

BIOQUAL, INC.
FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

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Independent Auditor's Report

To the Board of Directors
Bioqual, Inc.
Rockville, Maryland

Opinion

We have audited the accompanying financial statements of **Bioqual, Inc.**, which comprise the Balance Sheets as of May 31, 2024 and 2023, and the related Statements of Income, Stockholders' Equity, and Cash Flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Bioqual, Inc.** as of May 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Bioqual, Inc.** and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **Bioqual, Inc.'s** ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

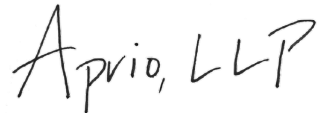
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of **Bioqual, Inc.**'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Bioqual, Inc.**'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Independent Auditor's Report (Continued)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2024 on our consideration of **Bioqual, Inc.**'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of **Bioqual, Inc.**'s internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Bioqual Inc's** internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Aprio, LLP". The signature is written in a cursive, slightly slanted style.

Rockville, Maryland

September 20, 2024

Bioqual, Inc.

Balance Sheets

<i>May 31,</i>	2024	2023
Assets		
Current assets		
Cash and cash equivalents	\$ 15,594,090	\$ 7,279,356
Accounts receivable	13,845,577	20,641,512
Prepaid expenses and other current assets	1,434,448	2,019,004
Total current assets	30,874,115	29,939,872
Property and equipment		
Leasehold improvements	11,978,789	11,781,747
Furniture, fixtures and equipment	19,241,189	18,841,101
Total property and equipment	31,219,978	30,622,848
Less: Accumulated depreciation and amortization	(20,346,774)	(17,790,984)
Net property and equipment	10,873,204	12,831,864
Operating lease right-of-use assets	13,788,853	17,516,721
Goodwill	1,028,408	1,028,408
Deferred income tax asset	23,300	-
Total assets	\$ 56,587,880	\$ 61,316,865
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 1,379,556	\$ 1,594,010
Accrued compensation and related liabilities	2,274,558	2,304,290
Deferred revenue	446,416	956,875
Operating lease liabilities, current portion	3,586,985	3,441,982
Total current liabilities	7,687,515	8,297,157
Long-term liabilities		
Operating lease liabilities, net of current portion	11,250,474	15,166,190
Deferred income taxes	-	239,900
Total liabilities	18,937,989	23,703,247
Commitments and contingencies		
Stockholders' equity		
Common stock - \$0.01 par value, 5,000,000 shares authorized, 1,599,408 shares issued, and 894,416 shares outstanding at May 31, 2024 and 2023	15,994	15,994
Treasury stock, at cost	(1,041,240)	(1,041,240)
Additional paid-in capital	7,364,934	7,364,934
Retained earnings	31,310,203	31,273,930
Total stockholders' equity	37,649,891	37,613,618
Total liabilities and stockholders' equity	\$ 56,587,880	\$ 61,316,865

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Bioqual, Inc.**Statements of Income**

<i>Years Ended May 31,</i>	2024	2023
Revenue	\$ 58,590,949	\$ 62,663,804
Operating expenses		
Contract	51,161,816	54,019,116
General and administrative	7,448,771	7,541,724
Total operating expenses	58,610,587	61,560,840
Operating (loss) income	(19,638)	1,102,964
Other income		
Interest income	476,328	28,268
Other income	19,757	2,010
Total other income	496,085	30,278
Income before (benefit) provision for income taxes	476,447	1,133,242
(Benefit) provision for income taxes	(7,034)	297,694
Net income	\$ 483,481	\$ 835,548
Basic earnings per share	\$ 0.54	\$ 0.93
Diluted earnings per share	\$ 0.54	\$ 0.93
Weighted average number of shares outstanding for basic earnings per share	894,416	894,416
Weighted average number of shares outstanding for diluted earnings per share	894,416	894,416

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Bioqual, Inc.

Statements of Stockholders' Equity

	Common Stock		Treasury Stock		Additional Paid- In Capital	Retained Earnings	Total
	Shares	Amount	Shares	Amount			
Balance, June 1, 2022	1,599,408	\$ 15,994	704,992	\$ (1,041,240)	\$ 7,364,934	\$ 31,332,798	\$ 37,672,486
Dividends declared - \$1.00 per share	-	-	-	-	-	(894,416)	(894,416)
Net income	-	-	-	-	-	835,548	835,548
Balance, May 31, 2023	1,599,408	15,994	704,992	(1,041,240)	7,364,934	31,273,930	37,613,618
Dividends declared - \$0.50 per share	-	-	-	-	-	(447,208)	(447,208)
Net income	-	-	-	-	-	483,481	483,481
Balance, May 31, 2024	1,599,408	\$ 15,994	704,992	\$ (1,041,240)	\$ 7,364,934	\$ 31,310,203	\$ 37,649,891

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Bioqual, Inc.

Statements of Cash Flows

<i>Years Ended May 31,</i>	2024	2023
Cash flows from operating activities		
Net income	\$ 483,481	\$ 835,548
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	2,555,790	2,277,117
Operating lease right-of-use-assets	3,729,797	3,557,220
Deferred income taxes	(263,200)	(10,800)
(Increase) decrease in		
Accounts receivable	6,795,935	6,122,077
Prepaid expenses and other current assets	584,556	761,208
Increase (decrease) in		
Accounts payable	(214,454)	(1,695,109)
Accrued compensation and related liabilities	(29,732)	64,138
Deferred revenue	(510,459)	(208,186)
Operating lease liabilities	(3,772,642)	(3,473,201)
Net cash provided by operating activities	9,359,072	8,230,012
Cash flows from investing activities		
Purchases of property and equipment	(597,130)	(2,242,485)
Proceeds from the sale of fixed assets	-	2,000
Net cash used in investing activities	(597,130)	(2,240,485)
Cash flows from financing activities		
Dividends paid	(447,208)	(894,416)
Net change in cash and cash equivalents	8,314,734	5,095,111
Cash and cash equivalents at beginning of year	7,279,356	2,184,245
Cash and cash equivalents at end of year	\$ 15,594,090	\$ 7,279,356
Supplemental information:		
Income taxes paid	\$ 67,000	\$ 1,456,037
Recognition of right-of-use asset	\$ -	\$ 3,356,096
Recognition of operating lease liability	\$ -	\$ 3,356,096

The accompanying Notes to Financial Statements are an integral part of these financial statements.

