

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

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarter ended: June 28, 2014

Commission File Number: 001-14041

**HAEMONETICS CORPORATION**

(Exact name of registrant as specified in its charter)

**Massachusetts**  
(State or other jurisdiction  
of incorporation or organization)

**04-2882273**  
(I.R.S. Employer Identification No.)

**400 Wood Road, Braintree, MA 02184**

(Address of principal executive offices)

Registrant's telephone number, including area code: **(781) 848-7100**

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) (2.) has been subject to the filing requirements for at least the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.)

Yes  No

The number of shares of \$0.01 par value common stock outstanding as of June 28, 2014: 51,430,080

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## ITEM 1. FINANCIAL STATEMENTS

**HAEMONETICS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**  
(Unaudited in thousands, except per share data)

	Three Months Ended	
	June 28, 2014	June 29, 2013
Net revenues	\$ 224,488	\$ 219,543
Cost of goods sold	118,210	108,131
<b>Gross profit</b>	<b>106,278</b>	<b>111,412</b>
<b>Operating expenses:</b>		
Research and development	15,382	11,209
Selling, general and administrative	92,562	106,811
<b>Total operating expenses</b>	<b>107,944</b>	<b>118,020</b>
Operating loss	(1,666)	(6,608)
Interest and other expense, net	(2,543)	(2,641)
<b>Loss before benefit from income taxes</b>	<b>(4,209)</b>	<b>(9,249)</b>
Income tax benefit	(560)	(1,375)
<b>Net loss</b>	<b>\$ (3,649)</b>	<b>\$ (7,874)</b>
Net loss per share - basic	\$ (0.07)	\$ (0.15)
Net loss per share - diluted	\$ (0.07)	\$ (0.15)
<b>Weighted average shares outstanding</b>		
Basic	51,741	51,231
Diluted	51,741	51,231
Comprehensive loss	\$ (4,495)	\$ (8,134)

The accompanying notes are an integral part of these consolidated financial statements.

**HAEMONETICS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands, except share data)

	June 28, 2014	March 29, 2014
	(Unaudited)	
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 139,943	\$ 192,469
Accounts receivable, less allowance of \$1,865 at June 28, 2014 and \$1,676 at March 29, 2014	156,733	164,603
Inventories, net	207,487	197,661
Deferred tax asset, net	14,173	14,144
Prepaid expenses and other current assets	50,969	54,099
Total current assets	569,305	622,976
Net property, plant and equipment	294,100	271,437
Intangible assets, less accumulated amortization of \$110,030 at June 28, 2014 and \$101,694 at March 29, 2014	264,560	271,159
Goodwill	337,237	336,768
Deferred tax asset, long term	1,119	1,184
Other long-term assets	10,410	10,654
<b>Total assets</b>	<b>\$ 1,476,731</b>	<b>\$ 1,514,178</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Notes payable and current maturities of long-term debt	\$ 1,931	\$ 45,630
Accounts payable	55,213	53,562
Accrued payroll and related costs	49,495	54,913
Accrued income taxes	2,076	3,113
Other liabilities	57,153	59,710
Total current liabilities	165,868	216,928
Long-term debt, net of current maturities	429,010	392,057
Long-term deferred tax liability	28,366	29,664
Other long-term liabilities	38,415	37,641
<b>Stockholders' equity:</b>		
Common stock, \$0.01 par value; Authorized — 150,000,000 shares; Issued and outstanding — 51,430,080 shares at June 28, 2014 and 52,041,189 shares at March 29, 2014	514	520
Additional paid-in capital	404,686	402,611
Retained earnings	409,307	433,347
Accumulated other comprehensive income	565	1,410
Total stockholders' equity	815,072	837,888
<b>Total liabilities and stockholders' equity</b>	<b>\$ 1,476,731</b>	<b>\$ 1,514,178</b>

The accompanying notes are an integral part of these consolidated financial statements.

**HAEMONETICS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited in thousands)

	Three Months Ended	
	June 28, 2014	June 29, 2013
<b>Cash Flows from Operating Activities:</b>		
Net loss	\$ (3,649)	\$ (7,874)
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
<b>Non-cash items:</b>		
Depreciation and amortization	20,511	18,357
Amortization of financing costs	347	427
Stock compensation expense	3,489	3,013
Loss on sale of property, plant and equipment	414	154
Unrealized loss from hedging activities	104	2,776
Contingent consideration expense	224	121
Asset write-down	261	327
<b>Change in operating assets and liabilities:</b>		
Decrease in accounts receivable, net	7,918	14,100
Increase in inventories	(9,569)	(12,845)
Increase in prepaid income taxes	(313)	(4,727)
(Decrease)/Increase in other assets and other liabilities	(589)	6,110
Tax benefit of exercise of stock options	285	840
Decrease in accounts payable and accrued expenses	(5,695)	(7,377)
Net cash provided by operating activities	<u>13,738</u>	<u>13,402</u>
<b>Cash Flows from Investing Activities:</b>		
Capital expenditures on property, plant and equipment	(37,085)	(13,092)
Proceeds from sale of property, plant and equipment	64	569
Acquisition of Hemerus	—	(23,124)
Net cash used in investing activities	<u>(37,021)</u>	<u>(35,647)</u>
<b>Cash Flows from Financing Activities:</b>		
Payments on long-term real estate mortgage	(254)	(233)
Net increase in short-term loans	1,687	262
Repayment of term loan borrowings	(8,531)	—
Proceeds from employee stock purchase plan	2,530	2,666
Proceeds from exercise of stock options	2,223	5,849
Excess tax benefit on exercise of stock options	—	960
Share repurchases	(26,466)	—
Net cash (used in)/provided by financing activities	<u>(28,811)</u>	<u>9,504</u>
Effect of exchange rates on cash and cash equivalents	(432)	(51)
Net Decrease in Cash and Cash Equivalents	<u>(52,526)</u>	<u>(12,792)</u>
Cash and Cash Equivalents at Beginning of Period	192,469	179,120
<b>Cash and Cash Equivalents at End of Period</b>	<b><u>\$ 139,943</u></b>	<b><u>\$ 166,328</u></b>
<b>Non-cash Investing and Financing Activities:</b>		
Transfers from inventory to fixed assets for placements of Haemonetics equipment	<u>\$ 2,443</u>	<u>\$ 3,357</u>
<b>Supplemental Disclosures of Cash Flow Information:</b>		
Interest paid	<u>\$ 2,011</u>	<u>\$ 2,401</u>
Income taxes paid	<u>\$ 2,097</u>	<u>\$ 906</u>

The accompanying notes are an integral part of these consolidated financial statements.

## **1. BASIS OF PRESENTATION**

Our accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles (“GAAP”) in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of our management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. All intercompany transactions have been eliminated. Operating results for the three months ended are not necessarily indicative of the results that may be expected for the full fiscal year ending March 28, 2015, or any other interim period. These unaudited consolidated financial statements should be read in conjunction with our audited consolidated financial statements and footnotes included in our annual report on Form 10-K for the fiscal year ended March 29, 2014.

We consider events or transactions that occur after the balance sheet date but prior to the issuance of the financial statements to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. Subsequent events have been evaluated, and these financial statements reflect those material items that arose after the balance sheet date but prior to the issuance of the financial statements that would be considered recognized subsequent events. Refer to Note 14 - Subsequent Events for further information.

Our fiscal year ends on the Saturday closest to the last day of March. Fiscal years 2015 and 2014 include 52 weeks with each quarter having 13 weeks.

## **2. RECENT ACCOUNTING PRONOUNCEMENTS**

In April 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-08, “Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity” (“ASU 2014-08”). ASU 2014-08 limits the requirement to report discontinued operations to disposals of components of an entity that represent strategic shifts that have (or will have) a major effect on an entity’s operations and financial results. The amendments also require expanded disclosures concerning discontinued operations and disclosures of certain financial results attributable to a disposal of a significant component of an entity that does not qualify for discontinued operations reporting. The amendments in this ASU are effective prospectively for reporting periods beginning on or after December 15, 2014, with early adoption permitted. The impact on our Financial Statements of adopting ASU 2014-08 is being assessed by management.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (“ASU 2014-09”), which stipulates that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this core principle, an entity should apply the following steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the entity satisfies a performance obligation. ASU 2014-09 will be effective for the Company retrospectively beginning April 1, 2018, with early adoption not permitted. The impact on our Financial Statements of adopting ASU 2014-09 is being assessed by management.

In June 2014, the FASB issued Accounting Standards Update No. 2014-12, Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period (“ASU 2014-12”). ASU 2014-12 requires that a performance target that affects vesting and could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in ASC 718, Compensation—Stock Compensation, as it relates to such awards. ASU 2014-12 is effective in our first quarter of fiscal 2017 with early adoption permitted using either of two methods: (i) prospective to all awards granted or modified after the effective date; or (ii) retrospective to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter, with the cumulative effect of applying ASU 2014-12 as an adjustment to the opening retained earnings balance as of the beginning of the earliest annual period presented in the financial statements. The impact on our Financial Statements of adopting ASU 2014-12 is being assessed by management.

### 3. EARNINGS PER SHARE (“EPS”)

The following table provides a reconciliation of the numerators and denominators of the basic and diluted earnings per share computations.

<i>(In thousands, except per share amounts)</i>	Three Months Ended	
	June 28, 2014	June 29, 2013
<b>Basic EPS</b>		
Net loss	\$ (3,649)	\$ (7,874)
Weighted average shares	51,741	51,231
Basic loss per share	<u>\$ (0.07)</u>	<u>\$ (0.15)</u>
<b>Diluted EPS</b>		
Net loss	\$ (3,649)	\$ (7,874)
Basic weighted average shares	51,741	51,231
Net effect of common stock equivalents	—	—
Diluted weighted average shares	51,741	51,231
Diluted loss per share	<u>\$ (0.07)</u>	<u>\$ (0.15)</u>

Basic earnings per share is calculated using our weighted-average outstanding common shares. Diluted earnings per share is calculated using our weighted-average outstanding common shares including the dilutive effect of stock awards as determined under the treasury stock method. For the three months ended June 28, 2014 and June 29, 2013, we recognized a net loss; therefore we exclude the impact of outstanding stock awards from the diluted loss per share calculation as their inclusion would have an antidilutive effect.

### 4. STOCK-BASED COMPENSATION

Stock-based compensation expense of \$3.5 million and \$3.0 million was recognized for the three months ended June 28, 2014 and June 29, 2013, respectively. The related income tax benefit recognized was \$1.1 million and \$1.0 million for the three months ended June 28, 2014 and June 29, 2013, respectively.

The weighted average fair value for our options granted was \$7.49 and \$9.78 for the three months ended June 28, 2014 and June 29, 2013, respectively. The assumptions utilized for estimating the fair value of option grants during the periods presented are as follows:

	Three Months Ended	
	June 28, 2014	June 29, 2013
<b>Stock Options Black-Scholes assumptions (weighted average):</b>		
Volatility	22.62%	26.22%
Expected life (years)	4.9	5.0
Risk-free interest rate	1.64%	1.41%
Dividend yield	—%	—%

During the three months ended June 28, 2014 and June 29, 2013, there were 96,853 and 81,465 shares, respectively, purchased under the Employee Stock Purchase Plan at an average price of \$25.85 and \$32.73 per share, respectively.

## 5. PRODUCT WARRANTIES

We generally provide a warranty on parts and labor for one year after the sale and installation of each device. We also warrant our disposables products through their use or expiration. We estimate our potential warranty expense based on our historical warranty experience, and we periodically assess the adequacy of our warranty accrual and make adjustments as necessary.

<i>(In thousands)</i>	Three Months Ended	
	June 28, 2014	June 29, 2013
Warranty accrual as of the beginning of the period	\$ 590	\$ 673
Warranty provision	75	385
Warranty spending	(154)	(372)
Warranty accrual as of the end of the period	<u>\$ 511</u>	<u>\$ 686</u>

## 6. INVENTORIES

Inventories are stated at the lower of cost or market and include the cost of material, labor and manufacturing overhead. Cost is determined on the first-in, first-out method.

<i>(In thousands)</i>	June 28, 2014	March 29, 2014
Raw materials	\$ 74,464	\$ 72,508
Work-in-process	6,638	7,383
Finished goods	126,385	117,770
	<u>\$ 207,487</u>	<u>\$ 197,661</u>

## 7. DERIVATIVES AND FAIR VALUE MEASUREMENTS

We manufacture, market and sell our products globally. For the three months ended June 28, 2014, approximately 46.2% of our sales were generated outside the U.S., generally in local currencies. We also incur certain manufacturing, marketing and selling costs in international markets in local currency.

Accordingly, our earnings and cash flows are exposed to market risk from changes in foreign currency exchange rates relative to the U.S. Dollar, our reporting currency. We have a program in place that is designed to mitigate our exposure to changes in foreign currency exchange rates. That program includes the use of derivative financial instruments to minimize for a period of time, the unforeseen impact on our financial results from changes in foreign exchange rates. We utilize foreign currency forward contracts to hedge the anticipated cash flows from transactions denominated in foreign currencies, primarily the Japanese Yen and the Euro, and to a lesser extent the Swiss Franc, the British Pound Sterling, the Australian Dollar, the Canadian Dollar and the Mexican Peso. This does not eliminate the impact of the volatility of foreign exchange rates, but because we generally enter into forward contracts one year out, rates are fixed for a one-year period, thereby facilitating financial planning and resource allocation.

### Designated Foreign Currency Hedge Contracts

All of our designated foreign currency hedge contracts as of June 28, 2014 and March 29, 2014 were cash flow hedges under ASC 815, *Derivatives and Hedging*. We record the effective portion of any change in the fair value of designated foreign currency hedge contracts in Other Comprehensive Income until the related third-party transaction occurs. Once the related third-party transaction occurs, we reclassify the effective portion of any related gain or loss on the designated foreign currency hedge contracts to earnings. In the event the hedged forecasted transaction does not occur, or it becomes probable that it will not occur, we would reclassify the amount of any gain or loss on the related cash flow hedge to earnings at that time. We had designated foreign currency hedge contracts outstanding in the contract amount of \$154.0 million as of June 28, 2014 and \$157.9 million as of March 29, 2014.

During three months ended June 28, 2014, we recognized net gains of \$0.8 million in earnings on our cash flow hedges, compared to recognized net gains of \$1.1 million during the three months ended June 29, 2013. For the three months ended June 28, 2014, a \$0.1 million loss related to foreign exchange hedge contracts, net of tax, was recorded in Accumulated Other Comprehensive Income to recognize the effective portion of the fair value of any designated foreign currency hedge contracts that are, or previously were, designated as foreign currency cash flow hedges, as compared to net losses of \$0.8 million, net of



tax, for the three months ended June 29, 2013. At June 28, 2014, gains of \$1.4 million, net of tax, may be reclassified to earnings within the next twelve months. All currency cash flow hedges outstanding as of June 28, 2014 mature within twelve months.

### Non-Designated Foreign Currency Contracts

We manage our exposure to changes in foreign currency on a consolidated basis to take advantage of offsetting transactions and balances. We use foreign currency forward contracts as a part of our strategy to manage exposure related to foreign currency denominated monetary assets and liabilities. These foreign currency forward contracts are entered into for periods consistent with currency transaction exposures, generally one month. They are not designated as cash flow or fair value hedges under ASC 815. These forward contracts are marked-to-market with changes in fair value recorded to earnings. We had non-designated foreign currency hedge contracts under ASC 815 outstanding in the contract amount of \$66.0 million as of June 28, 2014 and \$72.9 million as of March 29, 2014.

### Interest Rate Swaps

On August 1, 2012, we entered into a credit agreement which provided for a \$475.0 million term loan ("Credit Agreement"). Under the terms of this Credit Agreement, we may borrow at a spread to an index, including the LIBOR index of 1-month, 3-months, 6-months, etc. From the date of the Credit Agreement, we have chosen to borrow against the 1-month USD-LIBOR-BBA rounded up, if necessary, to the nearest 1/16th of 1% ("Adjusted LIBOR"). The terms of the Credit Agreement also allow us to borrow in multiple tranches. As of June 28, 2014, we had four tranches outstanding, each based on Adjusted LIBOR. On June 30, 2014, we modified our Credit Agreement; refer to Note 14 - Subsequent Events for further information.

Accordingly, our earnings and cash flows are exposed to interest rate risk from changes in Adjusted LIBOR. Part of our interest rate risk management strategy includes the use of interest rate swaps to mitigate our exposure to changes in variable interest rates. Our objective in using interest rate swaps is to add stability to interest expense and to manage and reduce the risk inherent in interest rate fluctuations. If the interest rate swap qualifies for hedge accounting, we formally document our hedge relationships (including identifying the hedged instrument and hedged item) at hedge inception. On a quarterly basis, we assess whether the interest rate swaps are highly effective in offsetting changes in the cash flow of the hedged item. We do not hold or issue interest rate swaps for trading purposes. We manage the credit risk of the counterparties by dealing only with institutions that we consider financially sound and consider the risk of non-performance to be remote.

On December 21, 2012, we entered into two interest rate swap agreements ("The Swaps"), whereby we receive Adjusted LIBOR and pay an average fixed rate of 0.68% on a total notional amount of \$250.0 million of debt. The Swaps mature on August 1, 2017. We designated The Swaps as cash flow hedges of variable interest rate risk associated with \$250.0 million of indebtedness. For the three months ended June 28, 2014, a gain of \$0.6 million, net of tax, was recorded in Accumulated Other Comprehensive Income to recognize the effective portion of the fair value of interest rate swaps that qualify as cash flow hedges.

### Fair Value of Derivative Instruments

The following table presents the effect of our derivative instruments designated as cash flow hedges and those not designated as hedging instruments under ASC 815 in our consolidated statements of income and comprehensive income for the three months ended June 28, 2014.

Derivative Instruments	Amount of Gain/(Loss) Recognized in AOCI (Effective Portion)	Amount of Gain/(Loss) Reclassified from AOCI into Earnings (Effective Portion)	Location in Consolidated Statements of Income and Comprehensive Income	Amount of Gain/(Loss) Excluded from Effectiveness Testing (*)	Location in Consolidated Statements of Income and Comprehensive Income
<i>(In thousands)</i>					
Designated foreign currency hedge contracts, net of tax	\$ (148)	\$ 793	Net revenues, COGS, and SG&A	\$ 83	Interest and other expense, net
Non-designated foreign currency hedge contracts	—	—		(88)	Interest and other expense, net
Designated interest rate swaps, net of tax	\$ 559	\$ —	Interest and other expense, net	\$ —	

(\*) We exclude the difference between the spot rate and hedge forward rate from our effectiveness testing.

We did not have fair value hedges or net investment hedges outstanding as of June 28, 2014 or March 29, 2014.

As of June 28, 2014, the amount recognized as deferred tax for designated foreign currency was \$0.1 million and the amount recognized as deferred tax for interest rate swap hedges was \$0.1 million.

ASC 815 requires all derivative instruments to be recognized at their fair values as either assets or liabilities on the balance sheet. We determine the fair value of our derivative instruments using the framework prescribed by ASC 820, *Fair Value Measurements and Disclosures*, by considering the estimated amount we would receive or pay to sell or transfer these instruments at the reporting date and by taking into account current interest rates, currency exchange rates, current interest rate curves, interest rate volatilities, the creditworthiness of the counterparty for assets, and our creditworthiness for liabilities. In certain instances, we may utilize financial models to measure fair value. Generally, we use inputs that include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; other observable inputs for the asset or liability; and inputs derived principally from, or corroborated by, observable market data by correlation or other means. As of June 28, 2014, we have classified our derivative assets and liabilities within Level 2 of the fair value hierarchy prescribed by ASC 815, as discussed below, because these observable inputs are available for substantially the full term of our derivative instruments.

The following tables present the fair value of our derivative instruments as they appear in our consolidated balance sheets as of June 28, 2014 by type of contract and whether it is a qualifying hedge under ASC 815.

<i>(In thousands)</i>	Location in Balance Sheet	June 28, 2014	March 29, 2014
<b>Derivative Assets:</b>			
Designated foreign currency hedge contracts	Other current assets	\$ 1,401	\$ 2,574
Designated interest rate swaps	Other current assets	353	1,250
		<u>\$ 1,754</u>	<u>\$ 3,824</u>
<b>Derivative Liabilities:</b>			
Designated foreign currency hedge contracts	Other current liabilities	\$ 673	\$ 1,255
		<u>\$ 673</u>	<u>\$ 1,255</u>

### Other Fair Value Measurements

ASC 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value in accordance with U.S. GAAP, and expands disclosures about fair value measurements. ASC 820 does not require any new fair value measurements; rather, it applies to other accounting pronouncements that require or permit fair value measurements. In accordance with ASC 820, for the three months ended June 28, 2014, we applied the requirements under ASC 820 to our non-financial assets and non-financial liabilities. As we did not have an impairment of any non-financial assets or non-financial liabilities, there was no disclosure required relating to our non-financial assets or non-financial liabilities.

On a recurring basis, we measure certain financial assets and financial liabilities at fair value, including our money market funds, foreign currency hedge contracts, and contingent consideration. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. We base fair value upon quoted market prices, where available. Where quoted market prices or other observable inputs are not available, we apply valuation techniques to estimate fair value.

ASC 820 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The categorization of assets and liabilities within the valuation hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. The three levels of the hierarchy are defined as follows:

- Level 1 — Inputs to the valuation methodology are quoted market prices for identical assets or liabilities.
- Level 2 — Inputs to the valuation methodology are other observable inputs, including quoted market prices for similar assets or liabilities and market-corroborated inputs.
- Level 3 — Inputs to the valuation methodology are unobservable inputs based on management's best estimate of inputs market participants would use in pricing the asset or liability at the measurement date, including assumptions about risk.

Our money market funds carried at fair value are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices.

