,014,437

The accompanying notes are an integral part of these statements.

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

	Nine Months Ended 2001 ----	September 30, 2000 ----
OPERATING ACTIVITIES:		
Net loss	\$(1,425,278)	\$(9,094,327)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock based compensation expense	70,580	792,685
Amortization of deferred revenue	(107,500)	(107,500)
Depreciation and amortization	1,537,873	1,332,532
Loss on disposition of property and equipment	11,353	914
Gain on disposition of investment in affiliated company	(16,853)	-
Changes in assets and liabilities:		
Accounts receivable	(2,367,200)	(689,870)
Inventories	(1,924,498)	630,065
Prepaid expenses and other assets	118,442	55,647
Accounts payable and accrued expenses	(152,808)	4,173,744
	-----	-----
Net cash used in operating activities	(4,255,889)	(2,906,110)
	-----	-----
INVESTING ACTIVITIES:		
Purchases of short-term investments	(23,250,109)	(19,891,729)
Proceeds from the sale of short-term investments	24,810,795	20,974,026
Purchases of property and equipment	(2,094,220)	(2,542,540)
Proceeds from the sale of property and equipment	29,067	-
Purchase of patents and product rights	-	(136,038)
Increase in other assets	(224,888)	(20,404)
Proceeds from disposition of investment in affiliated company	106,102	-
	-----	-----
Net cash used in investing activities	(623,253)	(1,616,685)
	-----	-----
FINANCING ACTIVITIES:		
Repayments of term debt	(840,630)	(783,609)
Proceeds from issuance of common stock	2,980,233	19,876,012
	-----	-----
Net cash provided by financing activities	2,139,603	19,092,403
	-----	-----
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH	(60,381)	(133,075)
	-----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,799,920)	14,436,533
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	5,095,639	2,049,644
	-----	-----
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$2,295,719	\$ 16,486,177
	=====	=====
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES		
Increase in fair value of securities available for sale	\$ 277,206	\$ 131,250
	=====	=====
Non-cash investment in a non-affiliated entity	\$ 337,253	\$ -
	=====	=====

The accompanying notes are an integral part of these statements.

Notes to Financial Statements
(Unaudited)

1. The Company

OraSure Technologies, Inc. (the "Company") develops, manufactures and markets oral specimen collection devices using its proprietary oral fluid technologies, oral fluid assays, proprietary diagnostic products including in vitro diagnostic tests, and other medical devices. These products are sold to public and private-sector clients, clinical laboratories, physician offices, hospitals, and for workplace testing in the United States and certain foreign countries.

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 year ended December 31, 2000 and Quarterly Reports on Form 10-Q for the three-month periods ended March 31 and June 30, 2001. Results of operations for the period ended September 30, 2001 are not necessarily indicative of the results of operations expected for the full year. Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

USE OF ESTIMATES. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions that affect the reported amounts of 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.

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:

	September 30, 2001 -----	December 31, 2000 -----
Raw materials	\$1,082,957	\$473,575
Work-in-process	797,669	348,819
Finished goods	1,539,476	673,210
	-----	-----
	\$3,420,102	\$1,495,604
	=====	=====

REVENUE RECOGNITION. The Company recognizes product revenues when products are shipped. The Company does not grant price protection or product return rights to its customers. Up-front licensing fees are deferred and recognized ratably over the related license period. Product development revenues are recognized over the period the related product development efforts are performed. Amounts received prior to the performance of product development efforts are recorded as deferred revenues.

In December 1999, the U.S. Securities and Exchange Commission issued Staff Accounting Bulletin No. 101 "Revenue Recognition in Financial Statements" ("SAB 101"). SAB 101 draws on existing accounting rules and provides specific guidance on revenue recognition of up-front, non-refundable license and development fees. The Company has applied the provisions of SAB 101 in the accompanying financial statements.

SIGNIFICANT CUSTOMER CONCENTRATION. For the three and nine-month periods ended September 30, 2001, one customer accounted for 20.8 and 21.8 percent of total revenues, respectively, as compared to 23.4 percent for each of the same periods in 2000.

RESEARCH AND DEVELOPMENT. Research and development costs are charged to expense as incurred.

FOREIGN CURRENCY TRANSLATION. Pursuant to Statement of Financial Accounting Standards ("SFAS") No. 52, "Foreign Currency Translation," the assets and liabilities of the Company's foreign operations are translated 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 as a separate component of stockholders' equity.

NET LOSS PER COMMON SHARE. The Company has presented basic and diluted earnings (loss) per common share pursuant to SFAS No. 128, "Earnings per Share" ("SFAS 128"), and the Securities and Exchange Commission Staff Accounting Bulletin No. 98. In accordance with SFAS 128, basic earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of shares outstanding during the reported period. Diluted earnings per share is computed in a manner similar to basic earnings per share except that the weighted average number of shares outstanding is increased to include incremental shares from the assumed exercise of stock options and warrants, if dilutive. The number of incremental shares is calculated by assuming that outstanding stock options and warrants were exercised and the proceeds from such exercises 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 September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
Net income (loss)	\$ 15,658	\$(7,923,825)	\$(1,425,278)	\$(9,094,327)
Weighted average shares of common stock outstanding:				
Basic	37,057,079	35,369,781	36,740,600	34,546,219
Dilutive effect of stock options and warrants	1,952,016	-	-	-
Diluted	39,009,095	35,369,781	36,740,600	34,546,219
Earnings (loss) per share:				
Basic	\$ 0.00	\$ (0.22)	\$ (0.04)	\$ (0.26)
Diluted	\$ 0.00	\$ (0.22)	\$ (0.04)	\$ (0.26)

The computations of diluted earnings (loss) per share for the three-month period ended September 30, 2001 and 2000 and for the nine-month periods ended September 30, 2001 and 2000 exclude the effect of outstanding common stock options and warrants to purchase 89,750, 2,948,364, 4,010,811 and 3,036,026 shares, respectively, because the effect of including such shares is anti-dilutive.

OTHER COMPREHENSIVE INCOME (LOSS). The Company follows 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 retained earnings and additional paid-in capital in the equity section of the balance sheet.

RESTRUCTURING-RELATED EXPENSES. In February, 2001, the Company announced plans to realign certain of its manufacturing operations. Accordingly, during the three months ended March 31, 2001, the Company incurred \$450,000 in non-recurring restructuring costs, primarily comprised of expenses for employee severance, travel and transport resulting from relocating and consolidating manufacturing operations. All restructuring-related expenses were paid by June 30, 2001.

FOREIGN CURRENCY FORWARD EXCHANGE CONTRACTS. Commencing in May 2001, the Company entered into foreign currency forward exchange contracts to offset certain operational and balance sheet exposures from changes in foreign currency exchange rates. Such exposures result from the portion of the Company's operations, assets and liabilities located in the Netherlands and denominated in guilders. The Company accounts for these foreign currency forward exchange contracts in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". The contract amount of foreign currency forward exchange contracts outstanding at September 30, 2001 was \$242,807. During the three-month and nine-month periods ended September 30, 2001, gains or losses associated with these contracts were not material.

3. Segment and Geographic Area Information

Under the disclosure requirements of SFAS No. 131, "Segment Disclosures and Related Information," the Company operates within one segment, medical devices and products. The Company's products are sold principally in the United States and Europe. Operating income and identifiable assets for geographic regions outside of the United States are not included herein since all of the Company's revenues outside the United States are export sales. The following table represents total revenues by geographic area (amounts in thousands):

	For the three months ended September 30,		For the nine months ended September 30,	
	2001	2000	2000	2000
	----	----	----	----
United States	\$7,355	\$6,512	\$20,650	\$18,059
Europe	814	555	2,586	1,766
Other regions	430	155	1,275	1,177
	----	-----	-----	-----
	\$8,599	\$7,222	\$24,511	\$21,002
	=====	=====	=====	=====

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 Private Securities Litigation Reform Act of 1995. These include statements about expected revenues, earnings, expenses, cash flow, capital expenditures or other measures of financial performance, and regulatory filings. 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, but are not limited to: 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 timing of obtaining necessary regulatory approvals; ability to develop product distribution channels; uncertainty relating to patent protection and potential patent infringement claims; 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; 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 and interpretation of accounting requirements; equipment failures and ability to obtain needed raw materials and components; the impact of terrorist attacks and civil unrest; and general political, business and economic conditions. These and other factors that could cause the forward-looking statements to be materially different are described in greater detail in the Sections entitled, "Forward-Looking Statements" and "Risk Factors," in Item 1 and elsewhere in the Company's Annual Report on Form 10-K for the year ended December 31, 2000. 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 the Company undertakes no duty to update these statements.