1. Organization and significant accounting policies

Organization: Bioqual, Inc. (the Company), a Delaware Corporation, was founded in 1981. The Company supports the National Institutes of Health and commercial clients by providing research services in the following in-vitro and in-vivo research areas: cancer, malaria and viruses, including HIV, SIV, Zika, SARS, hepatitis, and influenza. Additional offerings include biocontainment up to level 3 for both laboratory and laboratory animal research including emerging diseases such as COVID-19. The Company is headquartered in Rockville, Maryland.

Use of accounting estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition: The majority of the Company's revenues from contracts with customers are for support provided to the National Institutes of Health (NIH) for research services for certain diseases and medical research areas, including cancer, AIDS, hepatitis, influenza, immunology, malaria, emerging diseases, such as COVID-19, and breeding and development of genetically defined animals. The Company performs under various types of contracts, which include cost-reimbursable or cost-plus-fixed-fee (CPFF), time-and-materials (T&M), fixed-price-per-unit (FP-U), and fixed-price-milestone (FP-M) contracts.

Revenue is recognized upon transfer of control of promised products and services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products or services.

To determine the proper revenue recognition, the Company first evaluates whether it has a duly approved and enforceable contract with a customer, in which the rights of the parties and payment terms are identified, and collectability is probable. The Company also evaluates whether two or more contracts should be combined and accounted for as a single contract, including the purchase or work orders issued under a Master Services Agreement (MSA) or similar arrangements.

In addition, the Company assesses contract modifications to determine whether the changes to existing contracts should be accounted for as part of the original contract or as a separate contract. Contract modifications for the Company generally relate to changes in contract scope and related requirements, more specifically, additional testing, studies, or similar analysis that do not add distinct services, and therefore are accounted for as part of the original contract. If contract modifications add distinct goods or services, such as additional studies that are distinct from the original or previous study(ies) and increase the contract value by the standalone selling price, those modifications are accounted for as separate contracts.

Most of the Company's contracts comprise multiple promises which can include the procurement of the appropriate animal models if not already provided by the customer or by the Company, provisions for the care and housing of the animals, and services provided for the testing, studies, and/or analysis. In all cases, the Company assesses if the multiple promises should be accounted for as separate performance obligations or combined into a single performance obligation. The Company generally separates multiple promises in a contract as separate performance obligations if those promises are distinct, both individually and in the context of the contract. If multiple promises in a contract are highly interrelated or comprise a series of distinct services performed over time, they are combined and accounted for as a single performance obligation.

The Company's contracts often contain options to extend a study, perform a follow-on study, or perform a new study which is separate and distinct from the original or previous study(ies). The options generally result in modifications to the contract and therefore, the policies governing the accounting for modifications will apply. Since the options will generally contain the same terms and conditions, including pricing terms, such options typically do not provide the customer with any material additional rights under the contract.

Contracts with the U.S. Federal government are subject to the Federal Acquisition Regulations (FAR), and priced based on estimated or actual costs of providing the goods or services. The FAR provides guidance on types of costs that are allowable in establishing prices for goods and services provided to the U.S. government and its agencies. Each Federal contract is competitively priced and solicited separately. Pricing for non-U.S. government agencies and commercial customers is based on specific negotiations with each customer. The Company excludes any taxes collected or imposed when determining the transaction price.

The transaction prices associated with the Company's CPFF and T&M contracts are variable. These variable amounts are estimated at the most likely amount that the Company expects to be entitled to based largely on an assessment of the Company's anticipated performance and all information (historical, current, and forecasted) that is reasonably available, and the potential of significant reversal of revenue.

The Company allocates the transaction price of a contract to its performance obligations in the proportion of its respective standalone selling prices. The standalone selling price of the Company's performance obligations is generally based on an expected cost-plus margin approach with relatively consistent margins applied within each major customer group. None of the Company's contracts contain a significant financing component, which would require an adjustment to the transaction price of the contract.

The Company recognizes revenue on a majority of the performance obligations within each contract over time as there is continuous transfer of control to the customer over the duration of the contract as the Company performs the promised services. For U.S. Federal government contracts, continuous transfer of control to the customer is evidenced by clauses in the contract that allow the customer to unilaterally terminate the contract for convenience, pay for costs incurred plus a reasonable profit and take control of any work-in-process. Similarly, for non-U.S. government contracts, the customer typically controls the work-in-process as evidenced by rights to payment for work performed to date plus a reasonable profit to deliver products or services that do not have an alternate use to the Company. In certain cases, when the contract does not initially provide for euthanasia at the completion of the contract, the animals may be re-purposed for a new or different and distinct study. In these cases, the re-purposing is generally not known until the end or close to the end of the original or previous study; however, this would indicate that the animals could potentially have an alternative use. Therefore, where there is a separate performance obligation associated with the procurement of the animals, the Company recognizes revenue at a point in time using a rate per unit as the animals are procured and the customer obtains control.

On FP-M contracts, for the performance obligation(s) where revenue is recognized over time, the Company uses a method that measures the extent of progress towards completion of a performance obligation, principally using an output method. Under the output method, revenue is recognized based on the best measure of progress relevant to the performance obligation and services provided. The output measure primarily used is a method in which revenue is recognized based upon the proportion of total study-related procedures and/or tests performed to date to estimated total procedures and/or tests through completion of the study. This ratio is computed using the value associated with each procedure and/or test performed because certain procedures could be considered more valuable than others. Additionally, on certain FP-M contracts where the care and housing of the animals is considered a separate performance obligation, revenue is recognized over time using a straight-line method since control of the services is provided to the customer relatively evenly over the period of performance. On certain other contracts, principally for T&M, FP-U, and CPFF, revenue is recognized using the right-to-invoice practical expedient as the Company is contractually able to invoice the customer based on the control transferred to the customer.

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

As of May 31, 2024, the Company had negotiated final settlements on indirect cost rates through May 2020. The Company periodically reviews its cost estimates and experience rates, and adjustments, if needed, are made and reflected in the period in which the estimates are revised. In the opinion of management, redetermination of any cost-based contracts for the open years will not have any material effect on the Company's financial position or results of operations.

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

For the years ended May 31, 2024 and 2023, there were no material modifications recorded related to work previously performed on contracts prior to the execution of formal modifications or amendments. A significant change in one or more estimates could affect the profitability of one or more of the performance obligations.