### Fair Value Measured on a Recurring Basis

Financial assets and financial liabilities measured at fair value on a recurring basis consist of the following as of June 28, 2014.

<i>(In thousands)</i>	Quoted Market Prices for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>Assets</b>				
Money market funds	\$ 95,662	\$ —	\$ —	\$ 95,662
Designated foreign currency hedge contracts	—	1,401	—	1,401
Designated interest rate swap	—	353	—	353
	<u>\$ 95,662</u>	<u>\$ 1,754</u>	<u>\$ —</u>	<u>\$ 97,416</u>
<b>Liabilities</b>				
Designated foreign currency hedge contracts	\$ —	\$ 673	\$ —	\$ 673
Contingent consideration	—	—	7,870	7,870
	<u>\$ —</u>	<u>\$ 673</u>	<u>\$ 7,870</u>	<u>\$ 8,543</u>

A description of the methods used to determine the fair value of the Level 3 liabilities is included within Note 3, Acquisitions. The table below provides a reconciliation of the beginning and ending Level 3 liabilities for the quarter ended June 28, 2014.

<i>(In thousands)</i>	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
Contingent consideration as of March 29, 2014	7,645
Contingent consideration interest expense	225
Ending balance	<u>\$ 7,870</u>

The interest expense recognized on the contingent consideration is reflected in the "interest and other expense, net" on the Consolidated Statements of Income and Comprehensive Income.

### Other Fair Value Disclosures

The Term Loan which is carried at amortized cost and accounts receivable and accounts payable approximate fair value.

## 8. INCOME TAXES

We conduct business globally, and as a result, report our results of operations in a number of foreign jurisdictions in addition to the United States. Our reported tax rate is lower than the federal statutory rate in all reported periods as the income tax rates in the foreign jurisdictions are generally lower.

The reported tax rates for the three months ended June 28, 2014 were a benefit of 13.3%, as compared to a benefit of 14.9% for the three months ended June 29, 2013. Our reported tax rates are lower than the federal statutory tax rate in both periods due to lower foreign tax rates. In addition, during the current period we recorded a pre-tax loss in Scotland associated with restructuring costs, and we did not record a corresponding tax benefit due to uncertainty around our ability to realize a tax benefit in Scotland. Similarly in the prior period, we recorded pre-tax losses in Italy associated with restructuring costs, and we did not record a corresponding tax benefit due to uncertainty around our ability to realize a tax benefit in Italy.

## 9. COMMITMENTS AND CONTINGENCIES

We are presently engaged in various legal actions, and although ultimate liability cannot be determined at the present time, we believe, based on consultation with counsel, that any such liability will not materially affect our consolidated financial position or our results of operations.

### *Italian Employment Litigation*

We have received notices of claimed violations of employment related contracts from some employees of the facility in Ascoli-Piceno, Italy where we are ceasing operations. These include actions claiming (i) working conditions and minimum salaries should have been established by different national collective bargaining agreements than those used over prior years, (ii) certain solidarity agreements, which are arrangements between the company, employees and the government to continue full pay and benefits for employees who would otherwise be terminated in times of low demand, are void, and (iii) payment of the extra time used for changing into the working clothes at the beginning and end of each shift.

In addition, a union represented in the Ascoli plant, has filed an action claiming that the company discriminated against it in favor of three other represented unions by (i) interfering with an employee referendum, (ii) interfering with an employee petition to recall union representatives from office, and (iii) excluding the union from certain meetings.

As of June 28, 2014, the total amount of damages claimed by the plaintiffs in these matters is approximately \$4.6 million; however, it is not possible at this point in the proceedings to accurately evaluate the likelihood or amount of any potential losses. We believe these claims are without merit, and intend to defend against them. As such, no amounts have been accrued related to these claims. We may receive other, similar claims, in the future.

## 10. SEGMENT INFORMATION

### **Segment Definition Criteria**

We manage a global business which designs, manufactures and markets blood management solutions. Our solutions are marketed through operating units organized based primarily on geography: North America Plasma, North America Blood Center and Hospital, Europe, Asia Pacific and Japan.

ASC 280, *Segment Reporting*, permits aggregation of segments which are economically similar as well as similar in all of the following areas: (i) the nature of the products and services, (ii) the nature of the production processes, (iii) the type or class of customer for their products and services, (iv) the methods used to distribute their products or provide their services, and (v) the nature of the regulatory environment. We determined each operating segment is similar based on the criteria of ASC 280 and accordingly aggregate our five operating segments into one reportable segment. This conclusion is consistent with how our chief operating decision-maker views the business. Our chief operating decision maker primarily uses consolidated results to make operating and strategic decisions.

### **Enterprise-Wide Disclosures about Product and Services**

We have four global product families: plasma, blood center, hospital, and software solutions.

Our products include whole blood disposables, equipment devices and the related disposables used with these devices. Disposables include part of plasma, blood center, and hospital product families. Plasma consists of the disposables used to perform apheresis for the separation of whole blood components and subsequent collection of plasma to be used as a raw material for biologically derived pharmaceuticals. Blood center consists of disposables which separate whole blood for the subsequent collection of platelets, plasma, red cells, or a combination of these components for transfusion to patients as well as disposables for manual whole blood collection. Hospital consists of surgical disposables (principally the Cell Saver® autologous blood recovery system targeted to procedures that involve rapid, high volume blood loss such as cardiovascular surgeries), the OrthoPAT® orthopedic perioperative autotransfusion system designed to operate both during and after surgery to recover and wash the patient's red cells to prepare them for reinfusion, and diagnostics products (principally the TEG® Thrombelastograph® hemostasis analyzer used to help assess a surgical patient's hemostasis during and after surgery).

Software solutions include information technology platforms that assist blood centers, plasma centers, and hospitals to more effectively manage regulatory compliance and operational efficiency.

Revenues from External Customers:

<i>(In thousands)</i>	Three Months Ended	
	June 28, 2014	June 29, 2013
Disposable revenues		
Plasma disposables	\$ 79,227	\$ 65,336
Blood center disposables		
Platelet	38,170	34,446
Red cell	10,246	10,009
Whole blood	37,950	51,254
	86,366	95,709
Hospital disposables		
Surgical	15,621	16,089
OrthoPAT	5,381	6,320
Diagnostics	9,598	7,594
	30,600	30,003
Total disposables revenue	196,193	191,048
Software solutions	17,738	16,746
Equipment & other	10,557	11,749
Net revenues	\$ 224,488	\$ 219,543

## 11. RESTRUCTURING

On an ongoing basis, we review the global economy, the healthcare industry, and the markets in which we compete. From these reviews we identify opportunities to improve efficiencies, enhance commercial capabilities, better align our resources and offer customers better comprehensive solutions. In order to realize these opportunities, we undertake restructuring and other initiatives to transform our business.

On May 1, 2013, we announced that our Board of Directors approved a plan to pursue identified Value Creation and Capture ("VCC") opportunities. These include: (i) investment in product line extensions, next generation products and growth platforms; (ii) enhancement of commercial execution capabilities by implementing go-to-market and other strategies to enable global profitable revenue growth; and (iii) transformation of the manufacturing network to best support these commercial strategies while optimizing expense levels. Collectively, these are opportunities to position us for optimal growth and increased competitiveness.

Our manufacturing network transformation plan, part of our larger VCC activities previously announced, includes (i) discontinuing manufacturing activities at our Braintree, Massachusetts, Ascoli-Piceno, Italy and Bothwell, Scotland facilities, (ii) creating a technology center of excellence for product development, (iii) expanding of our current facility in Tijuana, Mexico, (iv) engaging Sanmina Corporation as a contract manufacturer to produce certain medical equipment, and (v) building a new manufacturing facility in Malaysia closer to our customers in Asia.

We estimate we will incur approximately \$74.0 million of restructuring and restructuring related expense and spend approximately \$58.0 million on these initiatives in fiscal 2015. We estimate we will spend an additional \$10 to \$15 million to complete these initiatives through fiscal 2017.

The following summarizes the restructuring activity for the three months ended June 28, 2014 and June 29, 2013:

(In thousands)	Three Months Ended June 28, 2014				
	Restructuring Accrual Balance at March 29, 2014	Restructuring Costs Incurred	Less Payments	Less Non-Cash Adjustments	Restructuring Accrual Balance at June 28, 2014
Severance and other employee costs	\$ 22,908	\$ 9,542	\$ (7,133)	\$ —	\$ 25,317
Other costs	728	5,167	(5,493)	—	402
Accelerated depreciation	—	260	—	(260)	—
Asset write-down	—	96	—	(96)	—
<b>Total</b>	<b>\$ 23,636</b>	<b>\$ 15,065</b>	<b>\$ (12,626)</b>	<b>\$ (356)</b>	<b>\$ 25,719</b>

(In thousands)	Three Months Ended June 29, 2013				
	Restructuring Accrual Balance at March 30, 2013	Restructuring Costs Incurred	Less Payments	Less Non-Cash Adjustments	Restructuring Accrual Balance at June 29, 2013
Severance and other employee costs	\$ 3,089	\$ 20,039	\$ (1,969)	\$ —	\$ 21,159
Other costs	173	3,103	(1,490)	—	1,786
Asset write-down	—	327	—	(327)	—
<b>Total</b>	<b>\$ 3,262</b>	<b>\$ 23,469</b>	<b>\$ (3,459)</b>	<b>\$ (327)</b>	<b>\$ 22,945</b>

We deployed significant financial resources for these activities. Many of the activities necessary to complete the VCC initiatives include severance and other costs which qualify as restructuring expenses under ASC 420, *Exit or Disposal Cost Obligations*. We incurred \$15.1 million in severance, asset write-offs and other restructuring charges during the quarter ended June 28, 2014. In addition, we also incurred \$7.9 million of costs that do not constitute restructuring under ASC 420, which we refer to as "Transformation Costs". These costs consist primarily of expenditures directly related to our transformation activities including program management, product line transfer teams, infrastructure related costs, accelerated depreciation and asset disposals.

The table below presents transformation and restructuring costs recorded in cost of goods sold, research and development, selling, general and administrative expenses and interest and other expense in our statements of income and comprehensive income for the periods presented. The majority of expenses recorded as Transformation Costs in the prior year relate to the integration of the whole blood acquisition. Transformation Costs in the current year are associated with our VCC initiatives.

<b>Transformation costs</b>	<b>Three Months Ended</b>	
	<b>June 28, 2014</b>	<b>June 29, 2013</b>
<i>(in thousands)</i>		
Integration and other costs	7,678	9,180
Accelerated depreciation	250	843
<b>Total</b>	<b>\$ 7,928</b>	<b>\$ 10,023</b>
<b>Restructuring costs</b>	<b>Three Months Ended</b>	
	<b>June 28, 2014</b>	<b>June 29, 2013</b>
<i>(in thousands)</i>		
Severance and other employee costs	\$ 9,542	\$ 20,039
Other costs	5,167	2,849
Accelerated depreciation	260	254
Asset disposal	96	327
<b>Total</b>	<b>\$ 15,065</b>	<b>\$ 23,469</b>
<b>Total restructuring and transformation</b>	<b>\$ 22,993</b>	<b>\$ 33,492</b>

## 12. CAPITALIZATION OF SOFTWARE DEVELOPMENT COSTS

For costs incurred related to the development of software to be sold, leased, or otherwise marketed, we apply the provisions of ASC 985-20, *Software - Costs of Software to be Sold, Leased or Marketed*, which specifies that costs incurred internally in researching and developing a computer software product should be charged to expense until technological feasibility has been established for the product. Once technological feasibility is established, all software costs should be capitalized until the product is available for general release to customers.

We capitalized \$1.4 million and \$1.3 million in software development costs for ongoing initiatives during the three months ended June 28, 2014 and June 29, 2013, respectively. At June 28, 2014 and March 29, 2014, we have a total of \$33.1 million and \$31.7 million of software costs capitalized, of which \$17.0 million and \$15.6 million are related to in-process software development initiatives, respectively. The costs capitalized for each project are included in intangible assets in the consolidated financial statements. We review these assets for impairment annually.

## 13. ACCUMULATED OTHER COMPREHENSIVE INCOME

The following is a roll-forward of the components of Accumulated Other Comprehensive Income, net of tax, for the three months ended June 28, 2014:

<i>(In thousands)</i>	<b>Foreign currency</b>	<b>Defined benefit plans</b>	<b>Net Unrealized Gain/loss on Derivatives</b>	<b>Total</b>
Balance as of March 29, 2014	\$ 3,198	\$ (4,592)	\$ 2,804	\$ 1,410
Other comprehensive income (loss) before reclassifications	955	(595)	(411)	(51)
Amounts reclassified from Accumulated Other Comprehensive Income	—	—	(794)	(794)
Net current period other comprehensive income	955	(595)	(1,205)	(845)
<b>Balance as of June 28, 2014</b>	<b>\$ 4,153</b>	<b>\$ (5,187)</b>	<b>\$ 1,599</b>	<b>\$ 565</b>

The details about the amount reclassified from Accumulated Other Comprehensive Income for the three months ended June 28, 2014 are as follows:

<i>(In thousands)</i>	<b>Amounts Reclassified from Other Comprehensive Income</b>	<b>Affected Line in the Statement of Income</b>
Derivative instruments reclassified to income statement		
Realized net gain on derivatives	\$ 789	Revenue, cost of goods sold, income/(expense)
Income tax effect	5	Provision for income taxes
Net of taxes	<u>\$ 794</u>	

#### 14. SUBSEQUENT EVENTS

On June 30, 2014, we modified our existing Credit Agreement by extending the maturity date by approximately two years, extending the principal repayments of the Term Loan, and modifying certain restrictive covenants to allow greater operational flexibility and enhanced near term liquidity. The consolidated balance sheet as of June 28, 2014 reflects the extended repayment schedule. We were in compliance with the leverage and interest coverage ratios specified in the Credit Agreement as well as all other bank covenants as of June 28, 2014 and June 30, 2014. The table below summarizes the key terms of the amended Credit Facility.

<i>(\$ in millions)</i>	Original Credit Facility	Amended Credit Facility
Term Loan Outstanding at June 30, 2014	\$ 429.4	\$ 379.4
Term Loan Maturity Date	August 1, 2017	July 1, 2019
Revolving Credit Facility Limit	\$ 50.0	\$ 100.0
Revolving Credit Facility Drawn	\$ —	\$ 50.0
Interest Rate	LIBOR + 1.125% - 1.500%	LIBOR + 1.125% - 1.500%

The modified maturity profile is as follows:

<b>Fiscal year <i>(in thousands)</i></b>	<b>Term Loan</b>
2015	\$ —
2016	14,227
2017	37,941
2018	73,510
2019 and beyond	303,728
	<u>\$ 429,406</u>



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

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with both our interim consolidated financial statements and notes thereto which appear elsewhere in this Quarterly Report on Form 10-Q and our annual consolidated financial statements, notes thereto and the MD&A contained in our fiscal year 2014 Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC") on May 22, 2014. The following discussion may contain forward-looking statements and should be read in conjunction with the "Cautionary Statement Regarding Forward-Looking Information."

### **Our Business**

Haemonetics is a global healthcare company dedicated to providing innovative blood management solutions to our customers. Our comprehensive portfolio of integrated devices, information management, and consulting services offers blood management solutions for each facet of the blood supply chain, helping improve clinical outcomes and reduce costs for blood and plasma collectors, hospitals, and patients around the world. Our products and services help prevent a transfusion to a patient who does not need one and provide the right blood product, at the right time, in the right dose to the patient who does.

Blood and its components (plasma, platelets, and red cells) have many vital and frequently life-saving clinical applications. Plasma is used for patients with major blood loss and is manufactured into pharmaceuticals to treat a variety of illnesses and hereditary disorders such as hemophilia. Red cells treat trauma patients or patients undergoing surgery with high blood loss, such as open heart surgery or organ transplant. Platelets treat cancer patients undergoing chemotherapy. Blood is essential to a modern healthcare system.

### **Recent Developments**

#### *Value Creation and Capture Initiatives*

On April 29, 2013, we committed to a plan to pursue identified Value Creation and Capture initiatives ("VCC"). These opportunities include investment in product line extensions and next generation products, enhancement of commercial capabilities and a transformation of our manufacturing network. The transformation of our manufacturing network will take place over three years and includes changes to the current manufacturing footprint and supply chain structure (the "Network Plan"). To implement the Network Plan, we are (i) discontinuing manufacturing activities at our Braintree, Massachusetts, Ascoli-Piceno, Italy and Bothwell, Scotland facilities, (ii) creating a technology center of excellence for product development, (iii) expanding our current facility in Tijuana, Mexico, (iv) engaging Sanmina Corporation as a contract manufacturer to produce certain medical equipment, and (v) building a new manufacturing facility in Malaysia closer to our customers in Asia. See liquidity and capital resources discussion of this MD&A for further discussion of the costs of these activities.

### **Products**

Our medical device systems provide both automated and manual collection and processing of donated blood, assess likelihood for blood loss, salvage and process blood from surgery patients, and dispense and track blood inventory in the hospital. These systems include devices and single-use; proprietary disposable sets ("disposables") some of which only operate with our specialized devices. Specifically, our plasma and blood center systems allow users to collect and process only the blood component(s) they target - plasma, platelets, or red blood cells - increasing donor and patient safety as well as collection efficiencies. Our blood diagnostics system assesses hemostasis (a patient's clotting ability) to aid clinicians in assessing the cause of bleeding, resulting in overall reductions in blood product usage. Our surgical blood salvage systems allow surgeons to collect the blood lost by a patient in surgery, cleanse the blood, and make it available for transfusion back to the patient. Our blood tracking systems automate the distribution of blood products in the hospital. Our manual blood collection and filtration systems enable the manual collection of all blood components while detecting bacteria, thus reducing the risks of infection through transfusion.

We place devices with some of our customers which remain our property. The customer has the right to use these for a period of time as long as certain conditions are met, which, among other things, generally include one or more of the following:

- Purchase and consumption of a minimum level of disposables products;
- Payment of monthly rental fees; and
- An asset utilization performance metric, such as performing a minimum level of procedures per month per device.

Our disposables revenue stream includes the sales of manual collection and filtration systems, device disposables and fees for the use of our equipment, which accounted for approximately 87.4% and 87.0% of our total revenues for the three months ended June 28, 2014 and June 29, 2013, respectively.

## Financial Summary

<i>(In thousands, except per share data)</i>	Three Months Ended		
	June 28, 2014	June 29, 2013	% Increase/ (Decrease)
Net revenues	\$ 224,488	\$ 219,543	2.3 %
Gross profit	\$ 106,278	\$ 111,412	(4.6)%
<i>% of net revenues</i>	47.3 %	50.7 %	
Operating expenses	\$ 107,944	\$ 118,020	(8.5)%
Operating loss	\$ (1,666)	\$ (6,608)	(74.8)%
<i>% of net revenues</i>	(0.7)%	(3.0)%	
Interest and other expense, net	\$ (2,543)	\$ (2,641)	(3.7)%
Loss before benefit from income taxes	\$ (4,209)	\$ (9,249)	(54.5)%
Income tax benefit	\$ (560)	\$ (1,375)	(59.3)%
<i>% of pre-tax income</i>	13.3 %	14.9 %	
Net loss	\$ (3,649)	\$ (7,874)	(53.7)%
<i>% of net revenues</i>	(1.6)%	(3.6)%	
Earnings per share-diluted	\$ (0.07)	\$ (0.15)	(53.3)%

Net revenues increased 2.3% for the three months ended June 28, 2014, as compared to the same period of fiscal 2014. Without the effects of foreign exchange, net revenues increased 2.3% for the three months ended June 28, 2014, as compared to the same period of fiscal 2014. Revenue increased due to plasma, TEG and emerging markets growth. These increases were largely offset by declines in the whole blood product line for the three months ended June 28, 2014.

Operating loss declined 74.8% for the three months ended June 28, 2014, as compared to the same period of fiscal 2014. Without the effects of foreign exchange, operating loss declined 103.6% for the three months ended June 28, 2014, as compared to the same period of fiscal 2014. Operating loss decreased for the three months ended June 28, 2014 due primarily to the reduction of restructuring and transformation expenses that totaled \$23.0 million in the current period, compared to \$33.5 million in the prior period. This improvement was partially offset by lower gross profits.

Net loss declined 53.7% for the three months ended June 28, 2014, as compared to the same period of fiscal 2014. Without the effects of foreign exchange, net loss decreased 74.0% for the three months ended June 28, 2014, respectively, as compared to the same period of fiscal 2014. The change in net loss is attributable to the reduction in the operating loss described above.

## RESULTS OF OPERATIONS

### International Operations and the Impact of Foreign Exchange

<i>(In thousands)</i>	Three Months Ended		
	June 28, 2014	June 29, 2013	% Increase/ (Decrease)
United States	\$ 120,749	\$ 122,145	(1.1)%
International	103,739	97,398	6.5 %
Net revenues	\$ 224,488	\$ 219,543	2.3 %

Our principal operations are in the U.S., Europe, Japan and other parts of Asia. Our products are marketed in approximately 100 countries around the world through a combination of our direct sales force, independent distributors and agents. Our revenues generated outside the U.S. approximated 46.2% of total net revenues for the three months ended June 28, 2014. International sales are generally conducted in local currencies, primarily the Japanese Yen, the Euro and the Australian Dollar. Our revenues are impacted by changes in the value of the Yen, the Euro and the Australian Dollar relative to the U.S. Dollar.

We have placed foreign currency hedges to minimize the risk of currency fluctuations. Relative weakness in the Japanese Yen to the US Dollar has negatively impacted revenue and operating income. We expect this trend to continue in fiscal 2015.

Please see section entitled “Foreign Exchange” in this discussion for a more complete explanation of how foreign currency affects our business and our strategy for managing this exposure.