Results of Operations

Three months ended September 30, 2001 compared to September 30, 2000

Comparative results of operations (in thousands, except %) are summarized as follows:

	Three Months Ended September 30,				
	Dollars		Percent Change (%) Inc.(Dec.)	Percentage of Total Revenues (%)	
	2001	2000		2001	2000
Revenues					
Product	\$8,237	\$ 6,867	20	96	95
License and product development	362	355	2	4	5
	8,599	7,222	19	100	100
Cost and expenses					
Cost of products sold	2,873	3,097	(7)	33	43
Research and development	2,248	2,800	(20)	26	39
Sales and marketing	1,962	1,791	10	23	25
General and administrative	1,527	1,828	(16)	18	25
Merger-related	-	5,920	(100)	-	82
	8,610	15,436	(44)	100	214
Operating loss	(11)	(8,214)	(100)	-	(114)
Interest expense	(102)	(123)	(17)	(1)	(2)
Interest income	242	397	(39)	3	6
Foreign currency gain (loss)	(115)	29	(496)	(1)	-
Gain on sale of securities	-	-	N/A	-	-
Income (loss) before income taxes	14	(7,911)	100	-	(110)
Income taxes	2	(13)	115	-	-
Net Income (loss)	\$ 16	\$(7,924)	100	-	(110)

Total revenues increased 19% to approximately \$8.6 million in the third quarter of 2001 from approximately \$7.2 million in 2000, primarily as a result of increased sales of oral fluid collection devices and related immunoassay tests due to the continued market penetration of Intercept, initial shipments of OraQuick(R) into Sub-Saharan Africa for the Centers for Disease Control and Prevention's ("CDC") LIFE Initiative, and increased sales of the Company's Histofreezer(R) cryosurgical delivery system. Excluding revenues in the prior period from the discontinued Serum Western Blot product line, total revenues would have increased approximately 27%.

The table below shows the amount of the Company's total revenues (in thousands, except for %) generated by each of its principal products and by license and product development activities.

Three Months Ended September 30,					
Dollars			Percentage of Total Revenues (%)		
	2001	2000	Percent Change(%) Inc. (Dec.)	2001	2000
Product revenues					
Oral specimen collection devices	\$ 3,139	\$2,856	10	36	40
OraQuick(R)	415	-	N/A	5	-
Histofreezer(R) cryosurgical systems	1,954	1,737	12	23	24
Immunoassay tests	2,027	1,445	40	23	20
Western Blot HIV confirmatory tests	143	538	(73)	2	7
Other product revenue	559	291	92	7	4
	8,237	6,867	20	96	95
License and product development					
	362	355	2	4	5
Total revenues	\$ 8,599	\$7,222	19	100	100

Product revenues increased 20% to approximately \$8.2 million for the third quarter of 2001 from approximately \$6.9 million in 2000. Sales of oral specimen collection devices and immunoassay tests increased 10% and 40% to approximately \$3.1 million and \$2.0 million, respectively, as a result of increased sales to the public health and substance abuse testing markets. Histofreezer(R) revenues increased 12% to approximately \$2.0 million, reflecting higher domestic sales. OraQuick(R) generated approximately \$415,000 of revenues for the third quarter, primarily reflecting product shipped internationally to the CDC under the LIFE Initiative. Sales of the Western Blot confirmatory tests, which were comprised exclusively of the oral Western Blot in 2001, declined 73% to approximately \$143,000 for the third quarter as a result of the discontinuation of the Serum Western Blot product in January 2001. Other product revenues, which consisted primarily of sales of the Q.E.D.(R) saliva alcohol test and certain Intercept(R)-related sales to criminal justice and drug rehabilitation clients, increased 92% to approximately \$559,000 from approximately \$291,000 in 2000. Total Intercept(R) sales, including devices, immunoassay tests, and related equipment, equaled approximately \$889,000 for the quarter, as compared to approximately \$45,000 in 2000. As a percentage of total revenues, international revenues increased 75% to approximately \$1.2 million primarily as a result of the market introduction of OraQuick(R) into Sub-Saharan Africa.

The table below shows the amount of the Company's total revenues (in thousands, except %) generated in each of its principal markets and by license and product development activities.

Three Months Ended September 30,					
Dollars			Percentage of Total Revenues (%)		
	2001	2000	Percent Change (%) Inc. (Dec.)	2001	2000
Market revenues					
Insurance testing	\$2,775	\$2,990	(7)	32	41
Public health	1,686	1,348	25	20	19
Physician offices	1,954	1,736	12	23	24
Substance abuse testing	1,695	676	151	20	9
Other markets	127	117	9	1	2
	8,237	6,867	20	96	95
License and product development					
	362	355	2	4	5
Total revenues	\$8,599	\$7,222	19	100	100

Sales to the insurance testing market declined by 7% to approximately \$2.8 million in the third quarter of 2001 as a result of an overall decline in the number of life insurance applications. Sales to the public health market increased 25% to approximately \$1.7 million in the third quarter as a result of continued penetration by the Company's laboratory-based HIV test. Sales to physician offices, which consisted solely of the Histofreezer(R) cryosurgical delivery system, increased 12% to approximately \$2.0 million, reflecting higher domestic sales. Sales to the substance abuse testing market increased 151% to approximately \$1.7 million in the third quarter of 2001 as a result of the continued market penetration of Intercept(R) and increased forensic toxicology sales. Sales to other markets increased 9% to approximately \$127,000.

License and product development revenues increased 2% to approximately \$362,000 in the third quarter of 2001 from approximately \$355,000 in 2000. During the third quarter of 2001, license and product development revenues primarily consisted of revenue from UPT development agreements and a grant from the National Institutes of Health for an oral fluid based syphilis test.

On June 29, 2001, the Company filed with the U.S. Food and Drug Administration ("FDA") an application for pre-market approval of its OraQuick(R) rapid HIV test using whole blood and an application for 510(k) clearance for the ULink(TM) drugs of abuse rapid detection system, including six drug assays. During the third quarter, the FDA responded to the OraQuick(R) submission with certain questions. The Company provided answers to the questions and the review is proceeding as expected. The FDA also responded to the ULink(TM) submission. Because this product is the first reader-based, oral fluid point of care testing system submitted to the FDA, and because of the broad clinical utility of the ULink(TM) system, the FDA has requested sixty additional trial samples for each of the six drug assays. The time required to collect and submit the additional data is expected to delay receipt of FDA clearance until the first quarter of 2002.

Despite the increase in third quarter revenues, the Company experienced unforeseen delays in sales of the OraQuick(R) HIV test to the Company's African distributor. These delays were caused by delays in the government purchase process in Africa. As a result of the Company's reliance upon third party distributors to develop and penetrate the African market for OraQuick(R) and the fact that significant potential customers are government entities, it is difficult for the Company to accurately forecast the timing of international OraQuick(R) revenues.

The Company's gross margin increased to approximately 67% in the third quarter of 2001 from 57% in 2000. Excluding a one-time write-off of obsolete inventory in the third quarter of 2000, the gross margin for the third quarter of 2000 would have been 65%. The gross margin increase in the third quarter of 2001 was primarily the result of negotiated contract savings and cost savings as a result of the Company's manufacturing reorganization.

Gross margin, based upon product revenues, was 65% in the third quarter of 2001 as compared to 63% in 2000, excluding the one-time inventory write-off.

Research and development expenses decreased 20% to approximately \$2.2 million in the third quarter of 2001 from approximately \$2.8 million in 2000, as a result of improved internal efficiencies resulting from the merger of Epitepe, Inc. and STC Technologies, Inc. into the Company in September 2000. Research and development efforts in the third quarter of 2001 were focused on the development of drugs of abuse and infectious disease assays for UPLink(TM) and the ongoing development of oral fluid-based tests for a variety of diseases or conditions, such as hepatitis C, syphilis, and diabetic markers. Research and development expenses, as a percentage of third quarter revenues, declined to approximately 26% from 39% in 2000. Research and development expenses are expected to increase slightly during the remainder of 2001 as clinical trials for OraQuick(R) and UPLink(TM) research activities continue.

Sales and marketing expenses increased 10% to approximately \$2.0 million in the third quarter of 2001 from approximately \$1.8 million in 2000. This increase was primarily the result of costs including increased staffing and related charges associated with the development of foreign markets for OraQuick(R), the continued marketing of the Intercept(R) drugs of abuse service, and initial UPLink(TM) criminal justice marketing efforts. Sales and marketing expenses, as a percentage of third quarter revenues, declined to approximately 23% from 25% in 2000.

General and administrative expenses decreased 16% to approximately \$1.5 million in the third quarter of 2001 from approximately \$1.8 million in 2000. This decrease reflects cost savings from the elimination of duplicative overhead structures as a result of the merger. General and administrative expenses, as a percentage of third quarter revenues, declined to approximately 18% from 25% in 2000.

Merger-related expenses were approximately \$5.9 million in 2000. These non-recurring costs included fees for investment banking, attorneys, and accountants.

The operating loss of approximately \$11,000 in the third quarter of 2001 improved from a loss of approximately \$8.2 million in 2000, which included approximately \$5.9 million of one-time merger-related expenses. Excluding the one-time merger-related expenses, the operating loss improved by \$2.3 million from the third quarter of 2000, as a result of increasing revenues, improving gross margins, and lower operating expenses.