Contract costs: Contract costs generally include direct costs such as those associated with procuring the animal models, materials, labor, subcontract costs, costs for housing and care of the animals, and indirect costs identifiable with or allocable to a specific contract. Costs are expensed as incurred, except for costs associated with procuring the animals for contracts where euthanasia is directed by the customer. Such costs are capitalized and amortized on a straight-line basis over the expected life of that contract.

The Company does not incur significant incremental costs to acquire contracts. As a result, costs are expensed as incurred.

Cash and cash equivalents: Cash and cash equivalents consist of financial instruments with original maturities of less than three months.

Concentration of credit risks arising from cash deposits in excess of insured limits: The Company maintains cash balances at one commercial bank, and these balances can exceed the Federal Deposit Insurance Corporation (“FDIC”) insured deposit limit of \$250,000 per financial institution. At May 31, 2024 and 2023, the Company’s cash balances held at the commercial bank exceeded the FDIC limit by approximately \$15,834,000 and \$8,140,000, respectively. The Company has not experienced any losses through the date when the financial statements were available to be issued.

Accounts receivable: Accounts receivable are recorded at the invoiced amount and are typically considered past due if the invoice has been outstanding beyond sixty days of the customer's receipt of invoice. The Company does not typically charge interest on accounts receivable. The Company assesses the adequacy of the allowance for credit losses at inception of a receivable, and periodically, based on expected loss over the life of a receivable by analyzing reasonable available information including customer and contract type, historical write-offs, aging and delinquency trends, industry and customer forecasts, economic status of customers, and other general and contract specific factors. Upon the determination that a specific receivable is uncollectible, the receivable is written off against the allowance for credit losses. At May 31, 2024 and 2023, management deemed all accounts receivable to be collectible.

Property and equipment: Property and equipment are recorded at the original cost and are being depreciated on a straight-line basis over estimated lives of three to ten years. Leasehold improvements are amortized over the life of the assets or the remaining period of the lease, whichever is shorter. Depreciation and amortization expense for the years ended May 31, 2024 and 2023 was \$2,555,790 and \$2,277,117, respectively.

Long-lived assets and impairment: The Company periodically evaluates the carrying value of long-lived assets, including, but not limited to, property and equipment and other assets, when events and circumstances warrant such a review. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flows from such an asset are separately identifiable and are less than its carrying value. In that event, a loss is recognized to the extent that the carrying value exceeds the fair value of the long-lived asset. Fair value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved.

Goodwill: Goodwill is tested for impairment on an annual basis, and between annual tests when indicators of impairment exist. Goodwill is written down when impaired. The Company first assesses qualitative factors to determine whether it is necessary to perform the quantitative goodwill impairment test. If the Company determines that it is more likely than not that the reporting unit's fair value is greater than its carrying amount, then the quantitative test is not required. To conduct the qualitative test, the Company identifies the most relevant factors of fair value which the Company determines to be significant when evaluating goodwill for impairment. These factors include general economic conditions, specific industry conditions and multiples, overall financial performance and operations, and other relevant company specific events.

If the Company determines that the quantitative test is required, the first step is to compare the fair value of the reporting unit with its carrying amount. If the fair value of the reporting unit is greater than the carrying amount, then the goodwill is not considered impaired. If the fair value of the reporting unit is less than its carrying value, then goodwill is deemed to be impaired, and an impairment loss is calculated.

The Company determined that goodwill was not impaired based on management's consideration of qualitative factors that existed as of May 31, 2024 and 2023. There were no changes to the carrying value of goodwill during the years ended May 31, 2024 and 2023.

Income taxes: Current income tax expense is the amount of income taxes expected to be payable for the current year. Deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each year end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable earnings. The resulting net deferred asset or liability is classified as noncurrent on the balance sheet. Valuation allowances are established when necessary to reduce deferred tax assets to the amount more likely than not to be realized.

The Company evaluates uncertainty in income tax positions taken or expected to be taken on a tax return based on a more-likely-than-not recognition standard. If that threshold is met, the tax position is then measured at the largest amount that is greater than 50% likely of being realized upon ultimate settlement and is recognized in the Company's financial statements. To the extent that the Company's estimates change, or the final tax outcome of these matters is different than the amounts that have been recorded, such differences will impact the income tax provision when such determinations are made. If applicable, the Company records interest and penalties as a component of income tax expense. As of May 31, 2024 and 2023, there were no accruals for uncertain tax positions. Tax years from May 31, 2021 through the current year remain open for examination by federal and state tax authorities.

Earnings per share: The Company calculates basic and diluted earnings per share. Basic earnings per share is calculated using the weighted-average number of common shares outstanding during the period. Diluted earnings per share is calculated using the weighted-average number of common shares plus dilutive potential common shares, if any. During the years ended May 31, 2024 and 2023, there were no dilutive potential common shares.

Research and development: Research and development expenses consist primarily of compensation and related costs for personnel responsible for the research and development of new and existing products and services. The Company expenses research and development costs as incurred. The Company incurred research and development costs of \$951,870 and \$806,046 during the years ended May 31, 2024 and 2023, respectively.

Stock-based compensation: The Company measures compensation expense for its stock-based compensation plan based on the grant date fair value of the equity instruments, which is generally recognized as compensation expense ratably over the service period. Stock-based compensation expense is determined using the Black-Scholes model. Volatility is determined by reference to the historical volatility of similar publicly traded companies, as the Company's own shares lack sufficient trading history to determine volatility. Expected term represents the midpoint between the vesting period and contractual term. The annual dividend rate is based on management's expectation of dividends expected to be paid in the foreseeable future. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant with a term approximating the expected term of the options. The Company accounts for forfeitures when they occur.

Leases: The Company enters into leases as a lessee for certain buildings, land and equipment. The Company's leases typically have lease terms between three and ten years and may include one or more renewal options. Under Accounting Standards Codification (ASC) 842, at contract inception the Company determines whether a contract is or contains a lease and whether the lease should be classified as an operating or finance lease. Operating lease balances are included in operating lease right-of-use assets and operating lease liabilities in the accompanying Balance Sheets for the years ended May 31, 2024 and 2023.

The Company recognizes operating lease right-of-use assets and operating lease liabilities based on the present value of the future minimum lease payments over the lease term at the commencement date. The Company uses its incremental borrowing rate based on the information available at the commencement date to determine the present value of future payments and the appropriate lease classification.