**Net Revenues by Product Type**

<i>(In thousands)</i>	Three Months Ended		
	June 28, 2014	June 29, 2013	% Increase/ (Decrease)
Disposables	\$ 196,193	\$ 191,048	2.7 %
Software solutions	17,738	16,746	5.9 %
Equipment & other	10,557	11,749	(10.1)%
Net revenues	<u>\$ 224,488</u>	<u>\$ 219,543</u>	2.3 %

***Disposable Revenues by Product Type***

<i>(In thousands)</i>	Three Months Ended		
	June 28, 2014	June 29, 2013	% Increase/ (Decrease)
Plasma disposables	\$ 79,227	\$ 65,336	21.3 %
Blood center disposables			
Platelet	38,170	34,446	10.8 %
Red cell	10,246	10,009	2.4 %
Whole blood	37,950	51,254	(26.0)%
	<u>86,366</u>	<u>95,709</u>	(9.8)%
Hospital disposables			
Surgical	15,621	16,089	(2.9)%
OrthoPAT	5,381	6,320	(14.9)%
Diagnostics	9,598	7,594	26.4 %
	<u>30,600</u>	<u>30,003</u>	2.0 %
Total disposables revenue	<u>\$ 196,193</u>	<u>\$ 191,048</u>	2.7 %

***Disposables Revenue***

Disposables revenue increased 2.7% for the three months ended June 28, 2014, as compared to the same period of fiscal 2014. Without the effect of foreign exchange, disposables revenue increased 2.8% for the three months ended June 28, 2014, as compared to the same period of fiscal 2014. The increase was driven primarily by growth in plasma, TEG and emerging markets disposable revenues, offset by significantly reduced whole blood disposable revenue.

***Plasma***

Plasma disposables revenue increased 21.3% for the three months ended June 28, 2014, as compared to the same period of fiscal 2014. Without the effect of foreign exchange, plasma revenue increased 21.1% for the three months ended June 28, 2014, as compared to the same period of fiscal 2014. Plasma revenue increased due to higher volumes in the United States associated with end market growth for plasma-derived biopharmaceuticals as well as the result of a transition to a direct sales model in Australia and New Zealand during the second quarter of fiscal 2014, which negatively impacted plasma revenue in the first quarter of fiscal 2014.

***Blood Center***

Blood center consists of disposables used to collect platelets, red cells and whole blood.

### *Platelet*

We continue to see significant differences in demand for our platelet products in various markets depending on access to health care and adoption of certain efficient collection techniques. In emerging markets, increased access to health care continues to increase the demand for platelet transfusions, while increases in the demand for platelet transfusions in developed markets is modest. Improved collection efficiencies which increase the yield of platelets per collection and more efficient use of collected platelets reduce the number of collections required to meet market demand. Where we see adoption of these techniques we experience reduced demand for our products. Not all markets have adopted these collection efficiencies at the same level.

Platelet disposables revenue increased 10.8% for the three months ended June 28, 2014, as compared to the same period of fiscal 2014. Without the effect of foreign exchange, platelet disposable revenue increased 13.0% for the three months ended June 28, 2014, as compared to the same period of fiscal 2014, due primarily to increased revenues in emerging markets due to strong demand and lower prior period sales as distributors adjusted inventory levels during the first quarter of fiscal 2014.

### *Red Cell and Whole Blood*

Sales to U.S. blood centers represent over 70% of our total red cell and whole blood disposable revenue. The demand for these disposable products in the U.S. declined in fiscal 2014 due to a rapid decline in demand for blood products associated with actions taken by hospitals to improve blood management techniques and protocols. We believe the decline in U.S. blood center collections will be approximately 10% in fiscal 2015, and accordingly will continue to negatively impact red cell and whole blood revenue. Additionally, in response to this trend, certain large U.S. blood center collector groups pursued single source vendors for whole blood collection products which required significant reductions in average selling prices in order to retain or increase our share of their business. We expect these U.S. blood collector groups to pursue similar arrangements that will likely affect our red cell revenues in the future.

As a result of the above, during fiscal 2014 we entered into a multi-year agreement to supply the HemeXcel Purchasing Alliance, LLC with certain whole blood collection components on an exclusive basis during the calendar years 2014-2016. The agreement includes a reduction in average selling prices which will continue to negatively impact our financial results in fiscal 2015. During March 2014, the American Red Cross selected another supplier to provide certain whole blood products. We anticipate this will reduce annualized revenues approximately \$25.0 million with the principal effect beginning in the second quarter of fiscal 2015.

Red cell disposables revenue increased 2.4% for the three months ended June 28, 2014, as compared to the same period of fiscal 2014. Without the effect of foreign exchange, red cell disposables revenue increased 2.0% for the three months ended June 28, 2014, as compared to the same period of fiscal 2014 due to increased revenues in North America associated with favorable order timing.

Whole blood revenue decreased 26.0% for the three months ended June 28, 2014, as compared to the same period of fiscal 2014. Without the effect of foreign exchange, whole blood revenue decreased 26.5% for the three months ended June 28, 2014, as compared to the same period of fiscal 2014. Revenue for the three months ended June 28, 2014 decreased primarily due to lower revenue in the U.S. associated with a decline in demand, lower market share including the loss of the European tender and pricing reductions. Order timing in distribution markets outside the U.S. also contributed to the decline in whole blood revenue.

### **Hospital**

Hospital consists of Surgical, OrthoPAT, and Diagnostics products.

Surgical disposables revenue consists principally of the Cell Saver and CardioPAT products. Revenues from our surgical disposables decreased 2.9% for the three months ended June 28, 2014, as compared to the same period of fiscal 2014. Without the effect of foreign exchange, surgical disposables revenue decreased 2.4% for the three months ended June 28, 2014, as compared to the same period of fiscal 2014. Surgical disposables grew in emerging markets but declined in mature markets due to a combination of market conditions and competitive pressures.

Revenues from our OrthoPAT disposables decreased 14.9% for the three months ended June 28, 2014, as compared to the same period of fiscal 2014. Without the effect of foreign exchange, OrthoPAT disposables revenue decreased 15.0% for the three months ended June 28, 2014, as compared to the same period of fiscal 2014, as better blood management has reduced orthopedic blood loss and demand for OrthoPAT disposables. Recent trends in blood management, particularly the adoption of tranexamic acid to treat and prevent orthopedic post-operative blood loss, have lessened hospital use of OrthoPAT disposables.

Diagnostics product revenue consists principally of the consumable reagents used with the TEG analyzer. Revenues from our diagnostics products increased 26.4% for the three months ended June 28, 2014, as compared to the same period of fiscal 2014. Without the effect of foreign exchange, diagnostics product revenues increased 23.1% for the three months ended June 28, 2014, as compared to the same period of fiscal 2014. The revenue increase is due to continued adoption of our TEG analyzer, principally in the US and China.

### Software Solutions Revenue

Our software solutions revenues include sales of our information technology software platforms and consulting services. Software revenues increased 5.9% for the three months ended June 28, 2014, as compared to the same period of fiscal 2014. Without the effect of foreign exchange, software revenues increased 4.4% for the three months ended June 28, 2014, as compared to the same period of fiscal 2014. Software revenue increased due to strong BloodTrack sales in the US and Europe during the three months ended June 28, 2014.

### Equipment & Other Revenue

Our equipment and other revenues include revenue from equipment sales, repairs performed under preventive maintenance contracts or emergency service visits, spare part sales, and various services and training programs. These revenues are primarily composed of equipment sales, which tend to vary from period to period more than our disposable business due to the timing of order patterns, particularly in our distribution markets. Equipment and other revenues decreased 10.1% for the three months ended June 28, 2014, as compared to the same period of fiscal 2014. Without the effect of foreign exchange, equipment and other revenues decreased 9.2% for the three months ended June 28, 2014, as compared to the same period of fiscal 2014. The decline in revenue for the three months ended June 28, 2014 is due primarily to the impact of order timing in global markets. This decline was partially offset by growing service revenues in Australia and New Zealand due to the transition to a direct sales model.

### Gross Profit

<i>(In thousands)</i>	Three Months Ended		
	June 28, 2014	June 29, 2013	% Increase/ (Decrease)
Gross profit	\$ 106,278	\$ 111,412	(4.6)%
% of net revenues	47.3%	50.7%	

Gross profit decreased 4.6% for the three months ended June 28, 2014, as compared to the same period of fiscal 2014. Without the effect of foreign exchange, gross profit decreased 3.0% for the three months ended June 28, 2014, as compared to the same period of fiscal 2014. The gross profit margin decreased by 340 basis points for the three months ended June 28, 2014, as compared to the same three month period of fiscal 2014. The decrease in gross profit margin during the three months ended June 28, 2014 was primarily due to volume and price reductions associated with changes in the whole blood market described above. These decreases were partially offset by cost savings from our VCC initiatives implemented during fiscal 2014.

### Operating Expenses

<i>(In thousands)</i>	Three Months Ended		
	June 28, 2014	June 29, 2013	% Increase/ (Decrease)
Research and development	\$ 15,382	\$ 11,209	37.2 %
% of net revenues	6.9%	5.1%	
Selling, general and administrative	\$ 92,562	\$ 106,811	(13.3)%
% of net revenues	41.2%	48.7%	
Total operating expenses	\$ 107,944	\$ 118,020	(8.5)%
% of net revenues	48.1%	53.8%	

**Research and Development**

Research and development expenses increased 37.2% for the three months ended June 28, 2014, as compared to the same period of fiscal 2014. The increase is primarily associated with planned increases in new product development investments.

**Selling, General and Administrative**

During the three months ended June 28, 2014, selling, general and administrative expenses decreased 13.3%, as compared to the same period of fiscal 2014. The decrease for the three months ended June 28, 2014 was due primarily to lower restructuring and transformation costs primarily due to the timing of manufacturing network optimization activities as well as the completion of the whole blood integration activities during fiscal 2014. Restructuring and transformation costs recorded in selling, general and administrative were \$16.8 million during the three months ended June 28, 2014 and \$30.3 million in the prior period.

**Interest and Other Expense, Net**

Interest and other expense, net, remained flat for the three months ended June 28, 2014, as compared to the same period of fiscal 2014. Interest expense from our term loan borrowings constitutes the majority of expense reported in both periods. The effective interest rate on total debt outstanding for the three months ended June 28, 2014 and the three months ended June 29, 2013 was approximately 2.0%.

**Income Taxes**

	Three Months Ended	
	June 28, 2014	June 29, 2013
Reported income tax rate	13.3%	14.9%

We conduct business globally, and as a result, report our results of operations in a number of foreign jurisdictions in addition to the United States. Our reported tax rate is lower than the federal statutory rate in all periods as the income tax rates in the foreign jurisdictions are generally lower.

The reported tax rate for the three months ended June 28, 2014 as well as the comparable period in the prior year was approximately 15%. Our reported tax rates are lower than the federal statutory tax rate in both periods due to lower foreign tax rates. In addition, during the current period we recorded a pre-tax loss in Scotland associated with restructuring costs, and we did not record a corresponding tax benefit due to uncertainty around our ability to realize a tax benefit in Scotland. Similarly in the prior period, we recorded pre-tax losses in Italy associated with restructuring costs, and we did not record a corresponding tax benefit due to uncertainty around our ability to realize a tax benefit in Italy.

**Liquidity and Capital Resources**

The following table contains certain key performance indicators we believe depict our liquidity and cash flow position:

<i>(Dollars in thousands)</i>	June 28, 2014	March 29, 2014
Cash & cash equivalents	\$ 139,943	\$ 192,469
Working capital	\$ 403,437	\$ 406,048
Current ratio	3.4	2.9
Net debt (1)	\$ (290,998)	\$ (245,218)
Days sales outstanding (DSO)	63	62
Disposable finished goods inventory turnover	4.0	4.2

(1) Net debt position is the sum of cash and cash equivalents less total debt.

Our capital resources consist of cash and cash equivalents, our ability to generate cash flow from operations and available borrowings under our credit facility and lines of credit. As discussed in Management's Discussion and Analysis, during fiscal 2014 our business was negatively impacted by changes in blood management practices and actions taken by U.S. blood center customers in response to related reductions in demand for blood products. We expect these trends and the loss of revenues from

the American Red Cross whole blood contract to continue to negatively impact revenue and cash flow from operations in fiscal 2015.

During fiscal 2014 we commenced the VCC initiatives that includes a significant transformation of our manufacturing network designed to reduce product costs and increase the efficiency of our supply chain. The program requires cash expenditures for plant exit and closure costs including separation benefits, new plant construction and temporary increases in inventory levels as manufacturing is transitioned to new facilities. We paid \$72.9 million in cash related to restructuring, transformation costs and capital expenditures associated with the VCC initiatives during fiscal 2014. We estimate we will pay \$100.0 million in cash in fiscal 2015 related to our VCC initiatives.

During the three months ended June 28, 2014, we announced a share repurchase plan of up to \$100 million worth of shares in the open market. The repurchase program adheres to all debt covenants and is subject to market conditions. As of June 28, 2014, we had repurchased approximately 834,000 shares at a total cost of \$26.5 million under this plan.

## Debt

In connection with the acquisition of the whole blood business, we entered into a credit agreement ("Credit Agreement") with certain lenders (together, "Lenders") which provided for a \$475.0 million Term Loan and a \$50.0 million revolving loan (the "Revolving Credit Facility"), and together with the Term Loan, (the "Credit Facilities"). The Credit Facilities have a term of five years and mature on August 1, 2017. Interest is based on the Adjusted LIBOR plus a range of 1.125% to 1.500% depending on achievement of leverage ratios and customary credit terms which include financial and negative covenants. As of June 28, 2014, all \$50.0 million of the Revolving Credit Facility was available and we were in compliance with the financial covenants including Consolidated Total Leverage Ratio and Consolidated Interest Coverage Ratio.

On June 30, 2014, we modified our existing Credit Facilities by extending the maturity date by approximately two years, extending the principal repayments of the Term Loan, and modifying certain restrictive covenants to allow greater operational flexibility and enhanced near term liquidity. In addition, the amended Credit Agreement provides for a \$100.0 million revolving credit facility and establishes interest rates in the range of LIBOR plus 1.125% – 1.500%, depending on certain conditions. At June 30, 2014, \$379.4 million was outstanding under the term loan and \$50.0 million was outstanding on the Revolving Credit Facility, both with an interest rate of 1.5625%. No additional amounts were borrowed as a result of this modification. The fair value of debt approximates its current value of approximately \$429.4 million as of June 30, 2014. We were in compliance with the leverage and interest coverage ratios specified in its credit agreement as well as all other bank covenants as of June 30, 2014.

The modified maturity profile is as follows:

<b>Fiscal year (in thousands)</b>	<b>Term Loan</b>
2015	\$ —
2016	14,227
2017	37,941
2018	73,510
2019 and beyond	303,728
	<u>\$ 429,406</u>

**Cash Flows**

<i>(In thousands)</i>	<b>Three Months Ended</b>		
	<b>June 28, 2014</b>	<b>June 29, 2013</b>	<b>Increase/ (Decrease)</b>
<b>Net cash provided by (used in):</b>			
Operating activities	\$ 13,738	\$ 13,402	\$ 336
Investing activities	(37,021)	(35,647)	(1,374)
Financing activities	(28,811)	9,504	(38,315)
Effect of exchange rate changes on cash and cash equivalents (1)	(432)	(51)	(381)
Net increase (decrease) in cash and cash equivalents	<u>\$ (52,526)</u>	<u>\$ (12,792)</u>	<u>\$ (39,734)</u>

(1) The balance sheet is affected by spot exchange rates used to translate local currency amounts into U.S. Dollars. In accordance with US GAAP, we have removed the effect of foreign currency throughout our cash flow statement, except for its effect on our cash and cash equivalents.

**Operating Activities**

Net cash provided by operating activities increased by \$0.3 million during the three months ended June 28, 2014, as compared to the three months ended June 29, 2013. Cash provided by operating activities was essentially flat year over year as operating performance and working capital levels were comparable in each period.

**Investing Activities**

Net cash used in investing activities decreased by \$1.4 million during the three months ended June 28, 2014, as compared to the three months ended June 29, 2013. The three months ended June 29, 2013 include \$23.1 million paid for the acquisition of Hemerus Medical, LLC. Excluding this acquisition, net cash used in investing activities increased \$24.5 million during the three months ended June 28, 2014, as compared to the three months ended June 29, 2013. This increase was due primarily to plant construction activities in Malaysia and Tijuana as part of our VCC initiatives and the purchase of two previously leased facilities, our manufacturing facility in Salt Lake City and an administrative office at our corporate headquarters in Braintree.

**Financing Activities**

Net cash used in financing activities increased by \$38.3 million during the three months ended June 28, 2014, as compared to the three months ended June 29, 2013, due primarily to \$8.5 million of term loan principal payments and \$26.5 million of share repurchases during the three months ended June 28, 2014.

**Concentration of Credit Risk**

Concentrations of credit risk with respect to trade accounts receivable are generally limited due to our large number of customers and their diversity across many geographic areas. A portion of our trade accounts receivable outside the United States, however, include sales to government-owned or supported healthcare systems in several countries, which are subject to payment delays. Payment is dependent upon the financial stability and creditworthiness of those countries' national economies.

We have not incurred significant losses on government receivables. We continually evaluate all government receivables for potential collection risks associated with the availability of government funding and reimbursement practices. If the financial condition of customers or the countries' healthcare systems deteriorate such that their ability to make payments is uncertain, allowances may be required in future periods.

**Inflation**

We do not believe that inflation had a significant impact on our results of operations for the periods presented. Historically, we believe we have been able to mitigate the effects of inflation by improving our manufacturing and purchasing efficiencies, by increasing employee productivity, and by adjusting the selling prices of products. We continue to monitor inflation pressures generally and raw materials indices that may affect our procurement and production costs. Increases in the price of petroleum derivatives could result in corresponding increases in our costs to procure plastic raw materials.



## Foreign Exchange

During the three months ended June 28, 2014, approximately 46.2% of our sales were generated outside the U.S., generally in foreign currencies, yet our reporting currency is the U.S. Dollar. We also incur certain manufacturing, marketing and selling costs in international markets in local currency. Our primary foreign currency exposures relate to sales denominated in the Euro, the Japanese Yen and the Australian Dollar. We also have foreign currency exposure related to manufacturing and other operational costs denominated in Swiss Francs, British Pounds, Canadian Dollars and Mexican Pesos. The Yen, Euro and Australian Dollar sales exposure is partially mitigated by costs and expenses for foreign operations and sourcing products denominated in foreign currencies. Since our foreign currency denominated Yen, Euro and Australian Dollar sales exceed the foreign currency denominated costs, whenever the U.S. Dollar strengthens relative to the Yen, Euro or Australian Dollar, there is an adverse effect on our results of operations and, conversely, whenever the U.S. Dollar weakens relative to the Yen, Euro or Australian Dollar, there is a positive effect on our results of operations. For the Swiss Franc, the British Pound, the Canadian Dollar and Mexican Peso our primary cash flows relate to product costs or costs and expenses of local operations. Whenever the U.S. Dollar strengthens relative to these foreign currencies, there is a positive effect on our results of operations. Conversely, whenever the U.S. Dollar weakens relative to these currencies, there is an adverse effect on our results of operations.

We have a program in place that is designed to mitigate our exposure to changes in foreign currency exchange rates. That program includes the use of derivative financial instruments to minimize, for a period of time, the unforeseen impact on our financial results from changes in foreign exchange rates. We utilize forward foreign currency contracts to hedge the anticipated cash flows from transactions denominated in foreign currencies, primarily the Japanese Yen and the Euro, and to a lesser extent the Swiss Franc, the British Pound, the Australian Dollar, the Canadian Dollar and the Mexican Peso. This does not eliminate the volatility of foreign exchange rates, but because we generally enter into forward contracts one year out, rates are fixed for a one-year period, thereby facilitating financial planning and resource allocation.

These contracts are designated as cash flow hedges and are intended to lock in the expected cash flows of forecasted foreign currency denominated sales and costs at the available spot rate. Actual spot rate gains and losses on these contracts are recorded in sales and costs, at the same time the underlying transactions being hedged are recorded. The final impact of currency fluctuations on the results of operations is dependent on the local currency amounts hedged and the actual local currency results.

Presented below are the spot rates for our Euro, Japanese Yen, Australian Dollar, Canadian Dollar, British Pound, Swiss Franc and Mexican Peso cash flow hedges that settled during fiscal years 2013, 2014 and 2015 or are presently outstanding. These hedges cover our long foreign currency positions that result from our sales designated in the Euro, the Japanese Yen and the Australian Dollar. These hedges also include our short positions associated with costs incurred in Canadian Dollars, British Pounds, Swiss Francs and Mexican Pesos. The table also shows how the strengthening or weakening of the spot rates associated with those hedge contracts versus the spot rates in the contracts that settled in the prior comparable period affects our results favorably or unfavorably. The table assumes a consistent notional amount for hedge contracts in each period presented.