Interest expense decreased by 17% to approximately \$102,000 in the third quarter of 2001 from approximately \$123,000 in 2000 as a result of principal loan repayments.

Interest income decreased to approximately \$242,000 in the third quarter of 2001 from approximately \$397,000 in 2000 as a result of lower cash and cash equivalents available for investment and lower interest rates.

Foreign currency loss was approximately \$115,000 in the third quarter of 2001 compared to a gain of approximately \$29,000 in 2000.

Net income was approximately \$16,000 in the third quarter of 2001 compared to a loss of approximately \$7.9 million in 2000, which included one-time merger-related expenses of approximately \$5.9 million.

Results of Operations

Nine months ended September 30, 2001 compared to September 30, 2000

Comparative results of operations (in thousands, except %) are summarized as follows:

	Nine Months Ended September 30,				
	Dollars		Percent Change(%) Inc. (Dec.)	Percentage of Total Revenues (%)	
	2001	2000		2001	2000
Revenues					
Product	\$23,207	\$20,397	14	95	97
License and product development	1,303	605	115	5	3
	24,510	21,002	17	100	100
Cost and expenses					
Cost of products sold	8,580	8,211	4	35	39
Research and development	6,838	6,632	3	28	32
Sales and marketing	5,888	4,995	18	24	24
General and administrative	4,594	5,502	(17)	19	26
Merger-related	-	5,920	(100)	-	28
Restructuring-related	450	-	N/A	2	-
	26,350	31,260	(16)	108	149
Operating loss	(1,840)	(10,258)	(82)	(8)	(49)
Interest expense	(310)	(376)	(18)	(1)	(2)
Interest income	743	944	(21)	3	5
Foreign currency gain	3	20	(85)	-	-
Gain on sale of securities	-	600	(100)	-	3
Loss before income taxes	(1,405)	(9,070)	(85)	(6)	(43)
Income taxes	(21)	(24)	(13)	-	-
Net loss	\$(1,426)	\$(9,094)	(84)	(6)	(43)

Total revenues increased 17% to approximately \$24.5 million for the first nine months of 2001 from approximately \$21.0 million in the comparable period in 2000, primarily as a result of increased sales of oral fluid collection devices and related immunoassay tests, and increased license and product development revenues. Excluding revenues in the prior period from the discontinued Serum Western Blot product line, total revenues would have increased approximately 24%.

The table below shows the amount of the Company's total revenues (in thousands, except for %) generated by each of its principal products and by license and product development activities.

	Nine Months Ended September 30,				
	Dollars		Percent Change(%) Inc. (Dec.)	Percentage of Total Revenues (%)	
	2001	2000		2001	2000
Product revenues					
Oral specimen collection devices	\$9,855	\$8,271	19	40	39
OraQuick(R)	655	-	N/A	3	-
Histofreezer(R) cryosurgical systems	4,733	4,681	1	19	22
Immunoassay tests	5,835	4,959	18	24	24
Western Blot HIV confirmatory tests	471	1,424	(67)	2	7
Other product revenue	1,658	1,062	56	7	5
	23,207	20,397	14	95	97
License and product development	1,303	605	115	5	3
Total revenues	\$24,510	\$21,002	17	100	100

Product revenues increased 14% to approximately \$23.2 million for the first nine months of 2001 from approximately \$20.4 million in the first nine months of 2000. Sales of oral specimen collection devices and immunoassay tests increased 19% and 18% to approximately \$9.9 million and \$5.8 million, respectively, as a result of increased sales to the public health and substance abuse testing markets. Histofreezer(R) revenues remained flat at approximately \$4.7 million. OraQuick(R) generated approximately \$655,000 of revenues during the nine months ended September 30, 2001. Sales of the Western Blot confirmatory tests, which were comprised exclusively of the oral Western Blot in 2001, declined 67% to approximately \$471,000 as a result of the discontinuation of the Serum Western Blot product in January 2001. Other product revenues, which consisted primarily of sales of the Q.E.D.(R) saliva alcohol test and certain Intercept(R)-related equipment sales to criminal justice and drug rehabilitation clients, increased 56% to approximately \$1.7 million from approximately \$1.1 million in 2000. Total Intercept(R) sales for the first nine months of 2001, including devices, immunoassay tests, and related equipment, totaled approximately \$2.5 million as compared to approximately \$218,000 in 2000. As a percentage of total revenues, international revenues increased to approximately 31% in the first nine months of 2001 to approximately \$3.9 million, as a result of the market introduction of OraQuick(R) into Sub-Saharan Africa and increased oral fluid collection devices and related assays.

The table below shows the amount of the Company's total revenues (in thousands, except %) generated in each of its principal markets and by license and product development activities.

Nine Months Ended September 30,					
	Dollars		Percent Change (%) Inc. (Dec.)	Percentage of Total Revenues (%)	
	2001	2000		2001	2000
Market revenues					
Insurance testing	\$8,665	\$9,736	(11)	36	46
Public health	4,525	3,321	36	18	16
Physician offices	4,733	4,680	1	19	22
Substance abuse testing	4,893	2,268	116	20	11
Other markets	391	392	-	2	2
	23,207	20,397	14	95	97
License and product development	1,303	605	115	5	3
Total revenues	\$24,510	\$21,002	17	100	100

Sales to the insurance testing market declined by 11% to approximately \$8.7 million for the first nine months of 2001 as a result of an overall decline in the number of insurance applications. Sales to the public health market increased 36% to approximately \$4.5 million for the first nine months of 2001 as a result of the continued penetration of the Company's laboratory-based HIV test. Sales to physician offices, which consisted solely of the Histofreezer(R) cryosurgical delivery system, remained flat at approximately \$4.7 million in the first nine months of 2001. Sales to the substance abuse testing market increased 116% to approximately \$4.9 million in the first nine months of 2001 as a result of the continued market penetration of Intercept(R) and increased forensic toxicology sales. Sales to other markets remained flat at approximately \$391,000.

License and product development revenues increased 115% to approximately \$1.3 million for the first nine months of 2001 from approximately \$605,000 in 2000. This increase was attributable principally to additional revenues resulting from the recognition of milestone payments under existing development arrangements.

The Company's gross margin increased to approximately 65% in the first nine months of 2001 from 61% in 2000. Excluding a one-time write-off of obsolete inventory in the third quarter of 2000, the gross margin for the first nine months of 2000 would have been 63%. This increase was primarily the result of negotiated contract savings, cost savings as a result of the Company's manufacturing reorganization, and higher license and product development revenues, partially offset by incremental costs associated with the ramp up of OraQuick(R) manufacturing. Gross margin, based upon product revenues, was 63% in the first nine months of 2001 compared to 62% for 2000, excluding the one-time inventory write-off.

Research and development expenses increased 3% to approximately \$6.8 million for the first nine months of 2001 from approximately \$6.6 million in 2000, as a result of continued development of the ULink(TM) reader, test cassette and collector, DNA feasibility studies, and clinical trial expenses for the OraQuick(R) HIV rapid test, partially offset by improved internal efficiencies and cost savings as a result of the merger. Research and development expenses, as a percentage of revenues, declined to approximately 28% from 32% in 2000.

Sales and marketing expenses increased 18% to approximately \$5.9 million in the first nine months of 2001 from approximately \$5.0 million in 2000. This increase was primarily the result of additional costs associated with the development of foreign markets for OraQuick(R), the continued marketing of the Intercept(R) drugs-of-abuse service, and the launch of ULink(TM) in the criminal justice market. Sales and marketing expenses, as a percentage of revenues, remained constant at 24%.

General and administrative expenses decreased 17% to approximately \$4.6 million for the first nine months of 2001 from approximately \$5.5 million in 2000. This decrease reflects cost savings from the elimination of duplicative overhead structures as a result of the merger. General and administrative expenses, as a percentage of revenues, declined to approximately 19% from 26% in 2000.

Merger-related expenses were approximately \$5.9 million in 2000. These non-recurring costs primarily included fees for investment bankers, attorneys, and accountants.

Restructuring related expenses were approximately \$450,000 as a result of the first quarter manufacturing restructuring in 2001. These non-recurring costs primarily included expenses for employee severance, travel and transport resulting from relocating and consolidating manufacturing operations.

Operating loss improved to approximately \$1.8 million in the nine months ended September 30, 2001, from approximately \$10.3 million in 2000, which included approximately \$5.9 million of one-time merger expenses. This improvement is the result of increasing revenues, improving gross margins and lower general and administrative expenses, partially offset by increased sales and marketing, research and development expenses, and restructuring related charges.

Interest expense decreased by 18% to approximately \$310,000 in the first nine months of 2001 from approximately \$376,000 in 2000 as a result of principal loan repayments.

Interest income decreased by 21% to approximately \$743,000 in the first nine months of 2001 from approximately \$944,000 in 2000 as a result of lower cash and cash equivalents available for investment and lower interest rates.