Many of the Company's leases include renewal options aligned with any extended contract terms. The Company includes in the initial lease term any renewal options determined to be reasonably certain of exercise. When the Company adopted ASC 842, it elected not to recognize a right-of-use asset and a lease liability for leases with an initial term of 12 months or less; therefore it recognizes lease expense for these leases on a straight-line basis over the lease term. The Company also elected not to separate lease components from non-lease components and applied this to all material classes of leased assets.

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

New accounting pronouncement adopted: Effective June 1, 2023, the Company adopted Accounting Standards Update 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* on a modified retrospective basis. The new standard replaces the existing impairment model, under which impairment of financial instruments, including accounts receivable and contract assets, is recognized when it becomes probable a loss has been incurred, with a model that requires recognition of expected credit losses over the estimated life of an asset at inception and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Adopting this standard did not have an impact on the Company's financial condition, results of operations, cash flows or equity.

Subsequent events: Management has evaluated subsequent events for disclosure in these financial statements through September 20, 2024, which is the date the financial statements are available to be issued.

2. Accounts receivable - contracts

Accounts receivable at May 31, 2024 and 2023, consist of amounts due under contracts in progress with federal government agencies (primarily the National Institutes of Health), educational institutions and commercial companies. The components of accounts receivable are as follows at May 31:

	2024	2023
Billed receivables	\$ 12,963,609	\$ 17,451,629
Unbilled receivables	881,968	3,189,883
Total	\$ 13,845,577	\$ 20,641,512

All billed and unbilled receivable amounts are expected to be collected during the next fiscal year. Unbilled receivables relate to revenue recognized on contracts for which billings have not been presented to customers.

As of May 31, 2024, two customers generated approximately 26% of total contract revenues. These customers also comprised approximately 21% of total receivables as of May 31, 2024. As of May 31, 2023, two customers generated approximately 24% of total contract revenues. These customers also comprised approximately 10% of total contract receivables as of May 31, 2023.

- 3. Note payable – line of credit** The Company has a line of credit arrangement with a bank which is due on demand. At May 31, 2024 and 2023, the maximum amount available under the arrangement was \$2,000,000. The amount available under the line is the lesser of \$2,000,000, or, the total of 90% of eligible government receivables, plus 80% of eligible commercial receivables less the amount outstanding for letters of credit. There was no balance outstanding on the line at May 31, 2024 or 2023. The line bears interest at the bank's prime rate plus 0.25% (8.75% and 8.50% at May 31, 2024 and 2023, respectively) and is collateralized by all assets of the Company. During the year ended May 31, 2023, the covenants were eliminated from the line of credit agreement.

On July 1, 2022, the Company executed an equipment loan with the bank under which the Company may borrow up to \$500,000. As of May 31, 2024, there was no balance outstanding on the loan.

The Company has an irrevocable standby letter of credit arrangement outstanding with a bank as collateral for a lease at May 31, 2024 and 2023 for an amount of \$203,400.

- 4. Income taxes** For the years ended May 31, 2024 and 2023, the components of the provision for income taxes consisted of:

	2024	2023
Current tax expense	\$ 256,166	\$ 308,494
Deferred tax benefit	(263,200)	(10,800)
(Benefit) provision for income taxes	\$ (7,034)	\$ 297,694

The differences between the amounts of income tax expense that would result from applying domestic federal statutory income tax rates to the pretax income and what is reported is related to certain nondeductible expenses, changes in prior period estimates, and state income taxes. The provision for income taxes for the years ended May 31, 2024 and 2023 reflected in the accompanying Statements of Income varies from the amount which would have been computed using statutory rates as follows:

	2024	2023
Federal taxes at statutory rate	\$ 100,054	\$ 231,464
State taxes at statutory rate, net of federal tax benefit	21,981	61,823
Permanent differences and other	(129,069)	4,407
(Benefit) provision for income taxes	\$ (7,034)	\$ 297,694

The deferred income tax asset or liability represents an estimate of the income tax that will be due in future periods from the cumulative temporary differences recognized for financial reporting purposes from that recognized for income tax reporting purposes. At May 31, 2024 and 2023, the components of these temporary differences and the net deferred tax asset (liability) were as follows:

	2024	2023
Accrued vacation	\$ 152,600	\$ 144,700
Capitalized costs	7,800	9,600
Depreciation and amortization	(377,400)	(782,100)
Operating lease liability	273,300	288,600
Contingent consideration	(147,300)	(149,500)
Deferred revenue	114,300	248,800
Total net deferred tax asset (liability)	\$ 23,300	\$ (239,900)

5. Revenue from contracts with customers

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

Bioqual, Inc.

Notes to Financial Statements

Disaggregated revenue by customer and contract-type for the years ended May 31, were:

	2024	2023
U.S. Government		
Cost-Plus-Fixed-Fee	\$ 14,119,325	\$ 10,588,329
Fixed-Price-Per-Unit and Time- And-Materials	86,755	48,032
Fixed-Price-Milestone	-	262,738
Total U.S. Government	14,206,080	10,899,099
Commercial and Other		
Cost-Plus-Fixed-Fee	441,442	672,703
Fixed-Price-Per-Unit and Time- And-Materials	40,303,321	43,680,147
Fixed-Price-Milestone	3,640,106	7,411,855
Total Commercial and Other	44,384,869	51,764,705
Total Revenues	\$ 58,590,949	\$ 62,663,804

CPFF contracts are generally lower risk and have lower profits. T&M and FP-U contracts are also low risk but profits may vary depending on actual labor or other costs compared to negotiated contract billing rates. FP-M contracts offer the potential for higher profits while increasing the Company's exposure to risk of cost overruns.

Remaining performance obligations: Remaining performance obligations represent the expected value (transaction price) of executed contracts, both funded and unfunded, less revenue recognized to date. Remaining performance obligations do not include the potential value associated with future potential purchases, tasks, or work orders expected to be awarded under MSA or similar agreements or future option periods that are not probable of exercise as of May 31, 2024. As of May 31, 2024, the Company expects to recognize a majority of the remaining performance obligations over the next 12 months.

Contract balances: Contract assets include unbilled contract receivables, which is the amount of revenue recognized that exceeds the amount billed to the customer, and right to payment is not just subject to the passage of time. Contract assets also include incremental fulfillment costs where, under certain FP contracts, costs are incurred usually at the beginning of the contract performance, where the performance obligation has not yet been completely satisfied. Contract liabilities (deferred revenue) consist of advance payments and billings in excess of revenue recognized.