	First Quarter	Favorable / (Unfavorable)	Second Quarter	Favorable / (Unfavorable)	Third Quarter	Favorable / (Unfavorable)	Fourth Quarter	Favorable / (Unfavorable)
<b>Sales Hedges</b>								
<b>Euro - Hedge Spot Rate (US\$ per Euro)</b>								
FY13	1.43	15 %	1.42	9 %	1.36	— %	1.32	(4)%
FY14	1.27	(11)%	1.25	(12)%	1.29	(5)%	1.33	1 %
FY15	1.33	5 %	1.35	8 %	1.35	5 %	1.37	3 %
FY16	1.35	2 %	—	—	—	—	—	—
<b>Japanese Yen - Hedge Spot Rate (JPY per US\$)</b>								
FY13	79.40	11 %	76.65	11 %	77.58	5 %	78.69	5 %
FY14	79.85	(1)%	79.68	(4)%	84.32	(9)%	93.92	(19)%
FY15	97.16	(22)%	98.18	(23)%	101.09	(20)%	102.44	(9)%
FY16	102.05	(5)%	—	—	—	—	—	—
<b>Australian Dollar - Hedge Spot Rate (US\$ per AUD)</b>								
FY14	—	—	0.92	—	0.91	—	0.92	— %
FY15	0.90	—	0.94	2 %	0.94	3 %	0.90	(2)%
FY16	—	—	—	—	—	—	—	—
<b>Operating Hedges</b>								
<b>Canadian Dollar - Hedge Spot Rate (CAD per US\$)</b>								
FY13	0.98	(7)%	0.99	(4)%	1.01	1 %	1.00	1 %
FY14	1.01	3 %	1.00	1 %	1.00	(1)%	1.01	1 %
FY15	—	—	—	—	—	—	—	—
FY16	—	—	—	—	—	—	—	—
<b>British Pound - Hedge Spot Rate (US\$ per GBP)</b>								
FY13	1.62	(8)%	1.63	(6)%	1.60	(2)%	1.57	1 %
FY14	1.59	2 %	1.55	5 %	1.52	5 %	1.54	2 %
FY15	1.56	2 %	1.57	(1)%	1.62	(7)%	1.65	(7)%
FY16	1.67	(7)%	—	—	—	—	—	—
<b>Swiss Franc - Hedge Spot Rate (CHF per US\$)</b>								
FY13	0.82	(22)%	0.85	(16)%	0.92	(4)%	0.92	— %
FY14	0.96	17 %	0.95	12 %	0.92	— %	0.93	1 %
FY15	0.94	(2)%	0.92	(3)%	0.91	(1)%	0.89	(4)%
FY16	0.90	(4)%	—	—	—	—	—	—
<b>Mexican Peso - Hedge Spot Rate (MXN per US\$)</b>								
FY14	12.34	— %	12.35	— %	12.22	— %	12.20	— %
FY15	12.40	— %	13.06	6 %	13.09	7 %	13.08	7 %
FY16	13.10	6 %	13.01	— %	—	—	—	—

We generally place our cash flow hedge contracts on a rolling twelve month basis.

### Recent Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-08, “Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity” (“ASU 2014-08”). ASU 2014-08 limits the requirement to report discontinued operations to disposals of components of an entity that represent strategic shifts that have (or will have) a major effect on an entity’s operations and financial results. The amendments also require expanded disclosures concerning discontinued operations and disclosures of certain financial results attributable to a disposal of a significant component of an entity that does not qualify for discontinued operations reporting. The amendments in this ASU are effective

prospectively for reporting periods beginning on or after December 15, 2014, with early adoption permitted. The impact on our Financial Statements of adopting ASU 2014-08 is being assessed by management.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"), which stipulates that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this core principle, an entity should apply the following steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the entity satisfies a performance obligation. ASU 2014-09 will be effective for the Company retrospectively beginning April 1, 2018, with early adoption not permitted. The impact on our Financial Statements of adopting ASU 2014-09 is being assessed by management.

In June 2014, the FASB issued Accounting Standards Update No. 2014-12, Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period ("ASU 2014-12"). ASU 2014-12 requires that a performance target that affects vesting and could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in ASC 718, Compensation—Stock Compensation, as it relates to such awards. ASU 2014-12 is effective in our first quarter of fiscal 2017 with early adoption permitted using either of two methods: (i) prospective to all awards granted or modified after the effective date; or (ii) retrospective to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter, with the cumulative effect of applying ASU 2014-12 as an adjustment to the opening retained earnings balance as of the beginning of the earliest annual period presented in the financial statements. The impact on our Financial Statements of adopting ASU 2014-12 is being assessed by management.

### **Cautionary Statement Regarding Forward-Looking Information**

Statements contained in this report, as well as oral statements we make which are prefaced with the words "may," "will," "expect," "anticipate," "continue," "estimate," "project," "intend," "designed," and similar expressions, are intended to identify forward looking statements regarding events, conditions, and financial trends that may affect our future plans of operations, business strategy, results of operations, and financial position. These statements are based on our current expectations and estimates as to prospective events and circumstances about which we can give no firm assurance. Further, any forward-looking statement speaks only as of the date on which such statement is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made. As it is not possible to predict every new factor that may emerge, forward-looking statements should not be relied upon as a prediction of our actual future financial condition or results. These forward-looking statements, like any forward-looking statements, involve risks and uncertainties that could cause actual results to differ materially from those projected or anticipated, including: the effects of disruption from the manufacturing transformation making it more difficult to maintain relationships with employees and timely deliver high quality products, unexpected expenses incurred during our VCC initiatives, technological advances in the medical field and standards for transfusion medicine, our ability to successfully implement products that incorporate such advances and standards, demand for whole blood and blood components, product quality, market acceptance, regulatory uncertainties, the ability of our contract manufacturing vendors to timely supply high quality goods, the effect of economic and political conditions, the impact of competitive products and pricing, blood product reimbursement policies and practices, foreign currency exchange rates, changes in customers' ordering patterns including single-source tenders, the effect of industry consolidation as seen in the plasma and blood center markets, the effect of communicable diseases and the effect of uncertainties in markets outside the U.S. (including Europe and Asia) in which we operate and such other risks described under Item 1A. Risk Factors included in this report. The foregoing list should not be construed as exhaustive.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Our exposure relative to market risk is due to foreign exchange risk and interest rate risk.

#### **Foreign Exchange Risk**

See the section entitled Foreign Exchange for a discussion of how foreign currency affects our business. It is our policy to minimize, for a period of time, the unforeseen impact on our financial results of fluctuations in foreign exchange rates by using derivative financial instruments known as forward contracts to hedge anticipated cash flows from forecasted foreign currency denominated sales and expenses. We do not use the financial instruments for speculative purposes. We estimate the change in the fair value of all forward contracts assuming both a 10% strengthening and weakening of the U.S. Dollar relative to all other major currencies. In the event of a 10% strengthening of the U.S. Dollar, the change in fair value of all forward contracts would result in a \$9.7 million increase in the fair value of the forward contracts; whereas a 10% weakening of the US Dollar would result in a \$10.0 million decrease in the fair value of the forward contracts.

#### **Interest Rate Risk**

Our exposure to changes in interest rates is associated with borrowings on our credit facility, all of which is variable rate debt. All other long-term debt is at fixed rates. Total outstanding debt under our credit facility as of June 28, 2014 was \$429.4 million with an interest rate of 1.5625% based on prevailing LIBOR rates. An increase of 100 basis points in LIBOR rates would result in additional annual interest expense of \$4.3 million. On December 21, 2012, we entered into interest rate swap agreements to effectively convert \$250.0 million of borrowings from a variable rate to a fixed rate. The interest rate swaps qualify for hedge accounting treatment as cash flow hedges. The major risks from interest rate swaps include changes in the interest rates affecting the fair value of such instruments, potential increases in interest expense due to market increases in floating interest rates and the creditworthiness of the counterparties in such transactions. We continuously monitor the creditworthiness of our counterparties.

### **ITEM 4. CONTROLS AND PROCEDURES**

We conducted an evaluation, as of June 28, 2014, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer (the Company's principal executive officer and principal financial officer, respectively) regarding the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rule 13a-15 under the Securities Exchange Act of 1934 (the "Exchange Act"). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective as of June 28, 2014. There has been no change in our internal control over financial reporting during the quarter ended June 28, 2014 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II — OTHER INFORMATION

### Item 1. Legal Proceedings

#### *Italian Employment Litigation*

We have received notices of claimed violations of employment related contracts from some employees of the facility in Ascoli-Piceno, Italy where we are ceasing operations. These include actions claiming (i) working conditions and minimum salaries should have been established by different national collective bargaining agreements than those used over prior years, (ii) certain solidarity agreements, which are arrangements between the company, employees and the government to continue full pay and benefits for employees who would otherwise be terminated in times of low demand, are void, and (iii) payment of the extra time used for changing into the working clothes at the beginning and end of each shift.

In addition, a union represented in the Ascoli plant, has filed an action claiming that the company discriminated against it in favor of three other represented unions by (i) interfering with an employee referendum, (ii) interfering with an employee petition to recall union representatives from office, and (iii) excluding the union from certain meetings.

As of June 28, 2014, the total amount of damages claimed by the plaintiffs in these matters is approximately \$4.6 million; however, it is not possible at this point in the proceedings to accurately evaluate the likelihood or amount of any potential losses. We believe these claims are without merit, and intend to defend against them. As such, no amounts have been accrued related to these claims. We may receive other, similar claims, in the future.

### Item 1A. Risk Factors

In addition to the other information set forth in this report, careful consideration should be given to the factors discussed in Part 1, “Item 1A. Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended March 29, 2014, which could materially affect the Company’s business, financial condition or future results.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

In an April 28, 2014 press release, the Company announced that its Board of Directors approved the repurchase of up to \$100.0 million worth of Company shares, subject to compliance with its loan covenants. Through June 28, 2014, the Company repurchased 833,757 shares of its common stock for an aggregate purchase price of \$26.9 million. We reflect stock repurchases in our financial statements on a “trade date” basis and as Authorized Unissued (Haemonetics is a Massachusetts company and under Massachusetts law repurchased shares are treated as authorized but unissued).

All of the purchases during the quarter were made under the publicly announced program and were made in the open market.

Period	Total Number of Shares Repurchased	Average Price Paid per Share including Commissions	Total Dollar Value of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs
4/27/2014-5/24/2014	694,162	\$ 31.81	22,079,008	77,920,992
5/25/2014-6/28/2014	139,595	34.23	4,778,988	73,142,004
<b>Total</b>	<b>833,757</b>	<b>\$ 32.21</b>	<b>\$ 26,857,996</b>	

### Item 3. Defaults Upon Senior Securities

Not applicable.

### Item 4. Mine Safety Disclosures

Not applicable.

### Item 5. [Removed and Reserved]

## Item 6. Exhibits

- 10A Sixth Amendment to Lease dated March 23, 2004, effective July 15, 2004 made as of May 28, 2013 between Cabot II - ILI W02-W03, LLC and the Company of the property located in Niles, Illinois (filed as Exhibit 10A to the Company's Form 10-Q for the quarter ended June 28, 2014).
- 10B Seventh Amendment to Lease dated March 23, 2004, effective July 15, 2004 made as of May 1, 2014 between Cabot II - ILI W02-W03, LLC and the Company of the property located in Niles, Illinois (filed as Exhibit 10B to the Company's Form 10-Q for the quarter ended June 28, 2014).
- 10C Lease dated February 25, 2014 between and among 840 Business Center #2, LLC and Haemonetics Corporation for the property located in Mount Juliet, Tennessee (filed herewith as Exhibit 10C to the Company's Form 10-Q for the quarter ended June 28, 2014).
- 10D Lease dated September 19, 2013 between the Penang Development Corporation ("Lessor") and Haemonetics Malaysia Sdn Bhd ("Lessee") of the property located in Penang, Malaysia (filed herewith as Exhibit 10D to the Company's 10-Q for the quarter ended June 28, 2014).
- 31.1 Certification pursuant to Section 302 of Sarbanes-Oxley Act of 2002, of Brian Concannon, President and Chief Executive Officer of the Company
- 31.2 Certification pursuant to Section 302 of Sarbanes-Oxley of 2002, of Christopher Lindop, Chief Financial Officer and Executive Vice President Business Development of the Company
- 32.1 Certification Pursuant to 18 United States Code Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of Brian Concannon, President and Chief Executive Officer of the Company
- 32.2 Certification Pursuant to 18 United States Code Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of Christopher Lindop, Chief Financial Officer and Executive Vice President Business Development of the Company
- 101\* The following materials from Haemonetics Corporation on Form 10-Q for the quarter ended June 28, 2014, formatted in Extensible Business Reporting Language (XBRL); (i) Consolidated Statements of Income and Comprehensive Income, (ii) Consolidated Balance Sheets, (iii) Consolidated Statements of Cash Flows, and (iv) Notes to Consolidated Financial Statements.

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\* In accordance with Rule 406T of Regulation S-T, the XBRL-related information in Exhibit 101 to this Form 10-Q is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act, is deemed not filed for the purposes of section 18 of the Exchange Act, and otherwise is not subject to liability under these sections.

**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.

**HAEMONETICS CORPORATION**

July 31, 2014

By: /s/ Brian Concannon

Brian Concannon, President and  
Chief Executive Officer  
(Principal Executive Officer)

July 31, 2014

By: /s/ Christopher Lindop

Christopher Lindop, Chief Financial  
Officer and Executive Vice President Business Development  
(Principal Financial Officer)

## SIXTH AMENDMENT TO LEASE

THIS SIXTH AMENDMENT TO LEASE (this "Amendment") is entered into as of the 28th day of May, 2013, by and between CABOT II – IL1W02–W03, LLC, a Delaware limited liability company ("Landlord") and HAEMONETICS CORPORATION, a Massachusetts corporation ("Tenant").

WHEREAS, Landlord, as a successor-in-interest to Howard Commons Associates, L.L.C., a Delaware limited liability company, and Tenant, as a successor-in-interest to Haemoscope Corporation, an Illinois corporation, are parties to that certain Industrial/Office Building Lease dated as of March 23, 2004 (the "Lease Agreement") covering certain space in the building known as Howard Commons and located at 6201-6295 West Howard Street, Niles, Illinois 60714 (the "Building"), as more particularly described therein;

WHEREAS the Lease Agreement has been previously amended by that certain First Amendment to Lease dated as of June 10, 2004, that certain Second Amendment to Lease dated as of June 5, 2007, that certain Third Amendment to and Assignment of Lease dated as of November 19, 2007, that certain Fourth Amendment to and Assignment of Lease dated as of December 22, 2010, and that certain Fifth Amendment to Lease dated as of July 24, 2012 (the Lease Agreement, as amended, the "Lease") whereby Tenant currently leases from Landlord approximately 16,748 rentable square feet of space known as Suite 6231 (the "Premises") in the Building;

WHEREAS, Landlord is the current owner of the Building and is the landlord under the Lease;

WHEREAS, the Term of the Lease is currently scheduled to expire on July 31, 2013, and Tenant desires to extend the Term for a period of twelve (12) months to expire on July 31, 2014;

WHEREAS, subject to the terms and conditions set forth below, Landlord has agreed to extend the Term for a period of twelve (12) months to expire on July 31, 2014; and

WHEREAS, Landlord and Tenant desire to amend the Lease to reflect their agreements as to the terms and conditions governing the extension of the Term.

NOW, THEREFORE, in consideration of the premises and the mutual covenants between the parties herein contained, Landlord and Tenant agree as follows:

1. Term. The Term of the Lease is hereby extended for a period of twelve (12) months to expire on July 31, 2014, unless sooner terminated in accordance with the terms of the Lease.
2. Base Rent. From and after the date hereof and continuing through July 31, 2013, Tenant shall continue to pay Base Rent in accordance with the terms of the Lease. Commencing August 1, 2013 and continuing through July 31, 2014, Tenant shall pay Base Rent for the Premises in the amount of \$13,921.77 per month. All such Base Rent shall be payable in accordance with the terms of the Lease.



3. Additional Rent. Tenant shall continue to pay Additional Rent in accordance with the terms of the Lease; provided that, effective as of August 1, 2013, the "Base Amount Taxes" shall be amended to mean an amount equal to Tenant's Proportionate Share of Taxes for the 2013 calendar year, and the "Base Amount Expenses" shall be amended to mean an amount equal to Tenant's Proportionate Share of Expenses for the 2013 calendar year.
4. Utilities. Tenant shall continue to pay for all utilities provided to the Premises and for Tenant's insurance premiums in accordance with the terms of the Lease.
5. Acceptance of the Premises. Tenant acknowledges that it currently occupies the Premises and hereby accepts the Premises and the Project in "as is" condition. Landlord shall not be required to perform any leasehold improvements or provide any improvement allowance in connection with this Amendment.
6. Brokers. Tenant warrants that it has had no dealings with any real estate broker or agent in connection with the negotiation of this Amendment other than Jones Lang LaSalle ("Landlord's Broker") and Cassidy Turley ("Tenant's Broker"), and that it knows of no other real estate brokers or agents who are or might be entitled to a commission in connection with this Amendment. Landlord agrees to pay a commission to Landlord's Broker and Tenant's Broker in connection with this Amendment pursuant to separate written agreements between Landlord and such brokers. Tenant agrees to indemnify and hold harmless Landlord from and against any liability or claim arising in respect to any brokers or agents other than Tenant's Broker claiming a commission by, through, or under Tenant in connection with this Amendment.
7. Estoppel. Tenant hereby represents, warrants and agrees that: (a) there exists no breach, default or event of default by Landlord under the Lease, or any event or condition which, with the giving of notice or passage of time or both, would constitute a breach, default or event of default by Landlord under the Lease; (b) the Lease continues to be a legal, valid and binding agreement and obligation of Tenant; and (c) Tenant has no current offset or defense to its performance or obligations under the Lease.
8. Authority. Tenant and each person signing this Amendment on behalf of Tenant represents to Landlord as follows: (i) Tenant is duly formed and validly existing under the laws of the Commonwealth of Massachusetts, (ii) Tenant has and is qualified to do business in Illinois, (iii) Tenant has the full right and authority to enter into this Amendment, and (iv) each person signing on behalf of Tenant was and continues to be authorized to do so.
9. Defined Terms. All defined terms used but not otherwise defined herein shall have the same meaning assigned to them in the Lease.
10. Ratification of Lease. Except as amended hereby, the Lease shall remain in full force and effect in accordance with its terms and is hereby ratified. In the event of a conflict between the Lease and this Amendment, this Amendment shall control.

11. No Representations. Landlord and Landlord's agents have made no representations or promises, express or implied, in connection with this Amendment except as expressly set forth herein and Tenant has not relied on any representations except as expressly set forth herein.

12. Entire Agreement. This Amendment, together with the Lease, contains all of the agreements of the parties hereto with respect to any matter covered or mentioned in this Amendment or the Lease, and no prior agreement, understanding or representation pertaining to any such matter shall be effective for any purpose.

13. Section Headings. The section headings contained in this Amendment are for convenience only and shall in no way enlarge or limit the scope or meaning of the various and several sections hereof.

14. Successors and Assigns. The terms and provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

15. Severability. A determination that any provision of this Amendment is unenforceable or invalid shall not affect the enforceability or validity of any other provision hereof and any determination that the application of any provision of this Amendment to any person or circumstance is illegal or unenforceable shall not affect the enforceability or validity of such provision as it may apply to any other persons or circumstances.

16. Governing Law. This Amendment shall be governed by the laws of the State of Illinois.

17. Submission of Amendment Not Offer. The submission by Landlord to Tenant of this Amendment for Tenant's consideration shall have no binding force or effect, shall not constitute an option, and shall not confer any rights upon Tenant or impose any obligations upon Landlord irrespective of any reliance thereon, change of position or partial performance. This Amendment is effective and binding on Landlord only upon the execution and delivery of this Amendment by Landlord and Tenant.

[Signature page follows.]

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first above written.

**LANDLORD:**

CABOT II – IL1W02–W03, LLC, a  
Delaware limited liability company

By: Cabot Industrial Value Fund II Operating Partnership, L.P., a Delaware limited  
partnership, its sole member

By: /s/ Bradford M. Otis  
Name: Bradford M. Otis  
Title: Vice President, Asset Management

**TENANT:**

HAEMONETICS CORPORATION,  
a Massachusetts corporation

By: /s/ David Helsel  
Name: David Helsel  
Title: EVP, Global Manufacturing

**SEVENTH AMENDMENT TO LEASE**

THIS SEVENTH AMENDMENT TO LEASE (this "Amendment") is entered into as of the \_\_1st\_\_ day of May, 2014, by and between CABOT II – IL1W02–W03, LLC, a Delaware limited liability company ("Landlord") and HAEMONETICS CORPORATION, a Massachusetts corporation ("Tenant").

WHEREAS, Landlord, as a successor-in-interest to Howard Commons Associates, L.L.C., a Delaware limited liability company, and Tenant, as a successor-in-interest to Haemoscope Corporation, an Illinois corporation, are parties to that certain Industrial/Office Building Lease dated as of March 23, 2004 (the "Lease Agreement") covering certain space in the building known as Howard Commons and located at 6201-6295 West Howard Street, Niles, Illinois 60714 (the "Building"), as more particularly described therein;

WHEREAS the Lease Agreement has been previously amended by that certain First Amendment to Lease dated as of June 10, 2004, that certain Second Amendment to Lease dated as of June 5, 2007, that certain Third Amendment to and Assignment of Lease dated as of November 19, 2007, that certain Fourth Amendment to and Assignment of Lease dated as of December 22, 2010, that certain Fifth Amendment to Lease dated as of July 24, 2012 and that certain Sixth Amendment to Lease dated as of May 28, 2013 (the Lease Agreement, as amended, the "Lease") whereby Tenant currently leases from Landlord approximately 16,748 rentable square feet of space known as Suite 6231 (the "Premises") in the Building;

WHEREAS, Landlord is the current owner of the Building and is the landlord under the Lease;

WHEREAS, the Term of the Lease is currently scheduled to expire on July 31, 2014, and Tenant desires to extend the Term for a period of thirty-six (36) months to expire on July 31, 2017;

WHEREAS, subject to the terms and conditions set forth below, Landlord has agreed to extend the Term for a period of thirty-six (36) months to expire on July 31, 2017; and

WHEREAS, Landlord and Tenant desire to amend the Lease to reflect their agreements as to the terms and conditions governing the extension of the Term.