Foreign currency gain was approximately \$3,000 in the first nine months of 2001 compared to a gain of approximately \$20,000 in 2000.

In the second quarter of 2000, the Company recorded a gain on the sale of securities of \$600,000, as a result of the sale of Andrew & Williamson Sales Company ("A&W") preferred stock the Company had received as part of a settlement with A&W in 1997.

Net loss was approximately \$1.4 million in the first nine months of 2001 compared to a net loss of approximately \$9.1 million in 2000, which included \$5.9 million of one-time merger-related expenses.

Liquidity and Capital Resources

	September 30, 2001	December 31, 2000
	-----	-----
	(In thousands)	
Cash and cash equivalents	\$ 2,296	\$5,096
Short-term investments	13,411	14,957
Working capital	21,164	21,495

The Company's cash, cash equivalents and short-term investments position decreased approximately \$4.3 million from December 31, 2000 to approximately \$15.7 million at September 30, 2001, primarily as a result of increased working capital requirements, partially offset by proceeds from the exercise of stock options. At September 30, 2001, the Company's working capital was approximately \$21.2 million.

The combination of the Company's current cash position, available borrowings under the Company's credit facilities, and the Company's cash flow from operations is expected to be sufficient to fund the Company's foreseeable operating and capital needs. However, the Company's cash requirements may vary materially from those now planned due to many factors, including, but not limited to, the progress of the Company's research and development programs, the scope and results of clinical testing, changes in existing and potential relationships with strategic partners, the time and cost in obtaining regulatory approvals, the costs involved in obtaining and enforcing patents, proprietary rights and any necessary licenses, the ability of the Company to establish development and commercialization capacities or relationships, the costs of manufacturing, market acceptance of new products, the need for increased capital expenditures, and other factors.

Net cash used in operating activities was approximately \$4.3 million for the first nine months of 2001, as a direct result of increased accounts receivable and inventory levels. The increased accounts receivable is the result of higher sales in 2001. The increased inventory levels reflect the buildup of OraQuick(R) and UPLink(TM) inventory in anticipation of future sales opportunities.

Net cash used in investing activities during the first nine months of 2001 was approximately \$623,000 as a result of approximately \$2.1 million in capital expenditures, primarily reflecting the Company's investment to expand OraQuick(R) manufacturing in Bethlehem, Pennsylvania. Capital expenditures are anticipated to increase during the remainder of 2001 and into the first half of 2002 as a result of additional commitments the Company has made for the purchase and installation of fully automated lateral flow manufacturing equipment for UPLink(TM), additional space for research and development activities, and expanded manufacturing capacity. Partially offsetting the capital expenditures was the sale of short-term investments to fund operating and capital expenditure requirements.

Net cash provided by financing activities was approximately \$2.1 million during the first nine months of 2001, principally reflecting \$3.0 million of proceeds from the exercise of stock options, partially offset by term debt repayments.

At September 30, 2001, the Company had a \$1.0 million working capital line of credit in place that accrues interest at LIBOR plus 235 basis points and a \$3.0 million equipment line of credit in place that accrues interest at a rate fixed at prime at the time of draw down. There were no borrowings under these lines of credit at September 30, 2001. These lending facilities have been extended through April 30, 2002.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The Company does not hold any material derivative financial instruments or derivative commodity instruments. Accordingly, the Company has no material market risk to report under this Item.

The Company holds approximately \$13.4 million of financial instruments comprised of U.S. corporate debt, certificates of deposit, government securities and commercial paper. All such instruments are classified as securities available for sale. The Company's debt security portfolio represents funds held temporarily pending use in its business and operations. The Company seeks 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, the Company continues to hold the security to maturity. The Company's holdings are also exposed to the risks of changes in the credit quality of issuers. The Company typically invests in the shorter end of the maturity spectrum.

The Company has entered into approximately \$243,000 of foreign currency forward exchange contracts to offset certain operational and balance sheet exposures from changes in foreign currency exchange rates. Such exposures result from the portion of the Company's operations, assets and liabilities located in the Netherlands and denominated in guilders. Based upon the fixed-exchange-rate nature of these contracts, the Company is exposed to potential risk of loss based upon fluctuations in the exchange rate of the guilder and U.S. dollar during the term of the contract. Furthermore, as currency rates change, translation of income statements for these operations from guilders to U.S. dollars affects year-to-year comparability of operating results. The Company's operations in the

Netherlands represented approximately \$0.5 million (6.3% of total revenues) and \$1.5 million (6.2% of total revenues) for the three months and nine months ended September 30, 2001, respectively. Management does not expect the risk of foreign currency fluctuations to be material.

PART II. OTHER INFORMATION

Item 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

On September 27, 2001, the Board of Directors of the Company amended the Amended and Restated Bylaws (the "Bylaws") of the Company to increase the notice period required for stockholders to submit proposals or nominate directors for consideration at meetings of stockholders. The Bylaws, as so amended, provide that in order to be timely, a stockholder's notice of a proposal or director nomination must be received by the Company not less than ninety (90) days nor more than one hundred twenty (120) days prior to the meeting; provided that in the event that less than one hundred (100) days notice or prior disclosure of the date of the meeting is given or made to stockholders, the stockholder's notice must be received by the Company no later than the close of business on the tenth (10th) day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made, whichever occurs first. A complete copy of the amended and restated Bylaws is filed as an Exhibit to this Report.

Item 5. OTHER INFORMATION

The Company has scheduled its 2002 Annual Meeting of Stockholders (the "2002 Annual Meeting") for May 9, 2002, in Bethlehem, Pennsylvania. The record date for determining stockholders entitled to notice of and to vote at the 2002 Annual Meeting is March 28, 2002. Stockholders desiring to submit proposals for inclusion in the Company's proxy materials for the 2002 Annual Meeting must meet the eligibility and other requirements imposed by rules issued by the Securities and Exchange Commission. To be included, proposals must be received by the Company at 150 Webster Street, Bethlehem, Pennsylvania 18015, Attention: Secretary, not later than December 20, 2001. If a stockholder proposal or director nomination is to be presented without inclusion in the Company's proxy materials for the 2002 Annual Meeting, the Company must receive the proposal or nomination no later than February 9, 2002, in accordance with the advance notice provisions of the Company's Bylaws.

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.

None.

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: November 13, 2001

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

/s/ Mark L. Kuna

Date: November 13, 2001

Mark L. Kuna
Controller
(Principal Accounting Officer)

/s/ Richard D. Hooper

Date: November 13, 2001

Richard D. Hooper
Vice President, Finance

EXHIBIT INDEX

Exhibit

- 3 Amended and Restated Bylaws of OraSure Technologies, Inc., Effective as of September 27, 2001.
- 10 Employment Agreement dated as of November 1, 2001 between OraSure Technologies and Ronald H. Spair.

AMENDED AND RESTATED BYLAWS
OF
ORASURE TECHNOLOGIES, INC.
Effective as of September 27, 2001

ARTICLE I
Name and Location

SECTION 1. Name.

The name of the Corporation shall be the name set forth in the Certificate of Incorporation.

SECTION 2. Principal Office.

The principal office of the Corporation is located at 150 Webster Street, Bethlehem, Pennsylvania 18015.

SECTION 3. Additional Offices.

Other offices for the transaction of business of the Corporation may be located at such place or places as the Board of Directors may from time to time determine.

ARTICLE II
Capital Stock

SECTION 1. Stock Certificates.

All certificates of stock shall be signed by the Chairman of the Board of Directors, the Chief Executive Officer, the President or a Vice President and the Secretary or an Assistant Secretary, and sealed with the corporate seal.

SECTION 2. Stock Transfers.

Transfers of stock shall be made on the books of the Corporation upon the surrender of the old certificate properly endorsed, and said old certificate shall be canceled before a new certificate is issued.

SECTION 3. Lost or Destroyed Stock Certificates.

A new certificate of stock may be issued in the place of any certificate theretofore issued, alleged to have been lost or destroyed, and the Corporation may, in its discretion, require the owner of the lost or destroyed certificate, or its legal representative, to give a bond sufficient to indemnify the Corporation against any claim that may be made against it on account of the alleged loss of any certificate.

SECTION 4. Preemptive Rights Denied.

No holder of shares of any class of the Corporation, or holder of any securities or obligations convertible into shares of any class of the Corporation, shall have any preemptive right whatsoever to subscribe for, purchase or otherwise acquire shares of the Corporation of any class, whether now or hereafter authorized; provided, however, that nothing in this Section 4 shall prohibit the Corporation from granting, contractually or otherwise, to any such holder, the right to purchase additional securities of the Corporation.

ARTICLE III
Stockholders' Meetings

SECTION 1. Annual Meeting.

The annual meeting of the stockholders of the Corporation shall be held, either within or without the State of Delaware, on such date and at such time as may from time to time be determined by the Board of Directors. At such meeting the stockholders shall elect directors in the manner provided in the Certificate of Incorporation of the Corporation. The stockholders may transact such other business at such annual meetings as may properly come before the meeting.