The decrease in contract assets was primarily due to the timing of billings and revenue recognized on certain contracts. The decrease also relates to fulfillment costs being capitalized on certain contracts, offset by amortization. The decrease in contract liabilities was primarily due to billings in excess of revenue recognized on certain FP contracts as offset by revenue recognized during the year.

During the year ended May 31, 2024, the Company recognized revenue of approximately \$896,875 relating to amounts that were included as contract liabilities at May 31, 2023.

During the year ended May 31, 2024 and 2023, the Company recognized approximately \$562,017 and \$1,102,000, respectively, of amortization related to its fulfillment costs. The Company did not recognize any impairment losses on contract assets for the years ended May 31, 2024 and 2023.

The components of contract balances as of May 31 consisted of the following:

Contract assets	Balance Sheet line item	2024	2023
Unbilled contract receivables	Accounts receivable	\$ 881,968	\$ 3,189,883
Fulfillment costs	Prepaid expenses	\$ 157,909	\$ 676,250
Contract liabilities	Balance Sheet line item	2024	2023
Deferred revenue	Deferred revenue	\$ 446,416	\$ 956,875

As of June 1, 2022, contract assets, which consisted of unbilled contract receivables and fulfillment costs, were \$6,882,950 and \$1,352,851, respectively. As of June 1, 2022, billed receivables were \$19,880,639. Additionally, as of June 1, 2022, contract liabilities, which consisted of deferred revenue, was \$1,165,061.

6. Leases

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

Bioqual, Inc.

Notes to Financial Statements

Year ended May 31	2024	2023
Components of lease cost:		
Operating lease costs	\$ 4,615,904	\$ 3,960,101
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	4,658,748	3,881,320
Lease liabilities arising from obtaining ROU assets:		
Operating leases	-	3,356,096

Weighted average remaining lease terms (in years) and discount rates for operating leases are presented in the following table:

Year ended May 31	2024	2023
Weighted average remaining lease term	3.82	4.69
Weighted average discount rate	5.55%	5.51%

The following table presents a maturity analysis of the Company's operating leases at May 31, 2024:

2025	\$ 4,721,677
2026	4,633,596
2027	3,337,288
2028	2,066,484
2029	1,733,444
Total lease payments	16,492,488
Less imputed interest	(1,655,029)
Present value of lease liabilities	\$ 14,837,459

7. Stock-based incentive plan

The Company's 2020 Stock Incentive Plan provided for granting stock-based awards to employees and consultants which have a contractual term of ten years. Total options reserved under the Plan is 180,000, limited to 20% of the number of the then outstanding and issued shares of the Company's common stock. At May 31, 2024 and 2023, 178,783 options remain available to be granted under the plan.

The following summarizes information about the stock options outstanding at May 31, 2024:

Exercise Price (\$)	Options Outstanding	Weighted-Average Remaining Contractual Life	Options Exercisable
82.05	100	7 years	100

During the years ended May 31, 2024 and 2023, no options were granted, exercised, or forfeited. Total stock-based compensation expense related to the Company's stock option activity for the years ended May 31, 2024 and 2023 was immaterial.

9. Contract status

The Company has approximated the value of authorized but uncompleted contracts in progress at May 31, 2024 as follows:

Total contract price of initial contract awards including modifications, exercised options, and approved change orders	\$ 66,182,119
Completed to date	(55,966,094)
Authorized backlog	\$ 10,216,026

The foregoing contracts contain unexercised options and unfunded amounts not reflected in the above amounts totaling approximately \$36,435,246 at May 31, 2024.

10. Retirement plan

The Company sponsors a tax deferred savings plan to provide retirement benefits for all eligible employees under the Internal Revenue Code (the Code). The Company's annual contribution to the plan is based on eligible employee participation. Participating employees may voluntarily contribute a percentage of their annual salaries, not to exceed certain limits provided by the Code. The Company may make discretionary matches of each participant's contribution. Rights to benefits provided by the Company's contributions vest 20% each year after the second year of service. Participants are fully vested in their voluntary contributions. The Company's contributions for the years ended May 31, 2024 and 2023 were \$523,522 and \$476,330, respectively.

11. Commitments and contingencies

The Company has employment agreements with certain key employees, as discussed below, which provide for a base compensation and additional incentive compensation dependent upon annual operations. The agreements for the President, Chief Science Officer, and the Chief Operating Officer are effective through May 31, 2025. The agreement for the Chief Financial Officer is effective through September 30, 2025. If there is a change in control, the agreements shall remain in effect for an additional two years.

**12. Industry
condition**

The U.S. government faces substantial fiscal and economic challenges that affect funding for its non-discretionary and discretionary budgets. The funding of U.S. government programs is subject to an annual Congressional budget authorization and appropriations process which have not followed normal practices in recent years. The Company cannot predict the impact on existing, follow-on or replacement programs from potential changes in priorities.

Management's Discussion & Analysis
For the fiscal year ended May 31, 2024

BIOQUAL, INC.

Prepared by:

Chris Kirk
Chief Financial Officer

MANAGEMENT’S DISCUSSION AND ANALYSIS

Items of Note

In fiscal year 2024, which ended on May 31, 2024, the Company realized net income of \$483,481 compared to net income of \$835,548 for fiscal year 2023, for reasons discussed in the results of operations section below.

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

On October 25, 2023, the Company held its Annual Meeting of Shareholders (the “Annual Meeting”). Set forth below are the proposals voted upon at the Annual Meeting and the final voting results.

As of the close of business on September 5, 2023, the record date for the Annual Meeting, 894,416 shares of the Company’s common stock, par value \$0.01 per share (the “Common Stock”), were outstanding and entitled to vote. 814,421 shares of Common Stock were voted in person or by proxy at the Annual Meeting, representing 91.06% percent of the shares entitled to be voted.

Proposal 1 – Election of Directors. The Company’s shareholders elected each of the directors listed below to serve on the Board until the Company’s next Annual Meeting of shareholders or until their successors have been duly elected or appointed, as set forth below.

Director	For	Withheld	Non Votes
Mark G. Lewis, Ph.D.	696,402	5,016	-
Charles C. Francisco	695,619	5,799	-
Charles F. Gauvin	696,452	4,966	-
Michael P. O’Flaherty	700,585	833	-
David B. Landon, Ph.D.	701,418	0	-
Vivek R. Shinde Patil, Ph.D.	701,352	66	-
David Newcomer	696,452	4,966	-

Proposal 2 – Ratification of Independent Auditors. The Company’s shareholders ratified the Company’s selection of Aprio, LLP to serve as the Company independent auditors for the fiscal year ending May 31, 2024.