NOW, THEREFORE, in consideration of the premises and the mutual covenants between the parties herein contained, Landlord and Tenant agree as follows:

- Term. The Term of the Lease is hereby extended for a period of thirty-six (36) months to expire on July 31, 2017, unless sooner terminated in accordance with the terms of the Lease.
- Base Rent. From and after the date hereof and continuing through July 31, 2014, Tenant shall continue to pay Base Rent in accordance with the terms of the Lease. Commencing August 1, 2014 and continuing through July 31, 2017, Tenant shall pay Base Rent for the Premises as follows:

<u>Period</u>	<u>Monthly Base Rent</u>	<u>Annual Base Rent</u>
8/1/14 – 7/31/15	\$14,654.50	\$175,854.00
8/1/15 – 7/31/16	\$15,352.33	\$184,227.96
8/1/16 – 7/31/17	\$16,050.17	\$192,602.04

All such Base Rent shall be payable in accordance with the terms of the Lease.

- Additional Rent. Tenant shall continue to pay Additional Rent in accordance with the terms of the Lease; provided that, effective as of August 1, 2014, the "Base Amount Taxes" shall be amended to mean an amount equal to Tenant's Proportionate Share of Taxes for the 2014 calendar year, and the "Base Amount Expenses" shall be amended to mean an amount equal to Tenant's Proportionate Share of Expenses for the 2014 calendar year.
- Utilities. Tenant shall continue to pay for all utilities provided to the Premises and for Tenant's insurance premiums in accordance with the terms of the Lease.
- Acceptance of the Premises. Tenant acknowledges that it currently occupies the Premises and hereby accepts the Premises and the Project in "as is" condition. Landlord shall not be required to perform any leasehold improvements or provide any improvement allowance in connection with this Amendment.
- No Storage Outside the Premises. Tenant shall not cause or permit any of Tenant's inventory, equipment or other property to be stored outside the Premises.

7. Brokers. Tenant warrants that it has had no dealings with any real estate broker or agent in connection with the negotiation of this Amendment other than Jones Lang LaSalle ("Landlord's Broker") and Cassidy Turley ("Tenant's Broker"), and that it knows of no other real estate brokers or agents who are or might be entitled to a commission in connection with this Amendment. Landlord shall pay a commission to Landlord's Broker and Tenant's Broker in connection with this Amendment pursuant to separate written agreements between Landlord and such brokers. Tenant agrees to indemnify and hold harmless Landlord from and against any liability or claim arising in respect to any brokers or agents other than Tenant's Broker claiming a commission by, through, or under Tenant in connection with this Amendment.

8. Estoppel. Tenant hereby represents, warrants and agrees that: (a) there exists no breach, default or event of default by Landlord under the Lease, or any event or condition which, with the giving of notice or passage of time or both, would constitute a breach, default or event of default by Landlord under the Lease; (b) the Lease continues to be a legal, valid and binding agreement and obligation of Tenant; and (c) Tenant has no current offset or defense to its performance or obligations under the Lease.

9. Authority. Tenant and each person signing this Amendment on behalf of Tenant represents to Landlord as follows: (i) Tenant is duly formed and validly existing under the laws of the Commonwealth of Massachusetts, (ii) Tenant has and is qualified to do business in Illinois, (iii) Tenant has the full right and authority to enter into this Amendment, and (iv) each person signing on behalf of Tenant was and continues to be authorized to do so.

10. Defined Terms. All defined terms used but not otherwise defined herein shall have the same meaning assigned to them in the Lease.

11. Ratification of Lease. Except as amended hereby, the Lease shall remain in full force and effect in accordance with its terms and is hereby ratified. In the event of a conflict between the Lease and this Amendment, this Amendment shall control.

12. No Representations. Landlord and Landlord's agents have made no representations or promises, express or implied, in connection with this Amendment except as expressly set forth herein and Tenant has not relied on any representations except as expressly set forth herein.

13. Entire Agreement. This Amendment, together with the Lease, contains all of the agreements of the parties hereto with respect to any matter covered or mentioned in this Amendment or the Lease, and no prior agreement, understanding or representation pertaining to any such matter shall be effective for any purpose.

14. Section Headings. The section headings contained in this Amendment are for convenience only and shall in no way enlarge or limit the scope or meaning of the various and several sections hereof.

15. Successors and Assigns. The terms and provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

16. Severability. A determination that any provision of this Amendment is unenforceable or invalid shall not affect the enforceability or validity of any other provision hereof and any determination that the application of any provision of this Amendment to any person or circumstance is illegal or unenforceable shall not affect the enforceability or validity of such provision as it may apply to any other persons or circumstances.

17. Governing Law. This Amendment shall be governed by the laws of the State of Illinois.

18. Submission of Amendment Not Offer. The submission by Landlord to Tenant of this Amendment for Tenant's consideration shall have no binding force or effect, shall not constitute an option, and shall not confer any rights upon Tenant or impose any obligations upon Landlord irrespective of any reliance thereon, change of position or partial performance. This Amendment is effective and binding on Landlord only upon the execution and delivery of this Amendment by Landlord and Tenant.

[Signature page follows.]

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first above written.

**LANDLORD:**

CABOT II – IL1W02–W03, LLC, a  
Delaware limited liability company

By: Cabot Industrial Value Fund II Operating Partnership, L.P., a Delaware limited  
partnership, its sole member

By: /s/ Bradford M. Otis

Name: Bradford M. Otis

Title: Senior Vice President, Asset Management

**TENANT:**

HAEMONETICS CORPORATION,  
a Massachusetts corporation

By: /s/ David Hesel

Name: David Hesel

Title: EVP, Global Manufacturing and Operations

**AGREEMENT OF LEASE**

**THIS AGREEMENT OF LEASE** (this "Lease") is made as of this 25th day of February, 2014, between and among **840 BUSINESS CENTER #2, LLC**, a Tennessee limited liability company, with a place of business located at 100 South Wacker Drive, Suite 850, Chicago, Illinois 60606 ("Lessor") and **HAEMONETICS CORPORATION**, a Massachusetts corporation, with a principal place of business at 400 Wood Road, Braintree, Massachusetts 02184 ("Lessee").

**WITNESSETH:**

**WHEREAS**, Lessor is the owner of certain real property, located in Mount Juliet, Tennessee, more particularly described on **Exhibit "A"** attached hereto and made a part hereof (the "Real Property"); and

**WHEREAS**, the Real Property is improved with, *inter alia*, an industrial facility commonly known as 840 Business Center, 549 Aldi Boulevard, Mount Juliet, Tennessee containing approximately 436,800 square feet of space (the "Building"); and

**WHEREAS**, Lessor desires to lease to Lessee approximately 166,400 square feet of the Building as shown on **Exhibit "B"** attached hereto and made a part hereof (the "Leased Premises") upon and subject to the terms and provisions hereinafter contained; and

**WHEREAS**, Lessee desires to lease the Leased Premises from Lessor upon the terms and provisions hereinafter contained.

**NOW, THEREFORE**, in consideration of the sum of One Dollar (\$1.00) to each in hand paid, the receipt and sufficiency of which is hereby acknowledged, and the mutual covenants, promises and agreements herein set forth, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged between the parties, Lessor and Lessee, intending to be legally bound, hereby agree as follows:

1. **LEASE OF LEASED PREMISES; USE.** Lessor does hereby demise and let unto Lessee the Leased Premises, and Lessee does hereby hire and rent from Lessor the Leased Premises upon the terms and conditions set forth in this Lease. The use of the Leased Premises by Lessee shall be limited to general office and administrative uses, storage and distribution of medical and pharmaceutical products and other related products and services, including without limitation, help desk services, provided, such uses shall be subject to the covenants, terms and conditions hereinafter contained. During the Term, Lessee and its agents, employees, licensees and invitees shall have, the non-exclusive right to use the common areas on the Real Property (the "Common Areas") and, at no additional cost, the exclusive right to use a portion of the property adjacent to the Leased Premises as shown by cross hatching on Exhibit "B", for parking (the "Exclusive Parking Area"). The Exclusive Parking area shall be enclosed by fencing generally as shown on Exhibit "B" and

shall be installed as and to the extent included within "Lessor's Work" as defined in Section 17.1 below. Lessee may restrict access to and egress from the Exclusive Parking Area to Lessee, its employees, contractors, agents, and invitees, subject to the terms and conditions of this Lease. Subject to the express terms of this Lease, Lessee shall have exclusive access to the loading bays shown on Exhibit "B" twenty-four hours per day, seven days per week.

Lessor shall not unreasonably obstruct, or permit to be unreasonably obstructed, Lessee's access to the Exclusive Parking Area; provided however, Lessee acknowledges and agrees that the Leased Premises constitutes only a portion of the Building and, therefore, Lessor and/or other tenant(s) will occupy other portions of the Building and utilize the other portions of the Real Property (other than the Exclusive Parking Area), and, in addition, Lessor shall be entitled to provide an exclusive parking area or otherwise provide secured access for the benefit of one or more other tenants of the Building so long as reasonable accommodations are made to allow Lessee access to the Exclusive Parking Area in the manner contemplated herein, including without limitation, 24/7 access to Lessee's Exclusive Parking Area and loading bays as provided above. Accordingly, Lessee covenants and agrees that in connection with its operations in the Leased Premises, and its use of the Exclusive Parking Area and the Common Areas, it shall use reasonable efforts not to disturb or interfere with the use and enjoyment by Lessor or such other tenant(s) of the remaining portions of the Building and Real Property, and to comply with reasonable security procedures that may be adopted in accordance with the foregoing.

2. **TERM; EARLY ENTRY.**

2.1. The initial term of this Lease (the "Term") shall be for a period of ten (10) years and four (4) months commencing on the date (the "Lease Commencement Date") that possession of the Leased Premises and the Exclusive Parking Area is delivered to Lessee with Lessor's Work (hereafter defined) Substantially Complete (hereafter defined) and expiring at 12:00 midnight on the last day of the one hundred twenty-fourth (124<sup>th</sup>) month after the Lease Commencement Date (the "Termination Date"), unless earlier terminated pursuant to the early termination right hereafter set forth in Section 38 or extended pursuant to the options hereafter set forth in Section 2.3. Upon the Termination Date, this Lease shall terminate and Lessee shall surrender the Leased Premises and Exclusive Parking Area to Lessor in accordance with the terms and conditions of this Lease. Possession of the Leased Premises shall be delivered to Lessee on the Lease Commencement Date in an "as is" condition except for "Lessor's Work" as hereafter provided and subject to any express representations and warranties expressly stated in this Lease. Lessor warrants that the Building systems and equipment are in good working order and shall be in good working order upon the Lease Commencement Date, subject however, to any act of Lessee or its employees, contractors, agents and invitees. Lessor shall use reasonable efforts to deliver possession of the Leased Premises to Lessee within seventy-five (75) days following the execution and delivery of this Lease by Lessor and Lessee (the "Target Delivery Date") with the Lessor's Work as identified on the Final Plans (as defined in Section 17.2 below) approved and attached as Exhibit "D-1" to this Lease, subject to delays caused by Lessee and force majeure (provided, however, that such force majeure shall extend Lessor's obligation to deliver possession of the Leased Premises for no more than an additional thirty (30) days). In the event Lessor fails to deliver possession of the Leased Premises as required by the terms of this Lease by the date which is thirty (30) days after the Target Delivery Date (subject to delays caused by Lessee and force majeure as provided above),



then Lessee shall be entitled to one (1) day's abatement of Minimum Rent for each day of delay of delivery of possession past such 30-day period. If the completion of Lessor's Work is delayed by an act or omission of Lessee, then the Lease Commencement Date shall be deemed to have occurred on the date delivery of possession of the Leased Premises would have occurred in the absence of such delay.

2.2. Upon not less than fifteen (15) days prior notice to Lessor and in coordination with the performance by Lessor of Lessor's Work, Lessee shall have the right to enter the Leased Premises and the Exclusive Parking Area prior to the Lease Commencement Date for the purpose of installing Lessee's furniture, racking, warehouse equipment, telecommunications equipment and cabling, and Lessee's Ventilation System, all at Lessee's sole cost and expense. As used herein "Lessee's Ventilation System" shall mean a ventilation system substantially conforming to the draft basis of design approved by Lessor and attached hereto as **Exhibit "E"**. Lessee shall have early access for a period commencing no later than forty-five (45) days prior to the Target Delivery Date and ending no earlier than the Target Delivery Date. Lessee's early entry shall be subject to the following: (i) all of the terms and conditions of this Lease except that Lessee shall not be required to pay any Minimum Rent or Lessee's Proportionate Share of real property taxes and assessments, Common Utility Costs or Common Maintenance Costs during such early entry period; (ii) Lessee shall not interfere with the performance of Lessor's Work; (iii) Lessee shall obtain all governmental permits and approvals required for the performance of any of work by Lessee; and (iv) prior to entry onto the Leased Premises or the Exclusive Parking Area, Lessee shall secure the insurance required to be maintained by Lessee under Section 8 below, and shall deliver certificates of insurance to Lessor evidencing such coverage.

2.3. Lessee has the right to extend this Lease beyond the Termination Date provided in Section 2.1 upon the terms and conditions set forth in this Section 2.3. Provided Lessee is not then in default under this Lease beyond any applicable notice and cure period, Lessee may extend the term of this Lease (the "Extension Term") for two (2) additional periods of five (5) years each (each an "Option") with the Extension Term to begin on the day following the expiration date of the then Term specified in Section 2.1 or the preceding Extension Term. However, if on the date of expiration of the original Term or the preceding Extension Term, Lessee is in default beyond any applicable notice and cure period provided in this Lease in the performance of any of the terms or provisions of this Lease, Lessee's exercise of the Option shall be null and void unless otherwise agreed in writing by the parties hereto. All the terms, covenants, and provisions of the original Term shall apply to the Extension Term except that the Minimum Rent shall be adjusted to reflect the Current Market Rent (hereafter defined).

2.3.1. Lessee must notify Lessor of its intent to exercise the Option not later than twelve (12) months prior to expiration of the then current Term (the "Option Notice"). Lessee's failure to deliver the Option Notice prior to such deadline shall be deemed to be a waiver by Lessee of its right to extend the Term, time being of the essence. Lessee shall be required to exercise the Option with respect to all (and not less than all) of the Leased Premises then under this Lease, unless otherwise mutually agreed.

2.3.2. During each Extension Term, Lessee shall pay to Lessor Minimum Rent in an amount equal to the fair market rental rate for comparable non-encumbered (i.e., not subleased or subject

to expansion rights) space of approximately the same size and location, with similar or equivalent improvements, within buildings of comparable quality, condition and age in the vicinity of the Building, taking into account all relevant factors, including without limitation, the length of the Extension Term, market escalations, the creditworthiness of the Lessee, concessions and other relevant factors ("Current Market Rent"); provided, however, that in no event shall the annual Minimum Rent during any Extension Term be less than the average Minimum Rent per square foot for the immediately preceding Term or Extension Term, as applicable. Within thirty (30) days after Lessor's receipt of the Option Notice, Lessor shall notify Lessee of Lessor's determination of the Current Market Rent. Lessee shall have fifteen (15) days to either (i) accept Lessor's determination of the Current Market Rent, in which case, Lessor and Lessee shall enter into an amendment reflecting the extension of the Term and the Current Market Rent, or (ii) reject Lessor's determination of the Current Market Rent, in which case, Lessor and Lessee shall work in good faith to reach agreement on the Current Market Rent. In the event Lessor and Lessee cannot agree to the Current Market Rent for the Extension Term on or before the date that is sixty (60) days following the date of the Option Notice (the "Outside Agreement Date"), then in that event, the Current Market Rent shall be deemed to be the greater of (a) an amount equal to the average Minimum Rent for the immediately preceding Term or Extension Term, as applicable, or (b) the Current Market Rent determined by appraisal in accordance with the following procedure: Lessor and Lessee shall appoint a qualified, MAI appraiser to determine the fair market rental value of the Leased Premises and Exclusive Parking Area. Lessor and Lessee shall share equally in the cost to obtain such appraisal. If Lessor and Lessee are unable to agree upon an appraiser within ten (10) days following the Outside Agreement Date, then, within ten (10) days thereafter, each party shall select one appraiser and the two selected appraisers shall then select a third appraiser. All three appraisers shall prepare an appraisal of the fair market rental value of the Leased Premises and Exclusive Parking Area based upon the criteria set forth above, and the average of such appraisals (provided, however, any appraisal deviating from the average of the other two appraisals by more than ten percent (10%) shall be disregarded) shall be conclusive.

Minimum Rent during each Extension Term shall be paid at the same time and in the same manner as provided in this Lease.

2.4. Minimum Rent and Additional Rent (the Minimum Rent and the Additional Rent are hereinafter collectively referred to as the "Rent") shall be payable in advance, on the Lease Commencement Date and on the first (1st) day of each month thereafter (and if any month of the Term is less than a full calendar month, then the Minimum Rent shall be pro-rated as provided in Section 3 below). Minimum Rent shall be payable without prior notice or demand, without offset or deduction and without relief from valuation or appraisal laws at the address of Lessor. In the event that any Minimum Rent is not received by Lessor within five (5) days of the date set forth for payment, or in the event that any Additional Rent is not received by Lessor within five (5) business days after Lessee's receipt of written notice by Lessor that such payment of Additional Rent is overdue, Lessee shall pay to Lessor (x) a late fee equal to two percent (2%) of the delinquent installment of Rent (the "Late Fee") and (y) interest on such delinquent installment at a rate equal to the lesser of (i) the National Prime Rate of Interest as published in the Wall Street Journal plus four percent (4%) or (ii) the highest rate allowed by law (the "Interest Rate") from the date that such installment was due through the date that such installment is actually received by Lessor.

3. **MINIMUM RENT; ADDITIONAL RENT.** From and after the Lease Commencement Date, and continuing thereafter during each year during the Term, Lessee shall pay to Lessor minimum rent (“Minimum Rent”) in accordance with the following schedule:

Period	Annual Minimum Rent/Square Foot	Annual Minimum Rent	Monthly Minimum Rent
Months 1 through 4	\$0.00	\$0.00	\$0.00
Months 5 through 16	2.50	\$416,000.04	\$34,666.67
Months 17 through 28	\$2.56	\$425,984.04	\$35,498.67
Months 29 through 40	\$2.63	\$437,631.96	\$36,469.33
Months 41 through 52	\$2.69	\$447,615.96	\$37,301.33
Months 53 through 64	\$2.76	\$459,264.00	\$38,272.00
Months 65 through 76	\$2.83	\$470,912.04	\$39,242.67
Months 77 through 88	\$2.90	\$482,559.96	\$40,213.33
Months 89 through 100	\$2.97	\$494,208.00	\$41,184.00
Months 101 through 112	\$3.05	\$507,519.96	\$42,293.33
Months 113 through 124	\$3.12	\$519,168.00	\$43,264.00

Within fifteen (15) days after the Lease Commencement Date, Lessee shall execute and deliver to Lessor a letter of understanding acknowledging (i) the Lease Commencement Date of this Lease, (ii) the Termination Date of this Lease, and (iii) that Lessee has accepted the Leased Premises and Lessor’s Work in the form of Lease Commencement Memorandum attached hereto as Exhibit “C”, incorporated herein by reference, subject to any incomplete items of Lessor’s Work identified in such Lease Commencement Memorandum. Failure to execute such Lease Commencement Memorandum, however, shall not render this Lease null and void.

Minimum Rent shall be divided into equal monthly installments, and such monthly installments shall be due and payable in advance on the first day of each month. If the Lease Commencement Date is a day other than the first (1st) day of a month or the Termination Date is a day other than the last day of a month, then Minimum Rent for the partial calendar month during the Term shall be prorated on a per diem basis at the rate of one-thirtieth (1/30th) of the applicable full monthly installment of Minimum Rent. Lessee shall pay any such prorated installment of Minimum Rent for the partial month at the beginning of the Term (i.e., Month 5) in advance on the Lease Commencement Date.

4. **PROPERTY TAXES.**

4.1. Throughout the Term, Lessee shall pay to Lessor Lessee’s Proportionate Share (hereinafter defined) of any and all real property taxes and assessments (“Taxes”) attributable to the Building and the Real Property becoming due and payable during or in respect of the Term. Lessee’s “Proportionate Share” shall be that percentage derived by dividing the rentable area of the Leased Premises by the total rentable area of the Building. Lessee’s Proportionate Share, as of the date of this Lease, is thirty-eight and one tenth percent (38.1%).

4.2. Lessee's Proportionate Share of such property taxes and assessments shall be payable by Lessee, as Additional Rent to Lessor in twelve (12) equal monthly installments pursuant to the Property Tax Budget (hereinafter defined) as hereinafter set forth. If, at any time during the Term (1) a surcharge, fee, excise or tax is levied or imposed upon utilities consumed at or waste discharged from the Leased Premises, or for any governmental service furnished to the Building or persons visiting or occupying the same; or (2) the method of taxation of real property is changed from the method in existence on the date of this Lease, so that real estate taxes are replaced by one or more other types of alternative tax (collectively hereinafter referred to as "replacement taxes"); then, Lessee shall pay either to the governmental body involved or to Lessor, as Additional Rent, its Proportionate Share of the amount of such (1) surcharge, fee, excise or tax on utilities, waste, parking spaces or governmental services; and (2) such replacement taxes. Nothing herein contained is intended to require the Lessee to pay any tax levied, assessed or imposed upon Lessor based upon Lessor's net income, excise profits or net taxable revenues or receipts (other than a sales tax on Rent), nor any estate, inheritance or gift taxes; franchise, succession or transfer taxes; or interest on taxes or penalties resulting from Lessor's failure to pay taxes (provided Lessee shall have made its required payments in a timely fashion).