SECTION 2. Special Meeting.

A special meeting of the holders of any one or more classes of the capital stock of the Corporation entitled to vote as a class or classes with respect to any matter, as required by law or as provided by the Certificate of Incorporation, may be called at any time and place, either within or without the state of Delaware, only by the Chairman of the Board, the Chief Executive Officer, the President or the Board of Directors.

SECTION 3. Notice.

Notice of the time and place of all annual meetings and of the time, place and purpose of all special meetings shall be mailed by the Secretary to each stockholder at his or her last known post office address as it appears on the records of the Corporation at least ten (10) days before the date set for such meeting.

SECTION 4. Nomination of Directors.

Nomination of persons for election to the Board of Directors of the Corporation at a meeting of the stockholders may be made by or at the direction of the Board of Directors or may be made at a meeting of stockholders by any stockholder of the Corporation entitled to vote for the election of Directors at the meeting in compliance with the notice procedures set forth in this Section 4 of ARTICLE III. Such nomination, other than those made by or at the direction of the Board, shall be made pursuant to timely notice in writing to the Secretary of the Corporation. To be timely, a stockholder's notice shall be delivered to or mailed and received at the principal executive offices of the Corporation not less than ninety (90) days nor more than one hundred twenty (120) days prior to the

meeting; provided, however, that in the event that less than one hundred (100) days' notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be so received no later than the close of business on the tenth (10th) day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made, whichever first occurs. Such stockholder's notice to the Secretary shall set forth: (a) as to each person whom the stockholder proposes to nominate for election or re-election as a Director, (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class and number of shares of capital stock of the Corporation which are beneficially owned by the person, and (iv) any other information relating to the person that is required to be disclosed in solicitations for proxies for election of Directors pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act"); and (b) as to the stockholder giving the notice; (i) the name and record address of the stockholder; and (ii) the class and number of shares of capital stock of the Corporation which are beneficially owned by the stockholder. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as a Director of the Corporation. No person shall be eligible for election as a Director of the Corporation at a meeting of the stockholders unless such person has been nominated in accordance with the procedures set forth herein. If the facts warrant, the Chairman of the meeting shall determine and declare to the meeting that a nomination does not satisfy the requirements set forth in the preceding sentence and the defective nomination shall be disregarded. Nothing in this Section 42 shall be construed to affect the requirements for proxy statements of the Corporation under Regulation 14A of the Exchange Act.

SECTION 5. Presentation of Business at Stockholders' Meetings.

At any meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before a meeting, business must be: (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (b) otherwise properly brought before the meeting by or at the direction of the Board of Directors, or (c) otherwise properly brought before the meeting by a stockholder. For business to be properly brought before a meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's notice shall be delivered to or mailed and received at the principal executive offices of the Corporation not less than ninety (90) days nor more than one hundred twenty (120) days prior to the meeting; provided, however, that in the event that less than one hundred (100) days' notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be so received no later than the close of business on the tenth (10th) day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made, whichever first occurs. Such stockholder's notice to the Secretary shall set forth: (a) as to each matter the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting, and (b) as to the stockholder giving the notice, (i) the name and record

address of the stockholder, (ii) the class and number of shares of capital stock of the Corporation which are beneficially owned by the stockholder and (iii) any material interest of the stockholder in such business. No business shall be conducted at a meeting of the stockholders unless proposed in accordance with the procedures set forth herein. The Chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the foregoing procedure and such business shall not be transacted. To the extent this Section 5 shall be deemed by the Board of Directors or the Securities and Exchange Commission, or finally adjudged by a court of competent jurisdiction, to be inconsistent with the right of stockholders to request inclusion of a proposal in the Corporation's proxy statement pursuant to Rule 14a-8 promulgated under the Exchange Act, such rule shall prevail.

SECTION 6. Presiding Officials.

The Chairman of the Board of Directors, or in his or her absence or inability to act, the Chief Executive Officer, or in his or her absence or inability to act, the President, or in his or her absence or inability to act, any Vice President, shall preside at all stockholders' meetings.

SECTION 7. Voting.

Except as otherwise provided in the Certificate of Incorporation of the Corporation, at each meeting of the stockholders, each stockholder shall be entitled to cast one vote for each share of voting stock standing of record on the books of the Corporation, in his or her name, and may cast such vote either in person or by proxy. All proxies shall be in writing and filed with the Secretary of the meeting.

SECTION 8. Quorum; Adjournment.

At any meeting held for the purpose of electing directors, the presence in person or by proxy of the holders of at least a majority of the then outstanding voting shares of the Corporation shall be required and be sufficient to constitute a quorum for the election of directors. At a meeting held for any purpose other than the election of directors, shares representing a majority of the votes entitled to be cast on such matter, present in person or represented by proxy, shall constitute a quorum. In the absence of the required quorum at any meeting of stockholders, a majority of such holders present in person or by proxy shall have the power to adjourn the meeting, from time to time, without notice (except as required by law) other than an announcement at the meeting, until a quorum shall be present.

SECTION 9. Annual Statement of Business.

At each of the annual stockholders' meetings, one of the executive officers of the Corporation shall submit a statement of the business done during the preceding year, together with a report of the general financial condition of the Corporation.

ARTICLE IV
Directors

SECTION 1. Powers of the Board.

The business and property of the Corporation shall be managed by a Board consisting of such number of Directors as is determined from time to time in accordance with the provisions of the Certificate of Incorporation of the Corporation. The Board of Directors may elect one of their number to act as Chairman of the Board.

SECTION 2. Qualification.

Each Director upon his or her election shall qualify by filing his or her written acceptance with the Secretary or an Assistant Secretary and by fulfilling any prerequisite to qualification that may be set forth in the Certificate of Incorporation of the Corporation.

SECTION 3. Annual Meetings.

The annual meeting of the Board of Directors shall be held immediately after the adjournment of each annual meeting of the stockholders and in the event a quorum is not present, said meeting shall be held within ten (10) days after adjournment upon proper notice by the Chairman of the Board of Directors, the Chief Executive Officer, the President or a Vice President.

SECTION 4. Special Meetings.

Special meetings of the Board of Directors may be called at any time or place by the Chairman of the Board, the Chief Executive Officer, or by the President, and in the absence or inability of all of them to act, by any Vice President, and may also be called by any two members of the Board of Directors. By unanimous consent of the Directors, special meetings of the Board may be held without notice, at any time and place.

SECTION 5. Notice; Telephonic Attendance; Unanimous Consent.

Notice of all regular and special meetings of the Board of Directors or the Executive Committee or any committee established pursuant to this ARTICLE IV (an "Other Committee") shall be sent to each Director or member of such committee, as the case may be, by the Secretary or any Assistant Secretary, by a means reasonably calculated to be received at least seven (7) days prior to the time fixed for such meeting, or notice of special meetings of the Board of Directors or the Executive Committee or any Other Committee may be given by telephone, telegraph, telefax or telex to each Director or member of such committee, as the case may be, at least twenty-four (24) hours prior to the time fixed for such meeting, or on such shorter notice as the person or persons calling the meeting may reasonably deem necessary or appropriate in the circumstances. To the extent provided in the notice of the meeting or as otherwise determined by the Chairman of the Board or the Board of Directors, Directors may participate in any regular or special meeting by means of conference telephone, videoconference or similar communications equipment which allows all persons participating in such meeting to hear each other, and

participation in such meeting by means of such a device shall constitute presence in person at such meeting. Attendance of a director at any meeting shall constitute a waiver of notice of such meeting except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

If all the directors shall severally or collectively consent in writing to any action to be taken by the directors, such consents shall have the same force and effect as a unanimous vote of the directors at a meeting duly held. The Secretary shall file such consents with the minutes of the meetings of the Board of Directors.

SECTION 6. Quorum; Adjournment.

Except as otherwise provided in the Certificate of Incorporation of the Corporation, a quorum for the transaction of business at any meeting of the directors shall consist of a majority of the members of the Board, but the directors present, although less than a quorum, shall have the power to adjourn the meeting from time to time or to some future date.

SECTION 7. Election of Officers.

The directors shall elect the officers of the Corporation and fix their salaries and other compensation. Such election shall be made at the Directors' meeting following each annual stockholders' meeting.

SECTION 8. Advisers to the Board of Directors.

The Board of Directors from time to time, as they may deem proper, shall have authority to appoint a general manager, counsel or attorneys and other employees for such length of time and upon such terms and conditions and at such salaries and other compensation as they may deem necessary and/or advisable.

SECTION 9. Compensation; Reimbursement of Expenses.

The members of the Board of Directors shall receive compensation for their services in such amount as may be reasonable and proper and consistent with the time and service rendered. The members of the Board of Directors shall receive the reasonable expenses necessarily incurred in the attendance of meetings and in the transaction of business for the Corporation.

SECTION 10. Indemnification; Insurance.

(a) Indemnification.