<u>For</u>	<u>Against</u>	<u>Abstain</u>
805,522	4,966	933

Based on fiscal year 2023 earnings, the Board of Directors declared a cash dividend of \$0.50 per share for shareholders of record on October 6, 2023. The dividend was paid on October 27, 2023. This amount is \$.50 per share less than the \$1.00 per share cash dividend paid on October 27, 2022.

During the fourth quarter of fiscal year 2024, the NIAID exercised the fourth option year and provided incremental funding totaling \$644,660 on two task orders under the contract entitled “Simian Vaccine Evaluation Units (SVEUs)”. The total obligated funding for the two task orders currently is \$3,059,482, which covers costs through March 31, 2025. The seven-year contract has a maximum potential funding amount of \$6,682,071 including all options. There are, however, no assurances that any other options will be exercised, or any other task orders awarded under this contract.

COVID-19 and Other Disease Related Work

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

BIOQUAL continues to attract COVID-19 related contracts due to its experience working with the virus and its capacity to perform research in a Biosafety Level 3 (BSL-3) environment. Approximately 14% of the revenues generated during the year were in support of COVID-19 related research versus 24% for fiscal year 2023. The Company is also performing in-vivo and in-vitro studies to assist the federal government, universities and commercial organizations with their research efforts to develop vaccines and therapies against other diseases including AIDS, Zika, Chikungunya, Influenza, and others. The Company believes it has the capacity and resources to support all of these efforts simultaneously.

Results of Operations

Results of Operations 2024 versus 2023

The \$4,072,855 decrease in revenues to \$58,590,949, for fiscal year 2024, compared to \$62,663,804 for fiscal year 2023, is primarily the result of decreased activity in commercial contracts of approximately \$7,380,000 due to the slow-down in COVID work. The decrease in revenues was partially offset by an increase in government contracts of approximately \$3,307,000 partially due to the addition of an additional task order under the contract entitled “Simian Vaccine Evaluation Units (SVEUs)”.

The \$2,857,300 decrease in contract operating expenses for fiscal year 2024 primarily reflects decreases in animal procurement expenses of approximately \$1,939,000 resulting from the decrease

in the number of NHP studies and decreases in lab supplies costs of approximately \$770,000 due to a decrease in the overall volume of work.

The \$92,953 decrease in General and Administrative (G&A) expenses primarily reflects the decreases in management incentive plan costs and IT supplies, partially offset by an increase in administrative labor costs.

The \$1,122,602 decrease in operating income and \$352,067 decrease in net income are primarily due to lower revenue in fiscal year 2024.

Liquidity and Capital Resources

During fiscal year 2024, the Company directed approximately \$597,000 towards capital expenditures, compared to approximately \$2,240,000 in fiscal year 2023. These expenditures were necessary to provide additional equipment for research being performed in the Company's laboratories. The Company has been able to continue to fund all of these expenditures through the use of available cash.

During fiscal year 2025, the Company estimates the aggregate purchase price of equipment to upgrade older equipment, enhance its capabilities, add NHP and small animal caging, and to continue renovating animal housing space will total approximately \$800,000.

The Company is obligated, as lessee, under non-cancelable operating leases covering its facilities and certain equipment at various dates through 2029. Operating lease costs for fiscal year 2024 were approximately \$4,615,900. As of May 31, 2024, the total of lease payments is approximately \$16,500,000 through 2029.

Other than the items mentioned above, the Company does not anticipate substantial capital and other expenditures during fiscal year 2025. However, if the Company is awarded new contracts that require additional equipment or animal enclosures during that period, the Company believes it will have sufficient capital resources to provide for the purchase of the equipment.

BIOQUAL has a \$2,000,000 line of credit with M&T Bank available to help cover the costs of its daily operations. The line of credit is due on demand and renewable annually. As of May 31, 2024, there was no balance due on the line of credit. The interest rate on funds drawn on the line of credit is the prime rate plus .25%, which as of May 31, 2024, was 8.75%. On May 31, 2024, the Company had a balance of cash and cash equivalents of \$15,594,090.

The following provides additional information on select balance sheet items: 1) the \$6,795,935 decrease in accounts receivable primarily reflects the impact of the decreased volume of commercial contracts activity compared to the previous fiscal year. The decrease in accounts receivable includes a decrease in unbilled accounts receivable of \$2,307,915 primarily reflecting significant invoicing during the fiscal year for unbilled receivables as of May 31, 2023, and a \$4,488,020 decrease in billed receivables reflecting improved cash collections as well as the reduction in revenue in fiscal year 2024; 2) the \$584,556 decrease in prepaid expenses and other current assets primarily reflects a decrease in fulfillment costs; and 3) the \$510,459 decrease in deferred revenue reflects the recognition of revenue on completed contracts during fiscal year 2024.

During the pandemic, to keep up with the increased number of contracts and the increased complexity of the COVID related contracts, the Company increased its workforce by approximately 40%, taking

employee turnover into consideration. Post-pandemic as the workload decreased, the Company has had to reduce the workforce accordingly to realign the cost structure. Subsequent to year-end, the Company implemented a reduction in workforce (RIF) of approximately 10% of its employees effective September 9, 2024. The Company believes that this reduction in staff will not hinder the completion of any of its work and will have a positive effect on the results of operations.

The Company continually monitors economic factors, including the labor market and the price of supplies, and attempts to adjust its pricing to clients to try to minimize the potential adverse effect these increasing costs would have on its operating profit. However, there are no assurances that the Company's pricing changes will offset the effects of decreases in contract activity and cost increases on its operating profit.

A significant part of the research support services provided by BIOQUAL require the use of nonhuman primates, which continue to be difficult to procure. The Company continues to work closely with its suppliers and is committing (providing cash deposits) to the purchase of nonhuman primates as soon as they become available in order to have a pipeline of animals for future studies. China, a major breeder and supplier of nonhuman primates, ceased exporting nonhuman primates in 2020. The resumption of exporting nonhuman primates by China would help alleviate the shortage of this important component of infectious disease research; however, there is no assurance that this will happen, and a continued shortage of nonhuman primates could adversely affect the Company's ability to perform new projects.

Refer to the Statements of Cash Flows on page 7 of the Audited Financial Statements for the years ended May 31, 2024, and 2023, for further detail related to the changes in cash and cash equivalents.