4.3. Prior to the Lease Commencement Date and prior to each calendar year during the Term, Lessor shall provide Lessee with a budget of the annual property taxes based upon the current anticipated or prior year's tax bill (the "Property Tax Budget") setting forth Lessor's projection of the property taxes which Lessor anticipates for the current year of the Term. Lessor's preparation of the Property Tax Budget shall be Lessor's good faith estimate thereof only and Lessor shall have no liability for any errors or omissions therein and Lessee shall be responsible for the full payment of any and all actual property taxes irrespective of the amounts therefor set forth in the Property Tax Budget in accordance with the annual reconciliation hereafter set forth below. Lessee shall pay to Lessor on the first (1st) day of each calendar month during the Term one-twelfth (1/12th) of the amount set forth in the Property Tax Budget. As soon as reasonably practicable after Lessor's receipt of the actual property tax bill but no later than thirty (30) days after receipt of the actual property tax bill, Lessor shall provide Lessee with all relevant tax bills together with an invoice indicating the difference between the amounts actually due for all of the property taxes and the amounts paid thereon by Lessee pursuant to the Property Tax Budget (the "Property Tax Reconciliation"). Lessee shall, within thirty (30) days after Lessee's receipt of the Property Tax Reconciliation, pay to Lessor any amount set forth therein which represents an underpayment of the amount actually due or, if the amount paid by Lessee toward all of the property taxes pursuant to the Property Tax Budget exceeds the actual amounts therefor, then Lessor shall credit such excess amount against Lessee's next monthly payment(s) of the Property Tax Budget (or shall refund such amount to Lessee if such credit is determined after the expiration of the Term). If Lessor shall receive any refund or reimbursement of property taxes with respect to any lease year for which Lessee paid a Proportionate Share of such taxes, then provided there does not then exist a default of Lessee under this Lease beyond applicable notice and cure periods, out of any balance remaining after deducting Lessor's expenses reasonably incurred in obtaining such refund, Lessor shall reimburse to Lessee, an amount equal to Lessee's Proportionate Share of such refund or reimbursement or sum in lieu thereof.

4.4. Lessor agrees to provide Lessee with a copy of any notice of assessment or reassessment of the Building or the Real Property if the Leased Premises is included within the assessment or reassessment promptly following Lessor's receipt of same.

5. **UTILITIES.**

5.1. Lessee shall pay all bills when due which may be incurred for all utilities separately metered to the Leased Premises and any and all other bills for utilities to the extent relating exclusively to the Leased Premises or Exclusive Parking Area which may accrue during the Term and any and all other fees, costs, expenses or charges for utilities attributable solely to the Leased Premises or Exclusive Parking Area consumed by Lessee or otherwise applicable to the Leased Premises or Exclusive Parking Area (including without limitation any expenses related to any guard shack in the Exclusive Parking Area). Lessee shall also pay to Lessor, to the extent not separately metered, Lessee's Proportionate Share of all utilities consumed at the Building and the Real Property which are not separately metered to or otherwise used exclusively by other tenants or occupants of the Building and the Real Property ("Common Utility Costs"). Lessee's Proportionate Share of such Common Utility Costs shall be payable by Lessee as Additional Rent to Lessor in twelve (12) monthly installments pursuant to the Utility Budget (as hereafter defined and set forth). Before the Lease Commencement Date and each calendar year during the Term thereafter, Lessor shall provide Lessee with a Budget of the annual Common Utility Costs based upon current anticipated or prior year's expenses ("Utility Budget") setting forth Lessor's projection of costs for the current year of the Term. Lessor's projection of the Utility Budget shall be Lessor's good faith estimate only and Lessor shall have no liability for any errors or omissions therein and Lessee shall be responsible for the full payment of the actual costs irrespective of the Utility Budget amount. Lessee shall pay to Lessor on the first day of each calendar month during the Term and any renewal or extension one-twelfth (1/12) of the amount set forth in the Utility Budget.

5.2. As soon as reasonably practicable after each calendar year during the Term, Lessor shall provide Lessee with an invoice indicating the difference between the actual amount of Common Utility Costs incurred by Lessor and the amounts paid thereon by Lessee pursuant to the Utility Budget (the "Utility Reconciliation"). Within thirty (30) days after Lessee's receipt of the Utility Reconciliation, Lessee shall pay to Lessor any amount set forth therein which represents an underpayment of the amount actually due or, if the amount paid by Lessee toward utilities exceeds the actual amounts therefor, then Lessor shall credit such excess amount against Lessee's next monthly payment(s) of the utility costs (or shall refund such amount to Lessee if such credit is determined after the expiration of the Term). If Lessor shall receive any refund or reimbursement of utility costs with respect to any lease year for which Lessee paid a Proportionate Share of such utility costs, then out of any balance remaining after deducting Lessor's expenses incurred in obtaining such refund, Lessor shall reimburse to Lessee, an amount equal to Lessee's proportionate share of such refund or reimbursement or sum in lieu thereof provided there does not then exist a default of Lessee under this Lease.

5.3. Should Lessee fail to pay timely any utility bills relating to utilities which are separately metered to the Leased Premises as aforesaid, Lessor shall have the right to pay the same, and the amount so paid shall be chargeable to Lessee as Additional Rent, to be paid at the

time of the next installment of Minimum Rent falling due hereunder, with interest at the Interest Rate from the date of such payment by Lessor.

5.4. If Lessor reasonably determines that Lessee or any tenant of the Real Property is a substantial user of any utilities which are not separately metered, Lessor may require such user to install a separate meter or submeter for such utilities at such user's sole cost and expense, and thereafter Common Utility Costs shall exclude such separately metered or submetered utility expense. If Lessor determines that Lessee is a substantial user of utility services pursuant to this paragraph, Lessor will provide to Lessee reasonable documentation on which such determination is based.

6. **QUIET ENJOYMENT.** If Lessee fully and timely performs its obligations under this Lease within applicable grace or cure periods, Lessee shall have peaceful possession, use and quiet enjoyment of the Leased Premises during the Term from all persons and entities claiming by or through Lessor. Notwithstanding the foregoing, Lessor shall not be liable when any interruption or failure of utility services is caused by accident, breakage, repairs, labor disputes of any character, energy usage restrictions or by any other cause, similar or dissimilar, beyond the reasonable control of Lessor. Notwithstanding the foregoing, if (a) an interruption of any utility or service which Lessor is obligated to provide shall occur; (b) such interruption occurs or continues as a result of the negligence or willful misconduct of Lessor, or as a result of the failure by Lessor to pay any applicable provider or to perform its maintenance obligations under the Lease (provided Lessee is not in default under this Lease), (c) such interruption continues for more than five (5) business days after Lessor shall have received notice from Lessee; and (d) as a result of such interruption, the Leased Premises is untenable, then there shall be an equitable abatement of one (1) day's Minimum Rent for each day during which such interruption continues beyond such five (5) business day period.

7. **ADDITIONAL RENT.** It is the agreement and intention of Lessor and Lessee that the Minimum Rent to Lessor be "net, net, net" of any and all taxes, utility costs, insurance costs and premiums, maintenance fees, costs and expenses, management fees, costs and expenses, and any and all other fees, costs and expenses attributable to the Leased Premises, Building and Real Property, except as otherwise expressly provided in this Lease.

8. **LESSEE'S INSURANCE.** Lessee, at its sole cost and expense, shall secure and maintain throughout the Term (a) commercial general liability insurance, insuring both Lessor and Lessee against death and personal injuries to one or more persons and damage to property occurring on the Leased Premises or Exclusive Parking Area or in connection with Lessee's use and occupancy of the Leased Premises, Exclusive Parking Area and Real Property, in an amount equal to not less than TWO MILLION and 00/100 DOLLARS (\$2,000,000.00) combined single limit per occurrence, (b) worker's compensation insurance, and (c) commercial automobile liability insurance covering all owned, non-owned and hired vehicles for injury and damage resulting therefrom, in an amount equal to not less than \$1,000,000.00 combined single limit per occurrence. Lessor shall be named as an additional insured under Lessee's general liability insurance. Prior to the earlier of the Lease Commencement Date or Lessee's early entry onto the Leased Premises or Exclusive Parking Area, Lessee shall furnish to Lessor a certificate of insurance evidencing such coverages. Such certificate, as to the general liability coverage, shall be accompanied by an additional insured endorsement

which provides that coverage may not be canceled, materially changed or not renewed without at least thirty (30) days' prior written notice to Lessor but only to the extent that such additional insured endorsement is available from the Lessee's insurance carrier at customary rates. Lessee further agrees to install in the Leased Premises, such fire extinguishing equipment, or any other devices, as is required by Lessor's insurance carrier, local building codes or the recommendation of the Fire Rating Bureau of Fire Underwriters or similar body (other than any such equipment or devices included within Lessor's Work), in connection with and prior to the occupancy of the Leased Premises for the Permitted Use and further agrees that in the event the insurance company or local building codes should require changes in the nature of this equipment, Lessee will effect such changes at Lessee's sole cost and expense. Any insurance and limits required of the Lessee maybe satisfied via existing primary and excess policies, including Umbrella policy.

9. **LESSOR'S INSURANCE.** Lessor shall secure and maintain throughout the Term (a) fire, casualty and extended coverage insurance (also known as "All-Risk" property insurance), covering the Building in which the Leased Premises are located and Lessor's Work, for the full insurable value thereof on a replacement cost basis, (b) commercial general liability insurance in an amount equal to not less than Two Million (\$2,000,000) Dollars combined single limit per occurrence, applicable to the Building and Common Areas, (c) worker's compensation insurance, and (d) loss of rental insurance and any other insurance policies which are commercially reasonable and obtained by Lessor, all with policy amounts consistent with the insurance policies carried by comparable landlords in comparable class buildings in the same geographic area as the Building (collectively, "Lessor's Insurance"). All premiums for Lessor's Insurance shall be included as part of Common Maintenance Costs.

10. **WAIVER OF SUBROGATION.** Each party hereby waives any and every claim which arises or may arise in its favor and against the other party hereto during the Term for any and all loss or damage to any of its property located within or upon or constituting a part of the Leased Premises, which loss or damage is covered by valid and collectible fire and extended coverage insurance policies, and if and to the extent reimbursement is made, even if such loss or damage shall be brought about by default or negligence of the other party or by its employees, agents, servants or any persons claiming under them.

11. **DAMAGE OR DESTRUCTION OF THE LEASED PREMISES.** Except as otherwise hereinafter set forth, in the event the Leased Premises are damaged or partially destroyed by fire or other casualty, Lessor shall restore the same (including Lessor's Work, but not any other leasehold improvements, fixtures, furnishings, equipment or personal property of Lessee) in substantially the same condition as existed as of the Lease Commencement Date; provided however, in the event the Leased Premises shall be damaged or destroyed by fire or other casualty to such extent that the repair and replacement thereof is reasonably estimated to exceed two hundred seventy (270) days subsequent to the date of obtaining all necessary municipal or governmental permits, either party shall have the right to terminate this Lease upon notice to the other party delivered within ten (10) days after Lessor notifies Lessee of Lessor's determination of the length of time required for repair and replacement. Lessor shall use diligent efforts to obtain all necessary municipal and governmental permits and shall, within forty-five (45) days after the date of such fire or other casualty, deliver to Lessee written notice of Lessor's estimate of how long it will take to complete such repair and replacement as reasonably determined by Lessor's engineers. In addition, if Lessor

determines that it can complete the repair and replacement of the Leased Premises (or other portions of the Building) within 270 days after the date of obtaining all necessary municipal or governmental permits but fails to do so and such failure is not due to an act or omission of Lessee or force majeure, Lessee shall have the right to terminate this Lease by giving Lessor ten (10) days prior written notice; provided, however, that if Lessor subsequently completes such repair and replacement within the above 10-day period, Lessee's termination shall be void and this Lease shall continue in accordance with the terms contained herein. Notwithstanding the foregoing, all Rent (including all Minimum Rent and Additional Rent payable under this Lease) shall be abated proportionately and equitably during any period when the Leased Premises or any material part thereof are untenable due to any such damage or destruction.

12. **REPAIR AND MAINTENANCE.**

12.1. Lessor shall be responsible for the repair and maintenance of all common improvements, facilities, areas and systems, including, without limitation, the structural components of the Building, common mechanical, utility and storm water systems serving the Building, Leased Premises and Real Property, roof, life safety systems (except any life safety systems exclusively serving the Leased Premises which shall be the Lessee's responsibility), gutters and downspouts, landscaping, sprinkler system, common parking and access ways, curbs, sidewalks and parking lot lighting (collectively, the "Common Areas"). Lessee shall pay to Lessor as Additional Rent Lessee's Proportionate Share of all costs incurred by Lessor in maintaining operating, repairing and replacing the Common Areas, any Owner's Association fees, dues, charges or assessments and other Common Area costs (collectively, the "Common Maintenance Costs"). Common Maintenance Costs shall include the cost of capital improvements only to the extent such improvement is made to the Building or Real Property after the Commencement Date, and (i) is reasonably anticipated by Lessor to reduce (or avoid an increase in) Common Maintenance Costs; or (ii) is necessary to comply with any law, rule, regulation or ordinance enacted after the Commencement Date ("Permitted Capital Improvements"). The cost of any Permitted Capital Improvements shall be amortized over the useful life of such improvement (as reasonably determined by Lessor in accordance with GAAP) and Lessee shall pay its Proportionate Share of such amortized amount attributable to the remainder of the Term of the Lease in monthly installments together with the payment of Common Maintenance Costs. Lessee's Proportionate Share of all other Common Maintenance Costs shall be payable as provided in Section 12.2 below.

Notwithstanding anything to the contrary herein contained, "Common Maintenance Costs" shall not include:

- 1) leasing commissions, fees and costs, advertising and promotional expenses and other costs incurred in procuring tenants or in selling the Building or the Real Property;
- 2) legal fees or other expenses incurred in connection with enforcing leases against tenants in the Building;
- 3) costs of renovating or otherwise improving or decorating leasable space for any tenant or other occupant of the Building or the Real Property, including Lessee, or relocating any tenant;



- 4) costs to obtain financing related to the Real Property and interest and principal amortization of such debts;
- 5) depreciation and reserves;
- 6) base rental on ground leases or other underlying leases and other amounts thereunder that would not be chargeable to the Lessee under this Lease if the terms of this Lease were applied to such ground or underlying lease;
- 7) wages, bonuses, fringe benefits other than insurance plans and tax qualified benefit plans, and other compensation of employees above the grade of Building Manager;
- 8) costs of any items for which Lessor is or is entitled to be paid or reimbursed by insurance;
- 9) the amount of any increase in insurance premiums or applicable taxes attributable solely to a single tenant, and any charges for electricity, water, or other utilities, services or goods that are separately metered or submetered to Lessee or another tenant or otherwise provided solely to a single tenant;
- 10) costs of correcting defects in the design, construction or equipment of, or latent defects in, the Building or the Real Property;
- 11) costs of any work or services performed for any facility other than the Building or Real Property to the extent attributable to such other facility;
- 12) any cost representing an amount paid to a person, firm, corporation or other entity related to Lessor that is materially in excess of the amount which would have been paid in the absence of such relationship;
- 13) late fees or penalties incurred by Lessor due to late payment of expenses, except to the extent attributable to Lessee's actions or inactions;
- 14) charitable or political contributions;
- 15) Lessor's general overhead and any other corporate office expenses not directly attributable to the operation and management of the Building and the Real Property (e.g., the activities of Lessor's officers and executives or professional development expenditures), except to the extent included in the management fee permitted hereby;
- 16) the costs of any maintenance and repair required to be performed by Lessor expressly at its own expense under this Lease;

17) any liabilities, costs or expenses associated with or incurred in connection with the removal, enclosure, encapsulation or other handling of Hazardous Substances (as defined in Section 14 herein) and the cost of defending against claims in regard to the existence or release of Hazardous Substances at the Building or the Real Property (except with respect to those costs for which Lessee is otherwise responsible pursuant to the express terms of this Lease); and

18) penalties or damages incurred in connection with compliance with, or contesting or settlement of, any claimed violation of law, except to the extent attributable to Lessee's actions or inactions.

12.2. Except capital expenses payable separately under Section 12.1 above, Lessee's Proportionate Share of Common Maintenance Costs shall be payable by Lessee as Additional Rent to Lessor in twelve (12) monthly installments pursuant to the Common Maintenance Budget (as hereafter defined and set forth). Before the Lease Commencement Date and each calendar year during the Term thereafter, Lessor shall provide Lessee with a budget of the annual Common Maintenance Costs based upon current anticipated or prior year's expenses ("Common Maintenance Budget") setting forth Lessor's projection of costs for the current year of the Term. Lessor's projection of the Common Maintenance Budget shall be Lessor's good faith estimate only and Lessor shall have no liability for any errors or omissions therein and Lessee shall be responsible for the full payment of the actual costs irrespective of the Common Maintenance Budget amount. Lessee shall pay to Lessor on the first day of each calendar month during the Term and any renewal or extension one-twelfth (1/12) of the amount set forth in the Common Maintenance Budget.

12.3. As soon as reasonably practicable after each calendar year, Lessor shall provide Lessee with an invoice, in reasonable detail, indicating the difference between the actual amount of Common Maintenance Costs incurred by Lessor and the amounts paid thereon by Lessee pursuant to the Maintenance Budget (the "Common Maintenance Reconciliation"). Lessee shall, within thirty (30) days after Lessee's receipt of the Common Maintenance Reconciliation, pay to Lessor any amount set forth therein which represents an underpayment of the amount actually due or, if the amount paid by Lessee toward utilities exceeds the actual amounts therefor, then Lessor shall credit such excess amount against Lessee's next monthly payment(s) of Common Maintenance Costs (or shall refund such amount to Lessee if such credit is determined after the expiration of the Term). So long as Lessee is not in default under this Lease, Lessee shall have the right, within twelve (12) months after the end of any lease year, upon twenty (20) days prior written notice to Lessor, and not more frequently than once for each applicable lease year, to inspect and examine by Lessee's accountants or representatives, such of Lessor's books of account and records relating to the Common Maintenance Costs for the preceding lease year as are necessary to verify the Common Maintenance Costs for such year and/or the Common Maintenance Reconciliation. No inspection or examination shall be conducted by any person or entity paid on a contingency fee basis or whose compensation is determined in whole or in part to the discovery or amount of overcharges or errors. In the event such inspection or examination, as finally determined, reveals an underpayment or overpayment by Lessee of its proportionate share of Common Maintenance Costs, Lessee shall pay such underpayment to Lessor with the next installment of Rent becoming due or Lessor shall credit such overpayment to the next installment(s) of Rent becoming due, or, if at the end of the Term, Lessor

or Lessee shall pay such underpayment or overpayment to the other party as the case may be, within thirty (30) days after such amount is finally determined.

12.4. Lessor shall maintain the Common Areas (including the Exclusive Parking Area, but subject to availability of access thereto) in good condition and repair, normal wear and tear excepted. Lessor shall maintain the structural portions of the Building at Lessor's sole cost and expense. Subject to Lessor's general obligations under this Section 12.4, Lessee shall maintain the Leased Premises, Lessee's Ventilation System (including any fan, support pad, architectural screening and sound attenuation for the fan, ductwork and other equipment or machinery located outside the Leased Premises) and the fence enclosing the Exclusive Parking Area in good condition and repair, normal wear and tear excepted, at Lessee's sole cost and expense. All refuse of any kind shall be removed from the Leased Premises at reasonable intervals by, and at the sole cost of, Lessee. Any trash receptacle(s), such as trash cans, and/or dumpsters, shall be located by the Lessee only on such area of the Real Property as shall be designated by the Lessor. Lessee shall be responsible for the cost of any exterior maintenance and repair in excess of that customarily required due to the operations of Lessee upon the Real Property. Subject to availability of access to the Exclusive Parking Area, Lessor shall be responsible to remove snow and ice from all common area sidewalks at entrances and exits to the Building serving the Leased Premises. Lessee shall make, and shall be responsible for the costs and expenses associated with maintaining and making any and all other repairs to the Leased Premises and Lessee's Ventilation System.

13. **NO WASTE OR NUISANCE.** No waste or nuisance shall be committed by Lessee. Lessee shall not allow any offensive noise or vibration to emanate from the Leased Premises or Exclusive Parking Area, shall not allow the unlawful emission of any toxic gases from the Leased Premises or Exclusive Parking Area, and at the end of the Term, the Leased Premises and Exclusive Parking Area shall be delivered in substantially as good condition as on the Lease Commencement Date, ordinary wear and tear and damage by insured casualty excepted.

14. **HAZARDOUS SUBSTANCES.** Lessee shall keep the Leased Premises, Exclusive Parking Area and the Real Property free from contamination by or from any hazardous substances or hazardous waste (as such terms are defined and/or used in applicable state or federal law or in the regulations issued thereunder including, without limitation, the Federal Comprehensive Environmental Response, Compensation and Liability Act) (collectively, "Hazardous Substances") caused by the Lessee or its employees, contractors, agents, or invitees; except such as are utilized in conjunction with Lessee's business operations and then in compliance with all applicable laws. Lessee also agrees that it will not store, utilize or engage in operations at or upon the Leased Premises, Exclusive Parking Area and the Real Property or affecting the Leased Premises, Exclusive Parking Area and the Real Property which involve the generation, manufacture, refining, transportation, treatment, storage, handling or disposal of Hazardous Substances, and Lessee will at all times comply with and conform to all laws, statutes, ordinances, rules, regulations, notices and orders of all governmental and regulating authorities or any board of fire underwriters, or any insurance organization or company with respect to the treatment of any Hazardous Substances on or which affect the Leased Premises, Exclusive Parking Area and the Real Property. Lessee shall not cause or permit to exist as a result of an intentional or unintentional action or omission on its part or on the part of any of Lessee's agents any releasing, spilling, leaking, pumping, pouring, emitting, emptying or dumping from, on or about the Leased Premises, Exclusive Parking Area or the Real

Property of any such Hazardous Substances. Lessee shall furnish to Lessor a list of all Hazardous Substances Lessee uses in connection with its use of the Leased Premises and Exclusive Parking Area and shall update the list whenever an additional Hazardous Substance is used at the Leased Premises or Exclusive Parking Area.