(1) Actions Other than Those by or in the Right of the Corporation. To the extent permitted by Delaware law from time to time in effect and subject to the provisions of paragraph (c) of this Section 10, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any

threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation (or such other corporation or organization), and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person's conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the person did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that such person's conduct was unlawful.

(2) Action by or in the Right of the Corporation. To the extent permitted by Delaware law from time to time in effect and subject to the provisions of paragraph (c) of this Section 10, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation (or such other corporation or organization) and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation (or such other corporation or organization) unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper.

(3) Successful Defense of Action. Notwithstanding, and without limitation of, any other provision of this Section 10, to the extent that a director, officer, employee or agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in sub-paragraph (1) or (2) of this paragraph (a), or in defense of any claim, issue or matter therein, such director, officer, employee or agent shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith.

(4) Determination Required. Any indemnification under sub-paragraph (1) or (2) of this paragraph (a) (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because such director, officer, employee or agent has met the applicable standard of conduct set forth in said sub-paragraph. Such determination shall be made: (i) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to the particular action, suit or proceeding, or (ii) if such a quorum is not obtainable, or, even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (iii) by the stockholders.

(b) Insurance. The Corporation may, when authorized by the Board of Directors, purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of this Section 10. The risks insured under any insurance policies purchased and maintained on behalf of any person as aforesaid or on behalf of the Corporation shall not be limited in any way by the terms of this Section 10 and to the extent compatible with the provisions of such policies, the risks insured shall extend to the fullest extent permitted by law, common or statutory.

(c) Advancement of Expenses; Nonexclusivity; Duration. Expenses (including attorneys' fees) incurred by an officer or director in defending any civil, criminal, administrative or investigative action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such officer or director to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the Corporation as authorized in this Section 10. Such expenses (including attorneys' fees) incurred by other employees and agents may be so paid by the Corporation upon such terms and conditions, if any, as the Board of Directors deems appropriate. The indemnifications, advancement of expenses and rights provided by, or granted pursuant to, this Section 10 shall not be deemed exclusive of any other indemnifications, advancement of expenses, rights or limitations of liability to which any person seeking indemnification or advancement of expenses may be entitled under any Bylaw, agreement, vote of stockholders or disinterested directors, or otherwise, either as to action in such person's official capacity or as to action in another capacity while holding office, and they shall continue although such person has ceased to be a director, officer, employee or agent and shall inure to the benefit of such person's heirs, executors and administrators. The authorization to purchase and maintain insurance set forth in paragraph (b) shall likewise not be deemed exclusive.

SECTION 11. Committees.

(a) The Board of Directors may, by resolution or resolutions adopted by a majority of the whole Board, designate two or more directors of the Corporation to constitute one or more committees in addition to those committees required by SECTIONS 12, 13 and 14 of this ARTICLE IV. Each such committee, to the extent provided in such resolution or resolutions, shall have and may exercise all of the authority of the Board in the management of the Corporation; provided, however, that the designation of each such committee and the delegation thereto of authority shall not operate to relieve the Board, or any member thereof, of any responsibility imposed upon it or such member by law.

(b) Notwithstanding any other provision of these Bylaws, no committee of the Board of Directors shall have the power or authority of the Board with respect to (i) amending the Certificate of Incorporation, (ii) approving or recommending to stockholders any type or form of "business combination" (as defined in Section 203 of the General Corporation Law of Delaware as in effect on January 1, 1996), (iii) approving or recommending to the stockholders a dissolution of the Corporation or a revocation of a dissolution, (iv) amending these Bylaws, (v) declaring a dividend or making any other distribution to the stockholders, (vi) authorizing the issuance of stock otherwise than pursuant to the grant or exercise of a stock option under employee stock options of the Corporation or in connection with a public offering of securities registered under the Securities Act of 1933, as amended, or (vii) appointing any member of any committee of the Board.

(c) Each such committee shall keep regular minutes of its proceedings, which minutes shall be recorded in the minute book of the Corporation. The Secretary or an Assistant Secretary of the Corporation may act as Secretary for each such committee if the committee so requests.

SECTION 12. Executive Committee.

The Board of Directors may, at the annual or any regular or special meeting, by resolutions adopted by a majority of the whole Board, designate two or more directors to constitute an Executive Committee and appoint one of the directors so delegated as the Chairman of the Executive Committee. The Executive Committee between regular meetings of the Board of Directors shall manage the business and property of the Corporation and shall have the same power and authority as the Board of Directors; provided, however, the Executive Committee shall not act (other than to make a recommendation) in those cases where it is provided by law or by the Certificate of Incorporation of the Corporation that any vote or action in order to bind the Corporation shall be taken by the Directors. Members of the Executive Committee may participate in any meeting of the Executive Committee by means of conference telephone or videoconference or similar communications equipment which allows all persons participating in the meeting to hear each other, and participation in a meeting by means of such a device shall constitute presence in person at such meeting.

The Executive Committee shall keep a record of its proceedings and may hold meetings upon one (1) day's written notice or upon waiver of notice signed by the members either

before or after said Executive Committee meeting. A majority of the Executive Committee shall constitute a quorum for the transaction of business at any meeting for which notice has been given to all members in accordance with ARTICLE IV, Section 5 hereof or for which notice has been waived by all members.

The Executive Committee or any Other Committee may act by unanimous written consent as provided in ARTICLE IV, SECTION 5.

SECTION 13. Audit Committee.

The Board of Directors at the annual or any regular or special meeting of the directors shall, by resolution adopted by a majority of the whole Board, designate two or more directors to constitute an Audit Committee and appoint one of the directors so designated as the chairman of the Audit Committee. Membership on the Audit Committee shall be restricted to those directors who are independent of the management of the Corporation and are free from any relationship that, in the opinion of the Board, would interfere with the exercise of independent judgment as a member of the committee. Vacancies in the committee may be filled by the Board at any meeting thereof. Each member of the committee shall hold office until such committee member's successor has been duly elected and qualified, or until such committee member's resignation or removal from the Audit Committee by the Board, or until such committee member otherwise ceases to be a director. Any member of the Audit Committee may be removed from the committee by resolution adopted by a majority of the whole Board. The compensation, if any, of members of the committee shall be established by resolution of the Board.

The Audit Committee shall be responsible for: recommending to the Board the appointment or discharge of independent auditors; reviewing with the management and the independent auditors the terms of engagement of independent auditors, including the fees, scope and timing of the audit and any other services rendered by the independent auditors; reviewing with the independent auditors and management the Corporation's policies and procedures with respect to internal auditing, accounting and financial controls; reviewing with the management the independent statements, audit results and reports and the recommendations made by any of the auditors with respect to changes in accounting procedures and internal controls; reviewing the results of studies of the Corporation's system of internal accounting controls; and performing any other duties or functions deemed appropriate by the Board. The Audit Committee shall have the powers and rights necessary or desirable to fulfill these responsibilities, including the power and right to consult with legal counsel and to rely upon the opinion of legal counsel. The Audit Committee is authorized to communicate directly with the Corporation's financial officers and employees, internal auditors and independent auditors as it deems desirable and to have the internal auditors or independent auditors perform any additional procedures as it deems appropriate.

All actions of the Audit Committee shall be reported to the Board at the next meeting of the Board. The minute books of the Audit Committee shall at all times be open to the inspection of any director.

The Audit Committee shall meet at the call of its chairman or of any two members of the Audit Committee (or if there shall be only one other member, then at the call of that member). A majority of the Audit Committee shall constitute a quorum for the transaction of business (or if there shall only be two members, then both must be present), and the act of a majority of those present at any meeting at which a quorum is present (or if there shall be only two members, then they must act unanimously) shall constitute the act of the Audit Committee.

SECTION 14. Compensation Committee.

The Board of Directors at the annual or any regular or special meeting shall, by resolution adopted by a majority of the whole Board, designate two or more directors to constitute a Compensation Committee. Membership on the Compensation Committee shall be restricted to disinterested persons which for this purpose shall mean any director who, during the time such director is a member of the Compensation Committee is not eligible, and has not at any time within one year prior thereto been eligible, for selection to participate (other than in a manner as to which the Compensation Committee has no discretion) in any of the compensation plans administered by the Compensation Committee. Vacancies in the committee may be filled by the Board at any meeting. Each member of the committee shall hold office until such committee member's successor has been duly elected and qualified, or until such committee member's resignation or removal from the Compensation Committee by the Board, or until such committee member otherwise ceases to be a director or a disinterested person. Any member of the Compensation Committee may be removed by resolution adopted by a majority of the whole Board. The compensation, if any, of the members of the Compensation Committee shall be established by resolution of the Board.

The Compensation Committee shall, from time to time, recommend to the Board the compensation and benefits of the executive officers of the Corporation. The Compensation Committee shall have the power and authority vested in the Board by any benefit plan of the Corporation. The Compensation Committee shall also make recommendations to the Board with regard to the compensation of the Board and its committees, with the exception of the Compensation Committee.