Forward Looking Information

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

BIOQUAL, Inc.

A Delaware Corporation

9620 Medical Center Dr., Suite 310

Rockville, MD 20850

240-404-7654

www.bioqual.com

irinfo@bioqual.com

SIC Code: 8731 - Commercial Physical and Biological Research

Annual Report

For the Period Ending: May 31, 2024

As of May 31, 2024, the current reporting period date, the number of shares outstanding of our Common Stock was:

894,416

As of February 29, 2024, the prior quarter period end date, the number of shares outstanding of our Common Stock was:

894,416

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934): Yes No

Indicate by check mark whether the company's shell status has changed since the previous reporting period: Yes No

Indicate by check mark whether a Change in Control of the company has occurred over this reporting period: Yes No

BIOQUAL, Inc.

Information and Disclosure for the year ended May 31, 2024

The Company voluntarily reports information through the OTC Markets platform. This disclosure statement (“Disclosure Statement”) constitutes part of the Company’s voluntary reporting and should be read in conjunction with other filings by the Company.

FORWARD LOOKING STATEMENTS

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

1) Name of the issuer and its predecessors (if any)

BIOQUAL, Inc., prior to January 1, 2000, known as Diagon Corporation.

BIOQUAL, Inc. was incorporated on June 15, 1981, in the state of Delaware. BIOQUAL's current standing in the state of Delaware is active.

Describe any trading suspension orders issued by the SEC concerning the issuer or its predecessors since inception: None

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months: None

The address of the issuer's principal executive office:

BIOQUAL, Inc.
9620 Medical Center Dr.
Suite 310
Rockville, MD 20850

The addresses of the issuer's principal place of business:

BIOQUAL, Inc.
9600 Medical Center Dr., Suite 101
Rockville, MD 20850

BIOQUAL, Inc.
12301 Parklawn Dr.
Rockville, MD 20852

BIOQUAL, Inc.
2501 Research Blvd.
Rockville, MD 20850

BIOQUAL, Inc.
1330 Piccard Dr., Suite 202
Rockville, MD 20850

Has the issuer or any of its predecessors ever been in bankruptcy, receivership, or any similar proceeding in the past five years: Yes No

2) Security Information

Transfer Agent

Computershare, Inc.
1-800-305-9404
www.computershare.com
P.O. Box 43078
Providence, RI 02940

Trading Symbol: BIOQ
Exact title and class of securities outstanding: Common Stock
CUSIP: 09065J101
Par or Stated Value: \$.01
Total shares authorized: 5,000,000 as of May 31, 2024
Total shares outstanding: 894,416 as of May 31, 2024
Total number of shareholders of record: 144 as of May 31, 2024

Security Description:

1. Common equity dividend, voting and preemption rights.

Dividends - Each share of Common Stock issued and outstanding shall be identical in all respects one with the other, and no dividends shall be paid on any shares of Common Stock unless the same dividend is paid on all shares of Common Stock outstanding at the time of such payment.

Voting – Each holder of Common Stock shall be entitled to one vote for each share of Common Stock held on all matters as to which holders of Common Stock shall be entitled to vote.

2. For preferred stock, describe the dividend, voting, conversion, and liquidation rights as well as redemption or sinking fund provisions. N/A
3. Describe any other material rights of common or preferred stockholders. N/A
4. Describe any material modifications to rights of holders of the company's securities that have occurred over the reporting period covered by this report. N/A

3) Issuance History

A. Changes to the Number of Outstanding Shares

List below any events, in chronological order, that resulted in changes in total shares outstanding by the issuer in the past two fiscal years and any subsequent interim period.

On August 27, 2020, the Company's Board of Directors adopted the Company's 2020 Stock Incentive Plan (the "2020 Plan"). The purpose of the 2020 Plan is to provide an incentive to attract and retain directors, officers, consultants, advisors, and employees whose services are considered valuable, to encourage a sense of proprietorship, and to stimulate an active interest of these persons in the Company's development and financial success. Under the 2020 Plan, the Company was authorized to issue up to 500,000 shares of Common Stock, including incentive stock options intended to qualify under Section 422 of the Internal Revenue Code of 1986, as amended, non-qualified stock options, stock appreciation rights ("SARs"), performance shares, restricted stock, and long-term incentive awards. The 2020 Plan was approved by the Company's shareholders at the Annual Meeting of Shareholders on October 21, 2020.

On November 25, 2020, the Board determined that it would be in the best interest of the Company's shareholders and therefore resolved to amend the Stock Incentive Plan by reducing the number of shares that may be issued pursuant to the Plan from 500,000 to 180,000 shares of the Company's common stock and to increase the percentage of shares that may be issued as Incentive Stock Options from 5 percent of the then issued and outstanding common stock of the Company to 20 percent of such common stock. The amendments described above were approved by a majority of the Company's shareholders at the Annual Meeting of Shareholders held on October 27, 2021.

Check to indicate there were no changes to the number of outstanding shares within the past two completed fiscal years and any subsequent periods: X

B. Promissory and Convertible Notes

Check if there are no outstanding promissory, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities: X

4) Issuer's Business, Products and Services

A. Description of the issuer's business operations:

BIOQUAL, Inc., formerly Diagon Corporation (the "Company" or "BIOQUAL"), was founded in 1981 to develop, produce and sell diagnostic test kits incorporating monoclonal antibodies to diagnose certain anemias, infections, and parasitic diseases. In fiscal year 1988, the Company discontinued the diagnostic test kit segment of its business to concentrate on and to expand its contract research base with the National Institutes of Health (NIH).

On December 31, 1999, Diagon Corporation ("Diagon") changed its name to BIOQUAL, Inc. The name change was effected as a result of the merger of Diagon and its wholly - owned subsidiary, BIOQUAL, Inc., with Diagon being the surviving

corporation. In the merger, Diagon adopted the name BIOQUAL, Inc. as the name of the surviving entity.

The Company currently performs contract research services primarily focused on animal models of human diseases including AIDS, influenza, Respiratory Syncytial Virus (RSV) infection, Coronavirus infections (including COVID-19), Flavivirus infections (including Zika and Dengue), malaria, hepatitis, cancer, and other emerging infectious diseases. The Company is actively involved in the evaluation of vaccines, vaccine therapeutics, microbicides, and drug therapies.