Lessee shall indemnify, defend and hold harmless, Lessor, its successors and assigns, and any officer, director, shareholder, employee or agent of Lessor from any and all liability, damages, costs, claims, suits, actions, legal or administrative proceedings, interests, losses, expenses, penalties, fines, and attorneys' fees to the extent resulting from or arising out of, or in any way connected with, injury to, or the death of, any person (including any indemnified party) or physical damage to property of any kind wherever located and by whomever owned (including that of any indemnified party) arising out of, or in any way connected with, the presence on, in or under the Leased Premises, Exclusive Parking Area and the Real Property of any Hazardous Substances but only to the extent such Hazardous Substances were brought onto the Leased Premises, Exclusive Parking Area and/or the Real Property by Lessee, or its employees, contractors, agents, licensees, invitees or guests. This indemnification is an independent covenant and shall survive the expiration or earlier termination of this Lease.

Except to the extent of any Hazardous Substances revealed in the Phase I Environmental Site Assessment of the Real Property conducted by Environmental Resources Management dated August 2006, as Work Order No. 54165 ("Phase I Report") a copy of which has been delivered to Lessee, Lessor shall indemnify, defend and hold Lessee harmless from any liability incurred by Lessee as a result of any claim arising from the presence of any Hazardous Substances (including any mold or asbestos existing in the Leased Premises prior to Lessee's early entry onto the Leased Premises) on, in or under the Leased Premises, Exclusive Parking Area and/or the Real Property which has been proven to have: (i) occurred prior to the date of early entry by Lessee onto the Leased Premises; or (ii) been caused by Lessor or its employees, contractors or agents, unless it is shown that Hazardous Substances were introduced in or under the Leased Premises, Exclusive Parking Area or the Real Property by the act or omission of Lessee, or its employees, contractors, agents, licensees, invitees, guests, successors, assigns or sublessees, if any. Lessor shall comply with all Applicable Laws to remediate any contamination of the Real Property by Hazardous Substances unless caused by Lessee or its employees, contractors, agents, licensees, invitees, guests, successors, assigns or sublessees. Lessor represents and warrants that, to Lessor's knowledge, except as may be set forth in the Phase I Report, as of the date of early entry by Lessee onto the Leased Premises or Exclusive Parking Area, there are no Hazardous Substances located in, on or under the Leased Premises, Exclusive Parking Area and the Real Property.

15. **COMPLIANCE WITH LAWS.** Lessor shall be responsible for ensuring that, as of the date of early entry by Lessee onto the Leased Premises or Exclusive Parking Area, the Building and Real Property are in compliance with all applicable laws, codes, ordinances, rules and regulations and free of mold and asbestos. Thereafter, except as otherwise expressly provided in this Lease, Lessee shall have no responsibility or liability to correct any violation of any laws, codes, ordinances, rules or regulations not caused by Lessee or its employees, contractors, agents, licensees, invitees, guests, successors, assigns or sublessees, and not uniquely related to Lessee's particular use of the Leased Premises or Exclusive Parking Area. Lessee shall comply with all requirements of duly constituted public authorities, and with the terms of any federal, state or local law, statute, regulation,

code, ordinance or order (collectively, "Applicable Laws"), applicable to Lessee or to Lessee's use of the Leased Premises, Lessee's Ventilation System, Exclusive Parking Area and Real Property, and Lessee shall indemnify, defend and save Lessor harmless from any and all penalties, fines, costs or other damages, including without limitation, attorneys' fees, resulting from its failure to do so. Lessee shall not carry on any unlawful business in or about the Leased Premises or Exclusive Parking Area. If, despite Lessee's compliance with all Applicable Laws and the obtaining of all applicable permits and approvals, Lessee's operations, improvements, equipment or use of the Leased Premises or Exclusive Parking Area, including without limitation Lessee's Ventilation System, is deemed to be extraordinarily hazardous by the standards of Lessor's insurance underwriter, any fire insurance rating bureau, local fire marshal or other authority or otherwise would cause a forfeiture of any fire and casualty insurance that Lessor has or may have on the Building or Real Property or would cause an increase the rate of premiums payable on any such insurance policy, then Lessee shall reimburse Lessor as additional rent for the cost of any endorsement or any increase in premiums that may be required to afford such coverage. Lessee shall pay to Lessor such reimbursement amount within thirty (30) days after Lessor delivers to Lessee written notice of the assessment of the cost of any such endorsement or excess premium amount by the Lessor's insurer and any supporting documentation received by Lessor in connection therewith.

16. **HOLD OVER; SURRENDER.** Except as Lessor otherwise may consent in writing, Lessee agrees, without further notice or demand, to promptly surrender possession of the Leased Premises and Exclusive Parking Area to Lessor at the expiration, or earlier termination, of this Lease. Any holding over by Lessee beyond the Term shall be under and subject to the same terms and provisions as contained herein, except, however, that the Minimum Rent shall, after the end of the Term, be one and one-half (1.5) times the Minimum Rent as existed in the immediately preceding month and, in all such events, the term of any such hold over shall be on a month-to-month basis and shall be terminable upon thirty (30) days' notice to either party by the other.

Anything contained herein to the contrary notwithstanding, Lessee shall, at its own cost and expense, immediately upon the expiration or earlier termination of this Lease, surrender the Leased Premises and Exclusive Parking Area in good and clean condition as existed as of the Lease Commencement Date, ordinary wear and tear and damage by casualty excepted and removing only Lessee's signage, movable trade fixtures and personal property, subject however to Section 17.9 below. In the event that Lessee does not do so, Lessor may do so and, in such event, Lessee shall be responsible for all costs and expenses associated therewith. Any improvements remaining in the Leased Premises or Exclusive Parking Area following the expiration or earlier termination of the Term, as such may be extended by a holdover permitted herein, shall immediately and automatically become the property of the Lessor without the necessity of any further notice or action on the part of Lessor or Lessee and without any reimbursement or compensation therefor by Lessor to Lessee. Lessee's obligations hereunder shall survive the expiration or earlier termination of this Lease.

17. **IMPROVEMENTS TO LEASED PREMISES; ALTERATIONS; MECHANICS LIENS.**

17.1. Lessor is under no obligation to make any structural or other alterations, decorations, additions or improvements in or to the Leased Premises, Exclusive Parking Area or

the Real Property except to construct in a good and workmanlike manner, the improvements specified in the Final Plans (as hereafter defined in Section 17.2), generally in conformance with the site plan and space plan attached hereto as Exhibit "D" and incorporated herein by reference (the "Lessor's Work"), to cause the Leased Premises to be delivered in compliance with Article 15 hereof, and to deliver to Lessee a temporary certificate of occupancy upon substantial completion of Lessor's Work enabling Lessee to enter and occupy the Leased Premises for purposes of completing Lessee's Work (as hereafter defined in Section 17.7).

17.2. Lessor has prepared and delivered to Lessee plans and specifications for Lessor's Work consistent with the Scope of Work attached hereto as Exhibit D-1 and incorporated herein by reference (the "Preliminary Plans"). Lessee has approved such Preliminary Plans. Lessor shall deliver to Lessee construction drawings consistent with the Preliminary Plans. Lessee agrees to review and approve or identify issues as to why the construction drawings are not consistent with the Preliminary Plans within ten (10) days of receipt of the construction drawings from the Landlord. The Preliminary Plans may be revised by agreement of Lessor and Lessee to the extent necessary to develop the construction drawings for Lessor's Work, but the scope of work described in the Preliminary Plans shall not be expanded. The Preliminary Plans, as finally approved, shall be the "Final Plans".

17.3. The Final Plans shall not be revised, amended or modified.

17.4. Lessor shall warrant Lessor's Work against defects in materials and workmanship for a period of one (1) year following the Lease Commencement Date and for such longer period for any items covered by a longer warranty to the extent of such warranty (such as the roof). Lessor shall assign to Lessee any warranties relating to Lessor's Work that are issued for periods longer than one (1) year for items Lessee is responsible to maintain (such as the HVAC).

17.5. Lessor's Work shall be deemed "Substantially Complete" upon the completion of Lessor's Work in substantial conformity with the Final Plans, as certified by the project architect or engineer, subject to minor punch list items which do not materially interfere with the performance by Lessee of Lessee's Work in the Leased Premises, and delivery to Lessee of a temporary or permanent certificate of occupancy, in such form and substance as typically provided by the applicable authority.

17.6. Lessor has established a \$250,000.00 allowance ("Allowance") for the cost of design, permitting and construction of the Lessor's Work. Lessee shall reimburse Lessor all of Lessor's final costs of design and construction of Lessor's Work, including but not limited to the costs of obtaining all required municipal or governmental permits and approvals and all of Lessor's soft costs, overhead and hard costs pertaining to the Lessor's Work ("Final Costs") in excess of the Allowance within fifteen (15) days of substantial completion of Lessor's Work and issuance of a temporary certificate of occupancy for the Leased Premises.

17.7. Lessor and Lessee intend that Lessor's Work will enable delivery of the Leased Premises to Lessee on a "turnkey" basis. However, Lessee shall install its building signage permitted under Section 17.11 below and may perform and complete additional leasehold improvements in and to the Leased Premises, but only pursuant to plans and specifications approved

by Lessor ("Lessee's Work"). All improvements and alterations in or to the Leased Premises, including without limitation, all design and materials, for Lessee's Work are subject to Lessor's prior written approval, which shall not be unreasonably withheld, conditioned or delayed. Lessee shall deliver complete plans and specifications for Lessee's Work to Lessor for its approval prior to submitting the same to any governmental entity for the purpose of obtaining Lessee's signage or building permits.

17.8. Lessor's Work and Lessee's Work shall be performed and completed in a good and workmanlike manner and otherwise in accordance with all Applicable Laws.

17.9. Following completion of Lessee's Work, Lessee shall not make any alterations or improvements in or to the Leased Premises or Exclusive Parking Area without Lessor's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed. Notwithstanding the foregoing, Lessee may make interior, non-structural and non-mechanical alterations to the Leased Premises which do not affect the exterior, structure or foundation of the Leased Premises nor any mechanical or utility systems of the Building without Lessor's consent. Lessee shall provide Lessor with at least thirty (30) days prior written notice of any alterations or improvements prior to the commencement thereof. The Lessee shall construct, or cause to be constructed, Lessee's improvements in a good and workmanlike manner and in accordance with all Applicable Laws. All such alterations and improvements made with Lessor's prior written consent as hereinabove set forth shall become the property of Lessor upon the termination of this Lease unless otherwise provided in Lessor's consent therefor. Notwithstanding the foregoing, Lessor shall not have title to, and Lessee shall have the right to remove, trade fixtures, moveable equipment, furniture and other personal property, provided the same may be removed without damage to the Leased Premises or Exclusive Parking Area and such property was not funded by Lessor.

17.10. Lessee shall not suffer or give cause for the filing of any mortgage lien, mechanic's lien or other lien or security interest ("Lien") against the Leased Premises or the Real Property. In the event any Lien is filed for work claimed to have been done for or material claimed to have been furnished to Lessee or otherwise on account of the act or omission of Lessee or its agents, employees or contractors, Lessee shall cause such Lien to be discharged of record within thirty (30) days after filing or, alternatively, Lessee shall furnish to Lessor (or any other entity designated by Lessor) within such thirty (30) day period a bond or other assurances reasonably acceptable to Lessor that such claimed indebtedness as finally determined will be paid by Lessee. Lessee shall indemnify and save harmless Lessor from all costs of any such Lien and expenses and attorneys' fees incurred in connection with any such Lien.

17.11. Lessee hereby agrees that it will not place or suffer to be placed or maintained on any exterior door, exterior wall or window of the Leased Premises any sign, awning or canopy, or advertising matter or other thing of any kind, and will not place or maintain any decoration, lettering or advertising matter on the glass of any window or exterior door of the Leased Premises without Lessor's prior written approval, which approval shall not be unreasonably withheld. Further, except as provided below, Lessee will not erect or install any free standing permanent signage without first obtaining Lessor's prior written approval, which approval shall not be unreasonably withheld, conditioned or delayed. Lessee shall maintain any sign, awning, canopy, decoration, lettering, advertising matter or other thing as may be approved by Lessor in good order, appearance,

condition and repair at all times. Lessee acknowledges that Lessor, at its option, may regulate the lettering size, style, color and type of all signs (including, without limitation, any identification sign of Lessee to be located on any monument sign located at the front of the Building, if any) so that all signs within the Leased Premises and the Building and on the Real Property are of a coordinated and complementary size, color, style of lettering and material. Lessee shall be permitted to install an exterior building sign as set forth in its plans and an exterior sign on any monument sign for the Building, each as approved by Lessor in accordance with the provisions of this Lease, provided that: (i) all signs shall be in accordance with all Applicable Laws; (ii) Lessee shall obtain all zoning or sign permits required to install the signage and promptly provide Lessor with a copy of all such required permits and approvals; (iii) such signage shall not be the exclusive signage for the Building; (iv) such signage shall be in a location approved by Lessor and Lessee; and (v) upon conclusion of the Term, Lessee shall remove the signage, repair any damage caused by such removal and restore the area of installation to the condition existing at the commencement of the Term.

18. **LIABILITY**. Lessor shall not be liable for any injury to any person while on the Leased Premises or for damage to property while located on the Leased Premises, whether owned by Lessor, Lessee or third parties, whether caused by or resulting from any act, omission or negligence of Lessor or any of its respective agents, servants or employees, or by fire, or by any other casualty or condition existing on or resulting to the Leased Premises during the Term (except for acts caused by the willful misconduct or gross negligence of Lessor or Lessor's agents, employees or contractors). Lessor shall not be liable for any injury to any person while in the Common Areas caused by or resulting from any act, omission or negligence of Lessee or its agents, employees or contractors and for damage to property while located in the Common Areas, whether owned by Lessor, Lessee or third parties, caused by or resulting from any act, omission or negligence of Lessee or any of its respective agents, employees or contractors, during the Term. Lessor shall not be liable in any claim for damages by reason of inconvenience or interruption to the business of Lessee, irrespective of the cause therefor (except for acts caused by the willful misconduct or negligence of Lessor or Lessor's agents, employees or contractors). Lessor and Lessee shall maintain all of the insurance policies and coverages referred to in this Lease in furtherance of the allocation of risk of liability as provided above.

19. **ASSIGNMENT AND SUBLEASE**. Lessee shall not, at any time, sublease the Leased Premises nor assign this Lease or any interest of Lessee in the Leased Premises without the prior written consent of the Lessor, which consent shall not be unreasonably withheld, conditioned or delayed. In the event of any assignment or subletting with Lessor's prior written consent, Lessee shall continue to remain liable to Lessor for all sums due hereunder and for the performance of all covenants and duties of Lessee. In addition, in order for Lessee to request the Lessor's approval to any assignment or subletting of the Leased Premises, Lessee must provide evidence to the reasonable satisfaction of Lessor and Lessor's insurance carrier, that the business of such assignee or subtenant poses no greater fire or casualty risk, or potential for environmental contamination to the Leased Premises than did the business of Lessee. Anything contained in this Lease to the contrary notwithstanding, any approval or consent of Lessor with respect to any requested assignment or subletting of the Leased Premises by Lessee shall not be deemed to be the approval or consent of Lessor with respect to any other or future assignment or subletting of Lessee with respect to the Leased Premises. Notwithstanding the foregoing, Lessee may without the consent of Lessor and provided that Lessee remains liable for the performance of the terms of this Lease, assign this Lease



in its entirety, or sublet the Leased Premises, with respect to all or part of the Leased Premises (a "Permitted Transfer"): (i) to an entity resulting from a merger or consolidation with Lessee or a sale of all or substantially all of Lessee's assets; or (ii) to any parent, affiliate or subsidiary of Lessee; or (iii) to an entity which controls, is controlled by or is under common control with Lessee. Lessee agrees to reimburse Lessor for reasonable administrative and attorneys' fees incurred in conjunction with the processing and documentation of any transfer, assignment, subletting, franchise, licensing or concession agreement, change of ownership or hypothecation of this Lease or Lessee's interest in and to the Leased Premises. If Lessee shall make any assignment or sublease, with Lessor's consent, for a rental in excess of the Rent payable under this Lease, Lessee shall not be entitled to keep the entire amount of such excess, and Lessee shall pay to Lessor fifty percent (50%) of such excess rental, after deduction of all reasonable and customary transaction costs, upon receipt.

20. **INSPECTION OF LEASED PREMISES.** Notwithstanding anything to the contrary contained in this Lease, Lessor may enter the Leased Premises and Exclusive Parking Area at any time during the Term, upon reasonable advance notice to Lessee, for the purposes of (a) ascertaining whether the Leased Premises and Exclusive Parking Area are kept in good order and repair; except, however, in an emergency situation, in which event, Lessor shall have the right to enter in and upon the Leased Premises and Exclusive Parking Area absolutely and without notice, and Lessor shall be entitled to enter upon the Exclusive Parking Area at all reasonable times to perform its obligations under this Lease, (b) making repairs or improvements to the Building, and (c) showing the Leased Premises and/or the Building for the Lessor's marketing purposes to other prospective tenants, purchasers, lenders or other parties with whom Lessor conducts, or is interested in conducting business; provided, however, that Lessor shall only have the right to enter upon the Leased Premises during the last twelve (12) months of the Term with respect to showing the Leased Premises to prospective tenants. Lessor shall use commercially reasonable efforts to minimize interference with Lessee's operation during any inspection pursuant to this Section 20. Prior to undertaking any work by the Lessor in the Leased Premises, except in an emergency, the Lessor shall identify in reasonable detail the nature of the work to be performed and Lessor shall coordinate such work to minimize any interference with Lessee's business operations, and, except in an emergency, Lessor shall perform such work after normal business hours.

21. **DEFAULT.**

21.1. If Lessee (a) does not pay in full any installment of Rent or other charge or payment herein agreed to be paid by Lessee when due, which failure remains uncured for a period of ten (10) days following written notice to Lessee, or (b) violates or fails to perform or otherwise breaches any other covenant or agreement herein contained, which violation, failure or breach remains uncured for a period of thirty (30) days after written notice has been given by Lessor to Lessee, or if such non-monetary breach cannot be corrected within such thirty (30) day period and Lessee fails to commence the correction of such breach within ten (10) days after written notice from Lessor and thereafter diligently prosecute the correction of same to completion, or (c) makes an assignment for the benefit of creditors, or if a petition is filed by (and granted) or filed against Lessee for the appointment of a receiver, resulting in an order or decree which continues unstayed and in effect for a period in excess of sixty (60) days, or a bill in equity or other proceeding for the appointment of a receiver of Lessee is filed and granted, resulting in an order or decree which continues unstayed and in effect for a period in excess of sixty (60) days or if proceedings for

reorganization or composition of creditors under any state or federal law is instituted by or against Lessee, resulting in an order or decree which continues unstayed and in effect for a period in excess of sixty (60) days, THEN, and in any of said events, there shall be deemed to be by virtue thereof, a breach of this Lease which shall constitute an "Event of Default" and Lessor may, in addition to any other right or remedy available hereunder, at law or in equity:

21.1.1. immediately cancel this Lease by written notice to Lessee. Upon the date specified in the aforesaid notice of termination, this Lease and the Term hereof shall terminate and come to an end as fully and completely as if such date were the day herein definitely fixed for the end and expiration of this Lease and such Term, and Lessee shall then quit and surrender the Leased Premises and Exclusive Parking Area to Lessor, but notwithstanding any statute, rule of law, or decision of any court to the contrary, Lessee shall remain liable as set forth herein.

21.1.2. terminate all services (including, but not limited to, the furnishing of utilities) and/or re-enter the Leased Premises and Exclusive Parking Area by summary proceedings or otherwise peacefully and in accordance with law, dispossess Lessee and the legal representative of Lessee or other occupant of the Leased Premises or Exclusive Parking Area, and remove their effects and repossess and enjoy the Leased Premises and Exclusive Parking Area, together with all alterations, additions and improvements, all without being liable to prosecution or damages therefor.

21.1.3. perform Lessee's obligations which are in default or take such action as Lessor determines is appropriate to mitigate the effects of Lessee's default, all at Lessee's sole cost and expense.

21.1.4. upon any re-entry, termination and/or dispossession by summary proceedings or otherwise peacefully and in accordance with law, relet the Leased Premises or any part or parts thereof, either in the name of Lessor or otherwise, for a term which may at Lessor's option be less than or exceed the period which would otherwise have constituted the balance of the Term of this Lease, and may grant concessions or free rent and may make such alterations, repairs, replacements and/or decorations in the Leased Premises as Lessor in Lessor's sole judgment considers advisable and necessary for the purpose of reletting the Leased Premises, all at Lessee's sole cost and expense, but only for such costs to the extent of such alterations, repairs and replacements that are required of Lessee under this Lease.

21.1.5 recover against Lessee the Rent reserved herein for the balance of the originally stated Term (subject to the Lessee's right to assert as an affirmative defense, the reduction thereof by the fair market value of rent for the Leased Premises for the balance of the originally stated Term, taking into account market delays in reletting, concessions, and other relevant factors), together with reasonable costs and attorneys' fees, either monthly as stated herein or, at Lessor's option, all such Rent, discounted to a present value, shall be and become immediately due and payable.