All actions of the Compensation Committee shall be reported to the Board at the next meeting of the Board. The minute books of the Compensation Committee shall at all times be open to the inspection of any director.

The Compensation Committee shall meet at the call of the chairman of the Compensation Committee or of any two members of the Compensation Committee (or if there shall be only one other member, then at the call of that member). A majority of the Compensation Committee shall constitute a quorum for the transaction of business (or if there shall be only two members, then both must be present), and the act of a majority of those present at any meeting at which a quorum is present (or if there shall be only two members, then they must act unanimously) shall be the act of the Compensation Committee.

SECTION 15. Alternate Committee Members.

The Board of Directors, by resolution adopted by a majority of the whole Board, may designate one or more additional directors as alternate members of any committee to replace any absent or disqualified member at any meeting of that committee, and at any time may change the membership of any committee or amend or rescind the resolution designating the committee. In the absence or disqualification of a member or alternate member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not the member or members constitute a quorum, may unanimously appoint another director to act at the meeting in the place of any such absent or disqualified member, provided that the director so appointed meets any qualifications stated in these Bylaws or the resolution designating the committee or any amendment thereto.

SECTION 16. Committee Procedures.

Unless otherwise provided in these Bylaws or in the resolution designating any committee, any committee may fix its rules or procedures, fix the time and place of its meetings and specify what notice of meetings, if any, shall be given.

ARTICLE V
Officers

SECTION 1. Designations.

The officers of this Corporation shall be a Chairman of the Board of Directors, a Chief Executive Officer, a President, as many Vice Presidents as the Board of Directors may from time to time deem advisable and one or more of which may be designated Executive Vice President or Senior Vice President, a Secretary, a Treasurer, and such Assistant Secretaries and Assistant Treasurers as the Board of Directors may from time to time deem advisable, and such other officers as the Board of Directors may from time to time deem advisable and designate. The Chairman of the Board of Directors shall be a member of and be elected by the Board of Directors. All other officers shall be elected by the Board of Directors. All officers shall hold office until their respective successors are elected and shall have qualified. Any two offices may be held by one person except the office of President and Vice President.

SECTION 2. Chairman of the Board.

The Chairman of the Board of Directors shall preside at all meetings of the Directors and stockholders at which he or she is present and shall have such other duties, power and authority as may be prescribed by the Board of Directors from time to time or elsewhere in these Bylaws.

SECTION 3. Chief Executive Officer.

The Chief Executive Officer shall have such general executive powers and duties as are usually vested in the office of the chief executive officer and shall perform such other

duties as are authorized by the Board of Directors. Unless the Board of Directors otherwise provides, the Chief Executive Officer, or any person designated in writing by the Chief Executive Officer, shall have full power and authority on behalf of the Corporation to: (i) attend and to vote or take action at any meeting of the holders of securities of corporations in which the Corporation may hold securities, and at such meetings shall possess and may exercise any and all rights and powers incident to being a holder of such securities, and (ii) execute and deliver waivers of notice and proxies for and in the name of this Corporation with respect to securities of any such corporation held by this Corporation.

SECTION 4. President.

The President shall have such general executive powers and duties of supervision and management as are usually vested in such office and shall perform such other duties as are authorized by the Board of Directors or the Chief Executive Officer. The Chairman of the Board, the Chief Executive Officer, or the President shall sign contracts, certificates and other instruments of the Corporation as authorized by the Board of Directors.

SECTION 5. Vice Presidents.

A Vice President shall have the right and power to perform all duties and exercise all authority of the President, in case of the absence of the President or upon vacancy in the office of President or delegation by the Board of Directors, until the Board of Directors otherwise provides, and shall have all power and authority usually enjoyed by a person holding the office of Vice President.

SECTION 6. Secretary and Assistant Secretaries.

The Secretary shall issue notices of all directors' and stockholders' meetings, and shall attend and keep the minutes of the same; shall have charge of all corporate books, records and papers; shall be custodian of the corporate seal; shall attest with his or her signature, which may be a facsimile signature if authorized by the Board of Directors, and impress with the corporate seal, all stock certificates and written contracts of the Corporation; and shall perform all other duties as are incident to his or her office. Any Assistant Secretary, in the absence or inability of the Secretary, shall perform all duties of the Secretary and such other duties as may be required.

SECTION 7. Treasurer and Assistant Treasurers.

The Treasurer shall have custody of all money and securities of the Corporation and shall give bond in such sum and with such sureties as the directors may specify, conditioned upon the faithful performance of the duties of his or her office. He or she shall keep regular books of account and shall submit them, together with all of his or her records and other papers, to the directors for their examination and approval annually; and quarterly or as and when directed by the Board of Directors, he or she shall submit to each director a statement of the condition of the business and accounts of the Corporation; and shall perform all such other duties as are incident to his or her office. An Assistant Treasurer, in the absence or inability of the Treasurer, shall perform all the duties of the Treasurer and such other duties as may be required.

SECTION 8. Bonding.

Any officer or employee of the Corporation shall give such bond for the faithful performance of his or her duties in such sum, as and when the Board of Directors may direct.

ARTICLE VI
Dividends

SECTION 1. Dividends shall be paid out of the net income or earned surplus of the Corporation, determined after making proper provision for required sinking fund deposits for debt obligations and proper provisions for working capital and such reserves as may be required by good and generally accepted accounting practice, when declared from time to time by resolution of the Board of Directors. No such dividends shall be declared or paid which will impair the capital of the Corporation.

ARTICLE VII
Amendments

SECTION 1. Except as otherwise provided in the Certificate of Incorporation of the Corporation, these Bylaws may be amended, altered or repealed by the affirmative vote of a majority of the Board of Directors, subject to the power of stockholders to amend, alter or repeal the Bylaws, or as otherwise may from time to time be authorized by the laws of the State of Delaware.

ARTICLE VIII
Corporate Seal

SECTION 1. The corporate seal of this Corporation shall have inscribed thereon the name of the Corporation and its state of incorporation.

EMPLOYMENT AGREEMENT

This Employment Agreement is entered into as of November 1, 2001, between Ronald H. Spair ("Employee") and OraSure Technologies, Inc., a Delaware corporation (the "Company").

1. Services.

1.1 Employment. The Company agrees 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 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. Subject to the provisions of Section 6.4 hereof, Employee's position and duties may be changed from time to time during the term of this Agreement. Employee's place of work shall be the Company's headquarters, at its present location or as it may be relocated.

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 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 sooner terminated in accordance with Section 6 below. Thereafter, this Agreement shall automatically renew from year to year for successive one-year terms (a) unless either party gives the other party written notice of that party's intent not to renew this Agreement at least 120 days before the expiration of its current term or (b) the 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 \$200,000 per annum. Subject to the provisions of Section 6.4 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. Employee will receive a performance evaluation and salary review within approximately six months of the commencement of Employee's employment with the Company.

3.2 Bonus. The Company shall establish a Management Incentive Plan for the payment of bonuses to management employees (the "MIP"), 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 the MIP commencing in 2002.

3.3 Long-Term Incentive. To the extent otherwise eligible, 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.

3.4 Additional Employee Benefits. To the extent otherwise eligible, Employee shall be entitled to receive or participate in any additional benefits, including without limitation medical and dental insurance programs, profit sharing or pension plans, and medical reimbursement plans, 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.

3.5 Expenses.

3.5.1 Job-Related. 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.

3.5.2 Relocation. The Company shall reimburse Employee for reasonable expenses incurred in connection with relocation up to a maximum aggregate amount of \$40,000. Expenses which shall be reimbursable under this Section 3.5.2 shall include expenses for transporting and storing Employee's household goods, closing costs associated with the sale of Employee's existing house in Hamilton Square, New Jersey and purchase of a new house, temporary living expenses and other relocation expenses. In order to be eligible for reimbursement, all relocation expenses must be incurred on or prior to the one-year anniversary of the commencement of Employee's employment with the Company. The aggregate reimbursement required hereunder shall be made net of applicable income taxes as the Company shall compensate Employee, through a gross-up of Employee's income, for Federal, state and local income taxes payable

by Employee on the reimbursable costs paid to Employee. If Employee voluntarily terminates his employment with the Company on or prior to the one-year anniversary of the commencement of his employment with the Company, Employee shall repay to the Company all amounts paid by the Company under this Section 3.5.2.

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 Options. Subject to approval by the Board of Directors or the Compensation Committee, Employee shall be granted an option to purchase 150,000 shares of the Company's common stock. Such option shall be granted as of the date Employee commences employment with the Company, shall be exercisable at the fair market value of the Company's common stock on the date of grant (i.e. the average of the high and low sales prices as reported in The Nasdaq Stock Market), and shall be subject to such other terms and conditions as are consistent with option grants provided to other senior Company management. In addition to the foregoing option grant, Employee shall be entitled to participate in the Company stock award plan. The number of additional stock options that are granted to Employee under the plan from time to time shall be determined by the Board of Directors or the Compensation Committee.

5. Confidentiality Agreement. Employee and the Company are concurrently entering a confidentiality agreement (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 shall constitute a material breach of this Agreement.