B. List any subsidiaries, parent company, or affiliated companies: None

C. Describe the issuer’s principal products or services:

The Company currently performs contract research services primarily focused on animal models of human diseases including AIDS, influenza, RSV infection, Coronavirus infections (including COVID-19), Flavivirus infections (including Zika and Dengue), malaria, hepatitis, cancer, and other emerging infectious diseases. The Company also performs *in vitro* contract research services. The Company is actively involved in the evaluation of vaccines, vaccine therapeutics, microbicides, and drug therapies. The Company provides its services to the federal government, universities and the life science and pharmaceutical industries.

5) Describe the Issuer’s Facilities

The Company currently leases space in five facilities in Rockville, Maryland, totaling 160,620 square feet. Approximately 129,712 square feet of space used as a vivarium, approximately 21,492 square feet operates as an *In Vitro* laboratory, and the balance (9,416 square feet) serves as office space for the Corporate Headquarters. The Company maintains the condition of its facilities so that each facility is adequate for the performance of the Company’s current contractual obligations.

Lease details as of May 31, 2024, for each facility are listed below:

<u>Street Address</u>	<u>City, State</u>	<u>Square Feet</u>	<u>Expiration Date</u>	<u>Options</u>
9620 Medical Center Dr. (Corporate HQ offices)	Rockville, MD	9,416	10/31/2027	5 years
9600 Medical Center Dr. (Labs and Vivarium)	Rockville, MD	37,274	10/31/2027	5 years
12301 Parklawn Dr. (Vivarium)	Rockville, MD	49,185	5/31/2029	none
2501 Research Blvd. (Vivarium)	Rockville, MD	30,000	5/31/2027	5 years
1330 Piccard Dr. (Vivarium)	Rockville, MD	34,745	4/30/2031	5 years

During fiscal year 2024, the Company directed approximately \$597,000 towards capital expenditures compared to approximately \$2,240,000 in fiscal year 2023. These expenditures were necessary to provide additional equipment for research being performed in the Company's laboratories. The Company has been able to continue to fund all of these expenditures through the use of available cash provided by profits.

During fiscal year 2025, the Company estimates the aggregate purchase price of equipment to upgrade older equipment, enhance its capabilities, add nonhuman primate and small animal caging, and to renovate animal housing space will total approximately \$800,000.

6) Officers, Directors, and Control Persons

A. Names of Officers, Directors, and Control Persons:

Name of Officer/Director and Control Person	Affiliation with Company	Residential Address	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Notes
Mark G. Lewis	Chairman of the Board, President and CEO	Arlington, VA	1,000	Common	0.11%	
Merrywitch Investment, LLC	Thomas August, Deceased Former Director, Control Person		177,339	Common	19.83%	Company set up by family of Thomas August, Former Director
Charles C. Francisco	Director	Vineyard Haven, MA	3,834	Common	0.43%	
Charles F. Gauvin	Director	New Gloucester, ME	2,167	Common	0.24%	
Michael P. O'Flaherty	Director	Leesburg, VA	18,218	Common	2.04%	
David B. Landon	Director	Walpole, MA	3,665	Common	0.41%	David B. Landon is the son of John C. Landon, Deceased Former Chairman of the Board, CEO, and President of BIOQUAL
Vivek Shinde Patil	Director	Arlington, VA	0	Common	0%	
Mitchell L. Franklin	Chief Operating Officer, Secretary	Germantown, MD	0	Common	0%	
Charles C. Kirk, Jr	Chief Financial Officer	Silver Spring, MD	0	Common	0%	
Hanne A. Elyard	Chief Science Officer	Poolesville, MD	0	Common	0%	
David A. Newcomer	Director	Germantown, MD	2,718	Common	0.30%	
Lancatske LLC	John Landon, Former Chairman of the Board, CEO, President, and Control Person		155,764	Common	17.42%	Company set up by family of John Landon, Former Chairman of the Board, CEO, and President
Thomas A. Satterfield, Jr	Control Person	Mountain Brook, AL	338,758	Common	37.87%	

7). Legal/Disciplinary History

A. None of the forgoing persons have, in the past ten years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);
 2. The entry of an order, judgment, or decree, not subsequently reversed, suspended, or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended, or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;
 3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or
 4. A regulatory complaint or proceeding that could result in a "yes" answer to part 3 above: or
 5. The entry of an order by self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities; or
 6. A U.S. Postal Service false representation order, or a temporary restraining order, or preliminary injunction with respect to conduct alleged to have violated the false representation statute that applies to U.S. mail.
- B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

None.

8) **Third Party Service Providers**

Please provide the name, address, telephone number and email address of each of the following outside providers.

Securities Counsel

Ernest M. Stern, Esq.

Andrew E. Mishkin, Esq.

CM Law PLLC

1701 Pennsylvania Ave NW, Suite 200

Washington, DC 20006
Phone: (202) 255-0873
Email address: amishkin@cm.law

Accountant or Auditor

David H. Semendinger, CPA
Aprio, LLP
111 Rockville Pike, Suite 600
Rockville, MD 20850
Phone: 301-231-6200
Email address: david.semendinger@aprio.com

Investor Relations Consultant

None

Other Service Providers

None

9) Financial Statements

A. This Disclosure Statement was prepared by:

Charles C. Kirk, Jr, C.P.A.
Chief Financial Officer of issuer

B. The following financial statements were prepared in accordance with U.S. GAAP.

C. The financial statements for this reporting period were prepared by:

Charles C. Kirk, Jr, C.P.A.
Chief Financial Officer of issuer

Audited financial statements for the year ending **May 31, 2024**, are incorporated by reference herein and have been filed as a separate report through the OTCIQ. The financial statements are also posted to www.bioqual.com/financials-press/.

10) Issuer Certification

Principal Executive Officer

I, Mark G. Lewis, President, and Chief Executive Officer, certify that:

1. I have reviewed this Disclosure Statement for BIOQUAL, Inc.;
2. Based on my knowledge, this Disclosure Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the

statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Disclosure Statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this Disclosure Statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this Disclosure Statement.

/s/ Mark G. Lewis
President and CEO

Date: September 20, 2024

Principal Financial Officer

I, Charles C. Kirk, Jr., Chief Financial Officer, certify that:

1. I have reviewed this Disclosure Statement for BIOQUAL, Inc.;
2. Based on my knowledge, this Disclosure Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Disclosure Statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this Disclosure Statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this Disclosure Statement.

/s/ Charles C. Kirk, Jr.
Chief Financial Officer

Date: September 20, 2024