6. Termination.

6.1 Termination Upon Death. This Agreement shall terminate immediately upon Employee's death.

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 on the arbitrators or other finders of fact in connection with any litigation or dispute arising out of this Agreement.

6.4 Termination by the Company Without Cause. The Company may terminate Employee's employment under this Agreement without cause by written notice to Employee. Employee may (but shall not be required to) elect to treat any of the following events as a termination without cause, provided Employee acts within 60 days of the event:

6.4.1 A material breach of this Agreement by the Company and a failure by the Company to cure the breach within 30 days after Employee has given written notice of the breach to the board of directors.

6.4.2 A reduction in Employee's salary below the amount stated in Section 3.1 (except as part of and in proportion to a reduction in all executive officers' salaries) or a change in Employee's title or a substantial diminution in Employee's duties below those stated in this Agreement.

6.4.3 A "Change of Control" of the Company. For purposes of this Agreement, a "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 shareholders 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.

6.5 Compensation Upon Termination.

6.5.1 Termination Under Sections 6.1, 6.2, or 6.3. In the event of a termination of Employee's employment under Sections 6.1, 6.2, or 6.3, Employee's regular compensation pursuant to Section 3.1 shall be prorated and payable until the date of termination and Employee shall be paid any bonus that has been approved but not yet paid.

6.5.2 Termination Under Section 6.4. In the event of a termination of Employee's employment by the Company without cause as provided in Section 6.4, Employee shall continue to be paid the salary provided in Section 3.1 for the greater of (a) 12 months, (b) the remaining term of this Agreement, or (c) 36 months if Employee elects to treat an event described in Section 6.4.3 as a termination without cause, from the date of notice of such termination of employment or the date of such event, in the manner and at the times at which regular compensation was paid to Employee during the term of his employment under this Agreement, except that if Employee elects to treat an event described in Sections 6.4.1, 6.4.2, or 6.4.3 as a termination without cause but continues to work for the Company or any of its subsidiaries, then any amounts Employee receives as compensation following the event shall be credited against the amounts payable to Employee under this section. In no other respect shall the amount of any payment provided for in this section be reduced by any compensation or benefits earned by employee as a result of employment after his termination. As a condition to receipt of the compensation described in the first sentence of this Section 6.5.2, Employee shall sign and deliver a release agreement, in form and substance satisfactory to the Company and Employee, releasing all claims related to Employee's employment. The Company's obligation to pay the amounts stated in this section shall terminate if Employee fails to comply with the Confidentiality Agreement within the applicable time period stated in the first sentence of this section.

7. 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.

8. 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.

9. 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.

10. Arbitration.

10.1 Claims Covered. All claims or controversies, except for those excluded by Section 10.2 ("claims"), whether or not arising out of Employee's employment (or its termination), that the Company may have against the Employee or that Employee may have against the Company or against its officers, directors, employees or agents, in their capacity as such or otherwise, shall be resolved as provided in this Section 10. Claims covered by this Section 10 include, but are not limited to, claims for wages or other compensation due; claims for breach of any contract or covenant (express or implied); tort claims; claims for discrimination (including, but not limited to, race, sex, sexual orientation, religion, national origin, age, marital status, or disability); claims for benefits (except where an employee benefit or pension plan specifies that its claims procedure shall culminate in an arbitration procedure different from this one), and claims for violation of any federal, state, or other governmental law, statute, regulation, or ordinance, except as provided in Section 10.2.

10.2 Non-Covered Claims. Claims arising out of the Business Protection Agreement and workers' compensation or unemployment compensation benefits are not covered by this Section 10. Non-covered claims include but are not limited to claims by the Company for injunctive and/or other equitable relief for unfair competition and/or the use and/or unauthorized disclosure of trade secrets or confidential information, as to which Employee understands and agrees that the Company may seek and obtain relief from a court of competent jurisdiction.

10.3 Required Notice of All Claims and Statute of Limitations. Company and Employee agree that the aggrieved party must give written notice of any claim to the other party within one year of the date the aggrieved party first has knowledge of the event giving rise to the claim; otherwise the claim shall be void and deemed waived even if there is a federal or state statute of limitations which would have given more time to pursue the claim. The written notice shall identify and describe the nature of all claims asserted and the facts upon which such claims are based.

10.4 Arbitration Procedures. Any arbitration shall be conducted in accordance with the then-current Model Employment Arbitration Procedures of the American Arbitration Association ("AAA"), modified to substitute for AAA actions, the United States Arbitration and Mediation Service ("USA&MS"), before an arbitrator who is licensed to practice law in the state of Pennsylvania (the "Arbitrator"). The arbitration shall take place in or near Bethlehem, Pennsylvania.

10.4.1 Selection of Arbitrator. The USA&MS shall give each party a list of 11 arbitrators drawn from its panel of labor-management dispute arbitrators. Each party may strike all names on the list it deems unacceptable. If only one common name remains on the lists of all parties, that individual shall be designated as the Arbitrator. If more than one common name remains on the lists of all parties, the parties shall strike names alternately until only one remains. The party who did not initiate the claim shall strike first. If no common name remains on the lists of all parties, the USA&MS shall furnish an additional list or lists until an Arbitrator is selected.

10.4.2 Applicable Law. The Arbitrator shall apply the substantive law (and the law of remedies, if applicable) specified in this Agreement or federal law, or both, as applicable to the claim(s) asserted. The Arbitrator, and not any federal, state, or local court or agency, shall have exclusive authority to resolve any dispute relating to the interpretation, applicability, enforceability or formation of this Agreement, including but not limited to any claim that all or any part of this Agreement is void or voidable. The arbitration shall be final and binding upon the parties, except as provided in this Agreement.

10.4.3 Authority. The Arbitrator shall have jurisdiction to hear and rule on pre-hearing disputes and is authorized to hold pre-hearing conferences by telephone or in person as the Arbitrator deems necessary. The Arbitrator shall have the authority to entertain a motion to dismiss and/or a motion for summary judgment by any party and shall apply the standards governing such motions under the Federal Rules of Civil Procedure. The Arbitrator shall render an award and opinion in the form typically rendered in labor arbitrations.

10.4.4 Representation. Any party may be represented by an attorney or other representative selected by the party.

10.4.5 Discovery. Each party shall have the right to take the deposition of one individual and any expert witness designated by another party. Each party also shall have the right to make requests for production of documents to any party. The subpoena right specified below shall be applicable to discovery pursuant to this paragraph. Additional discovery may be had only where the Arbitrator selected pursuant to this Agreement so orders, upon a showing of substantial need. At least 30 days before the arbitration, the parties must exchange lists of witnesses, including any experts, and copies of all exhibits intended to be used at the arbitration. Each party shall have the right to subpoena witnesses and documents for the arbitration.

10.4.6 Reporter. Either party, at its expense, may arrange for and pay the cost of a court reporter to provide a stenographic record of proceedings.

10.4.7 Post-Hearing Briefs. Either party, upon request at the close of hearing, shall be given leave to file a post-hearing brief. The time for filing such a brief shall be set by the Arbitrator.

10.5 Enforcement. Either party may bring an action in any court of competent jurisdiction to compel arbitration under this Agreement and to enforce an arbitration award. Except as otherwise provided in this Agreement, both the Company and Employee agree that neither shall initiate or prosecute any lawsuit (other than for a non-covered claim) in any way related to any claim covered by this Agreement. A party opposing enforcement of an award may not do so in an enforcement proceeding, but must bring a separate action in any court of competent jurisdiction to set aside the award, where the standard of review will be the same as that applied by an appellate court reviewing a decision of a trial court sitting without a jury.

10.6 Arbitration Fees and Costs. Company and Employee shall equally share the fees and costs of the Arbitrator. Each party will deposit funds or post other appropriate security for its share of the Arbitrator's fee, in an amount and manner determined by

the Arbitrator, 10 days before the first day of hearing. Each party shall pay for its own costs and attorneys' fees, if any, provided that the Arbitrator, in its sole discretion, may award reasonable fees to the prevailing party in a proceeding.

11. General Terms and Conditions. This Agreement and the letter dated October 25, 2001 from the Company to Employee constitute the entire understanding of the parties relating to the employment of Employee by the Company, and supersedes and replaces all written and oral agreements heretofore made or existing by and between the parties relating thereto. This Agreement shall be construed in accordance with the laws of the Commonwealth of Pennsylvania, without regard to any contrary conflicts of laws rules thereof. This Agreement shall inure to the benefit of any successors or assigns of the Company. All captions used herein are intended solely for convenience of reference and shall in no way limit any of the provisions of this Agreement. Employee acknowledges that he signed this Agreement upon his initial employment with the Company.

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/ Robert D. Thompson

Title: Chief Executive Officer

EXHIBIT A to Employment Agreement

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, shall be responsible for overseeing the Company's financial growth, structure and direction and assisting the Company's Chief Executive Officer in operating and strategic matters.