21.2 Lessor shall be in default in the performance of any obligation required to be performed by Lessor under this Lease (including without limitation Lessor's Work) if Lessor has failed to perform such obligation within thirty (30) days after the receipt of notice from Lessee specifying in detail Lessor's failure to perform; provided, however, that if the nature of Lessor's

obligation is such that more than thirty (30) calendar days are required for its performance, Lessor shall not be deemed in default if it shall commence such performance within thirty (30) days and thereafter diligently pursue the same to completion. Upon any such default by Lessor, Lessee may exercise any of its rights provided at law or in equity. If Lessor's default continues beyond the applicable notice and cure period and such default impairs Lessee's ability to conduct its operations on the Leased Premises, then, in addition to Lessee's rights at law or in equity, Lessee shall be entitled, upon delivery of written notice to Lessor substantiating such impairment and the need to take specific action to mitigate such impairment, to take action to cure Lessor's default to the extent necessary to mitigate such impairment (including without limitation completion of the Lessors Work); provided however, in no event shall Lessee be entitled to deduct, offset or otherwise credit against Rent or other sums due or becoming due hereunder the costs thereof nor any other claimed damages prior to adjudication by a court having jurisdiction granting such relief.

22. **REPRESENTATIONS AND WARRANTIES.**

22.1. **Lessee's Representations and Warranties.** Lessee hereby represents and warrants to the Lessor as follows:

(a) Lessee is a Massachusetts corporation duly organized and existing under the laws of the State of Massachusetts and authorized to conduct business in the State of Tennessee;

(b) Lessee has the full legal authority and power to enter into and perform its obligations under this Agreement;

(c) this Agreement is, and shall be, legally binding upon and enforceable against Lessee in accordance with its terms.

22.2. **Lessor's Representations and Warranties.** Lessor hereby represents and warrants to the Lessee as follows:

(a) Lessor is a limited liability company operating under the laws of the State of Tennessee;

(b) Lessor has the full legal authority and power to enter into and perform its obligations under this Agreement;

(c) This Agreement is, and shall be, legally binding upon and enforceable against Lessor in accordance with its terms

(d) Lessor is the owner of the Real Property; and

(e) The Real Property is not currently encumbered by a mortgage, deed of trust or other secured loan.

23. **CONDEMNATION.** Lessor shall provide written notice to Lessee of any condemnation or eminent domain proceedings affecting the Leased Premises or Exclusive Parking

Area promptly following notice to Lessor thereof but prior to the anticipated date of such taking. In the event that all of the Leased Premises or Exclusive Parking Area are taken by any condemnation or eminent domain proceedings, this Lease shall terminate as of the date of such taking. In the event that a portion of the Leased Premises or Exclusive Parking Area are taken by any condemnation or eminent domain proceedings (and such parking spaces are not replaced by Lessor in a form and location reasonably acceptable to the Lessee), and, in Lessee's reasonable judgment, Lessee is thereby unable to operate its business at the Leased Premises as was operated prior to such taking, then either Lessee or Lessor shall have the right to terminate this Lease by delivering written notice of such election to the other party prior to the date of such taking (provided that the Lessee shall have a minimum of ten (10) days to advise the Lessor of any election to terminate if the time between the receipt of such notice by the Lessee and the date of such taking is less than ten (10) days, and in such event, all obligations of Lessee and Lessor hereunder with respect to the period of time subsequent to such termination shall thereafter terminate and this Lease shall be null and void and of no further force and effect. If however, a portion of the Leased Premises or Exclusive Parking Area are taken by the exercise of the right of condemnation or eminent domain, and this Lease is not terminated as provided above, Lessor shall restore the Leased Premises and Exclusive Parking Area to a condition as nearly equivalent as possible to their condition prior to the taking but not any of Lessee's leasehold improvements (other than Lessor's Work), fixtures, or personal property, and this Lease shall continue with respect to the remaining portion of the Leased Premises and Exclusive Parking Area and the Minimum Rent herein specified to be paid by Lessee shall be ratably reduced according to the area of the Leased Premises which is taken. In such event, Lessor shall use diligent efforts to obtain all necessary municipal and governmental permits for such restoration within forty-five (45) days after the date of the taking and complete the restoration of the Leased Premises (or other portions of the Real Property, as applicable) within 270 days after the date of obtaining all necessary municipal or governmental permits. Lessor and Lessee shall separately be entitled to assert and receive any damages due to either of them from the condemning governmental unit or other corporation or entity exercising any such right of condemnation or eminent domain.

24. **CUMULATIVE REMEDIES.** All of the remedies hereinbefore given to Lessor and Lessee and all rights and remedies given to them by law or equity shall be cumulative and concurrent. The exercise by either Lessor or Lessee of any particular right shall not be a waiver by either party of any other right herein granted to Lessor and/or Lessee. If Lessor, at any time or times, shall accept the Rent or the payment of other charges due from Lessee hereunder after the same shall become due and payable, such acceptance shall not excuse delay upon subsequent occasion or constitute or be construed as a waiver of any of Lessor's rights.

25. **BINDING UPON SUCCESSORS AND ASSIGNS.** All rights and liabilities herein given to or imposed upon the respective parties hereto shall extend to and be binding upon their respective heirs, personal representatives, successors and permitted assigns. Lessor may assign its interest in the Lease without the consent of Lessee. In the event of any assignment of this Lease by Lessor (except a collateral assignment for security), the Lessor named herein (or the assignor, in the case of a subsequent assignment) shall, after the date of such assignment, be released from all liability for performance of any covenant, agreement or condition on the part of the Lessor which is thereafter to be performed hereunder. The assignee shall be deemed to have assumed (subject to the limitations of this paragraph) all of the covenants, agreements and conditions herein to be observed by Lessor with the result that such covenants, agreements and conditions shall bind Lessor,

its successors and assigns, only during and in respect of their respective successive periods of ownership.

26. **DEEDS OF TRUST OR MORTGAGES.** This Lease is and shall be subordinate to all deeds of trust, mortgages or other security interests which hereafter affect this Lease, the Leased Premises or the Real Property, and to all renewals, modifications, consolidations, replacements and extensions thereof (collectively, "Mortgages"). In confirmation of such subordination, Lessee shall execute promptly any reasonable certificate that Lessor, or its Mortgagee(s), may request pursuant thereto. In consideration of such subordination and as a condition thereof, Lessor shall provide Lessee with a Subordination, Non Disturbance and Attornment Agreement ("SNDA") from each of its lenders holding Mortgages with respect to the Real Property to which this Lease is subordinated in the Mortgagee's customary form, with commercially reasonable modifications. Lessee shall pay any fee or expense charged by the Mortgagee in connection with any negotiation of changes requested by Lessee to such SNDA, and Lessor shall endeavor to notify Lessee of any such fee or charge prior to incurring the fee or expense.

27. **SEVERABLE.** The terms, covenants and provisions of this Lease are severable and divisible and, if any of the said terms, covenants and provisions shall be invalidated by law or for any reason, the force and effect of the other terms, covenants and provisions shall be deemed to be unaffected and be legally enforceable as though the provisions invalidated had not been herein set forth.

28. **NOTICE.** Any notice required to be given hereunder shall be given to the parties hereto as follows or at such other addresses as the parties hereto, or either of them, may from time to time designate, by notification to the other in writing by registered or certified mail, postage prepaid, return receipt requested, or by reputable overnight courier (e.g., Federal Express):

If to Lessor: 840 Business Center #2, LLC  
c/o Verus Partners  
100 South Wacker Drive, Suite 850  
Chicago, Illinois 60606

With a copy to: Robinson Wolenty & Young, LLP  
Attn: Elizabeth T. Young, Esq.  
8415 Allison Pointe Blvd., Suite 210  
Indianapolis, IN 46250

If to Lessee: Haemonetics Corporation  
Attention: Director of Facilities  
400 Wood Road  
Braintree, Massachusetts 02184

With a copy to: Haemonetics Corporation  
Attn: Chief Legal Officer  
400 Wood Road  
Braintree, Massachusetts 02184

All notice shall be deemed given upon receipt or refusal by the intended party (or if sent by facsimile transmission, upon electric confirmation of delivery of the facsimile to the intended party).

29. **NO RECORDING.** This Lease shall not be recorded in any public office for the recording of documents but a Notice of Lease may be recorded upon the request of either party at the cost of the requesting party. Both Lessor and Lessee agree that this Lease is binding upon each of them and is enforceable with respect to all of the Leased Premises without such recording.

30. **BROKER.** Except for CBRE and Cassidy Turley (the "Brokers"), Lessor and Lessee represent and warrant to each other that it has not dealt with any realtor, broker or finder in connection with this Lease. Lessor agrees to be responsible for a broker's commission due to CBRE, and Cassidy Turley shall be entitled to share in such commission, in accordance with a separate written agreement between Lessor and CBRE. Lessor shall have no liability under this Lease to compensate any broker in connection with the execution of this Lease other than the commission payable to CBRE (in which Cassidy Turley will share) under such separate agreement. Each party hereby agrees to indemnify, defend and hold the other harmless from and against any liability, obligation, cost, fee or expenses arising as a result of any claim by or through such party by any other realtor, broker or finder in connection with this Lease as a default of its dealings with such party.

31. **FORCE MAJEURE.** Whenever a period of time is prescribed in this Lease for the performance of construction by either Lessee or Lessor, including without limitation, any action regarding the substantial completion of the construction of Lessor's Work, such time period shall be extended by the number of days of delay caused by any force majeure events, which term shall include, without limitation, delays caused by strikes, riots, acts of God, war, governmental approvals, laws or regulations. Notwithstanding anything to the contrary herein contained, this Section 31 shall not apply to Lessor's failure to deliver the Leased Premises as provided in Section 2.1 above, except as expressly provided in Section 2.1 above.

32. **ESTOPPEL CERTIFICATES.** Lessor and Lessee shall at any time, within ten (10) business days of the written request of the other party, execute, acknowledge and deliver to the requesting party a written statement certifying that this Lease is unmodified and in full force and effect (or, if there have been modifications), and the dates to which the Minimum Rent, Additional Rent and other charges have been paid in advance, if any, and any other information respecting this Lease or the Leased Premises reasonably requested, it being intended that any such statement may be relied upon by any prospective purchaser or mortgagee of the Building or Real Property or permitted assignee or subtenant of Lessee or any financing institution of Lessee.

33. **LIMITED LIABILITY.** Notwithstanding any provision to the contrary contained herein, Lessee shall look solely to the estate of Lessor in and to the Real Property and the Building only (the "Specified Assets") in the event of any claim against Lessor arising out of or in connection with this Lease, the relationship of Lessor and Lessee or Lessee's use of the Leased Premises or Exclusive Parking Area (collectively, "Lessee's Claims"), and Lessee agrees that the liability of Lessor arising out of or in connection therewith shall be limited to the Specified Assets. No properties or assets of Lessor, other than the Specified Assets, shall be subject to levy, execution or other enforcement procedures for the satisfaction of any judgment (or other judicial process) or for the satisfaction of any other remedy of Lessee arising out of or in connection with the Lessee's Claims.

34. **NO PARTNERSHIP.** Lessor does not, in any way or for any purpose, become a partner of Lessee in the conduct of its business or joint venturer or a member of a joint enterprise with Lessee.

35. **APPLICABLE LAW.** This Lease shall be construed and interpreted under the laws of the State of Tennessee.

36. **COUNTERPARTS.** This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which shall be considered one and the same instrument.

37. **ANTI-TERRORISM.** Lessee represents and warrants to Lessor as follows:

(a) Lessee is not in violation of any law relating to terrorism or money laundering, including, but not limited to, Executive Order No. 13224 on Terrorist Financing, the U.S Bank Secrecy Act, as amended by the Patriot Act, the Trading with the Enemy Act, the International Emergency Economic Powers Act and all regulations promulgated thereunder, all as amended from time to time (collectively, "Anti-Terrorism Law").

(b) No action, proceeding, investigation, charge, claim, report, or notice has been filed, commenced, or threatened against Lessee alleging any violation of any Anti-Terrorism Law.

(c) After due inquiry, Lessee has no knowledge of any fact, event, circumstance, situation or condition which could reasonably be expected to result in any action, proceeding, investigation, charge, claim, report, notice or penalty being filed, commenced, threatened or imposed against it relating to any violation of or failure to comply with any Anti-Terrorism Law.

(d) Lessee is not a "Prohibited Person". A Prohibited Person means any of the following:

(i) A person or entity that is "specially designated" on the most current list published by the U.S. Treasury Department Office of Foreign Asset Control or which is owned, controlled by or acting for or on behalf of any such person or entity;

(ii) A person or entity with whom Lessor is prohibited from dealing by any Anti-Terrorism Law;

(iii) A person or entity that commits, threatens, or conspires to commit or supports "terrorism", as defined in any Anti-Terrorism Law.

(e) None of the Lessee Parties:

(i) Conducts any business or transactions or makes or receives any contribution of funds, goods, or services in violation of any Anti-Terrorism Law;

(ii) Engages in or conspires to engage in any transaction that evades or avoids, has the purpose of evading or avoiding or attempts to violate any of the prohibitions of any Anti-Terrorism Law.

38. **RIGHT TO TERMINATE.** So long as Lessee is not in default hereunder beyond applicable notice and cure periods, then Lessee shall have the one-time right to terminate this Lease at and as of end of the eighty-eighth (88<sup>th</sup>) full calendar month of the Term by delivering written notice to Lessor not sooner than eighteen (18) months nor less than nine (9) months prior to the end of the 88<sup>th</sup> full calendar month of the Term; provided, however, that if such right of termination is exercised by Lessee, Lessee's notice of termination shall be accompanied with payment by Lessee to Lessor of the sum of (a) an amount equal to the Minimum Rent and Additional Rent that otherwise would become due for the next four (4) full calendar months after the date of early termination of the Lease, and (b) the unamortized portion of all costs incurred in connection with the procurement of the Lease and construction of tenant improvements for the Leased Premises, including without limitation, the cost of Lessor's Work, the Allowance, the Broker's commission and any other cost or expense incurred by Lessor, all amortized over the Term together with interest thereon at the rate specified in this Lease for such cost item or if not specified, then at an annual rate of seven percent (7%). If, however, at the time of Lessee's notice of its exercise of this early termination right or on the effective date of early termination of the Term, Lessee is in default beyond any applicable notice and cure period provided in this Lease, Lessee's exercise of this right to terminate shall be null and void.

39. **SECURITY DEPOSIT.** Intentionally Omitted.

40. **RIGHT OF FIRST OFFER.**

So long as no event of default has occurred and Lessee is in sole occupancy of the Premises, during the Term, Lessee shall have a continuous right of first offer to lease space in the Building (the "ROFO Space"). Lessor intends to continue actively marketing the ROFO Space. Lessor shall



deliver to Lessee a written notice (the "ROFO Notice") notifying Lessee that a bona fide third party has a bona fide interest in leasing some or all of the ROFO Space and the terms of such leasing (the "ROFO Terms"). Lessee shall have ten (10) business days after receipt of the ROFO Notice within which to notify Lessor in writing that Lessee desires to lease all of the space specified in the ROFO Notice on the ROFO Terms. Failure by Lessee to notify Lessor within such ten (10) business day period shall be deemed an election by Lessee not to lease the applicable ROFO Space and Lessor shall have the right to lease such space to said third party tenant (or its designee) on terms substantially similar to the ROFO Terms.

In the event Lessor is unable to lease the ROFO Space to such third party (or its designee) or intends to lease the ROFO Space on terms substantially more favorable to the tenant than the ROFO Terms, then Lessee's right of first offer hereunder shall thereupon be in full force and effect, and Lessor shall be required to re-offer such ROFO Space to Tenant. In the event the ROFO Space is leased to a third party tenant after Lessee's failure to lease the ROFO Space on the ROFO Terms as provided herein, Lessee's right of first offer hereunder shall expire and terminate and be of no further force or effect as to such ROFO Space and any remaining vacant space in the Building which is not adjacent to the Leased Premises.

**[SIGNATURES ON FOLLOWING PAGE]**

**IN WITNESS WHEREOF**, and intending to be legally bound hereby, the parties have caused this Lease to be duly executed as of the day and year first above written.

LESSOR: 840 BUSINESS CENTER #2, LLC, a Tennessee limited liability company

By: VERUS/METLIFE MASTER COMPANY, LLC,  
a Delaware limited liability company, sole member

By: VERUS ASSET COMPANY, LLC, a Delaware limited liability company, its  
managing member

By: /s/ Timothy J. McEnery  
Name: Timothy J. McEnery  
Title: Authorized Representative

LESSEE: HAEMONETICS CORPORATION, a  
Massachusetts corporation

By: /s/ David Helsel  
Name: David Helsel  
Title: EVP, Global Manufacturing

#### EXHIBIT A

#### Real Property Description

LAND LYING IN THE TWENTY-THIRD CIVIL DISTRICT OF WILSON COUNTY, TENNESSEE, AND BEING ON THE EAST SIDE OF ALDI BOULEVARD AND BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT AN EXISTING IRON PIN IN THE EASTERLY RIGHT-OF-WAY OF ALDI BOULEVARD (60') AND THE SOUTHWESTERLY CORNER OF TACHI-S ENGINEERING USA OF RECORD IN DEED BOOK 1176, PAGE 1710, R.O.W.C. AND ALSO BEING THE NORTHWESTERLY CORNER OF THE HEREIN DESCRIBED TRACT;

THENCE, ALONG OR NEAR THE SOUTHERLY LINE OF TACHI-S ENGINEERING USA OF RECORD IN DEED BOOK 1176, PAGE 1710, R.O.W.C. SOUTH 82°25'52" EAST, A DISTANCE OF 1207.06 FEET TO AN EXISTING IRON PIN IN THE WESTERLY MARGIN OF INTERSTATE 840;

THENCE, WITH THE WESTERLY MARGIN OF INTERSTATE 840 FOR THE NEXT FOUR (4) COURSES AND DISTANCES;

THENCE, SOUTH 07°34'08" WEST, A DISTANCE OF 314.41 FEET TO AN EXISTING HIGHWAY MONUMENT;

THENCE, SOUTH 10°39'09" WEST, A DISTANCE OF 157.42 FEET TO A POINT;

THENCE, SOUTH 05°44'56" WEST, A DISTANCE OF 148.59 FEET TO AN EXISTING HIGHWAY MONUMENT;

THENCE, ALONG A CURVE TO THE LEFT HAVING A CENTRAL ANGLE OF 2°33'49", A RADIUS OF 5879.58 FEET, AN ARC LENGTH OF 263.06 FEET AND BEING SUBTENDED BY A CHORD WHICH BEARS SOUTH 04°28'02" WEST A DISTANCE OF 263.04 FEET TO AN IRON PIN (SET);

THENCE, ALONG OR NEAR THE NORTHERLY LINE OF ALDI INC. OF RECORD IN DEED BOOK 971, PAGE 2309, R.O.W.C. NORTH 78°37'48" WEST, A DISTANCE OF 1130.29 FEET TO AN IRON PIN (SET) IN THE EASTERLY MARGIN OF ALDI BOULEVARD (60' R.O.W.);

THENCE, WITH THE EASTERLY MARGIN OF ALDI BOULEVARD (60') FOR THE NEXT FOUR COURSES AND DISTANCES;

THENCE, NORTH 06°35'43" EAST, A DISTANCE OF 73.92 FEET TO AN IRON PIN (SET);

THENCE, ALONG A CURVE TO THE LEFT HAVING A CENTRAL ANGLE OF 72°45'48", HAVING A RADIUS OF 68.00 FEET, AN ARC LENGTH OF 86.36 FEET AND BEING SUBTENDED BY A CHORD WHICH BEARS NORTH 29°47'13"

WEST A DISTANCE OF 80.67 FEET TO AN IRON PIN (SET);

THENCE, ALONG A CURVE TO THE RIGHT HAVING A CENTRAL ANGLE OF 72°45'29", A RADIUS OF 40.00 FEET, AN ARC LENGTH OF 50.79 FEET AND BEING SUBTENDED BY A CHORD WHICH BEARS NORTH 29°47'13" WEST A DISTANCE OF 47.45 FEET TO AN IRON PIN (SET);

THENCE, NORTH 06°35'43" EAST, A DISTANCE OF 632.19 FEET TO THE POINT OF BEGINNING.

CONTAINING 1,000,135 SQUARE FEET OR 22.96 ACRES, MORE OR LESS.

BEING THE SAME PROPERTY CONVEYED TO 840 BUSINESS CENTER #2, LLC OF RECORD IN DEED BOOK 1213, PAGE 414, R.O.W.C.

EXHIBIT "B"

(Leased Premises)

Site Plan

EXHIBIT "C"

**FORM OF LEASE COMMENCEMENT MEMORANDUM**

**Lease Commencement Memorandum**

THIS MEMORANDUM is made and entered into as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_ by and between \_\_\_\_\_, a(n) \_\_\_\_\_ ("Lessor"), and \_\_\_\_\_, a(n) \_\_\_\_\_ ("Lessee").

**RECITALS:**

1. Lessor and Lessee are party to a certain Agreement of Lease dated as of \_\_\_\_\_, 20\_\_ ("Lease"), relating to certain premises ("Leased Premises") located in the building commonly known as \_\_\_\_\_, located in \_\_\_\_\_ ("Building").
2. Lessor and Lessee desire to confirm the Lease Commencement Date (as such term is defined in the Lease) and Termination Date of the Lease, the amended schedule of Minimum Rent and the acceptance of the Leased Premises by Lessee.

**ACKNOWLEDGMENTS:**

Pursuant to the terms of the Lease and in consideration of the facts set forth in the Recitals, Lessor and Lessee acknowledge and agree as follows:

1. All capitalized terms not otherwise defined in this Memorandum have the meanings ascribed to them in the Lease.
2. Lessor has substantially completed the Lessor's Work (as defined in the Lease) and Lessee has accepted the Leased Premises and Lessor's Work and is in occupancy of the Leased Premises.
3. The Minimum Rent under the Lease, effective as of the Lease Commencement Date, shall be as set forth in the following schedule:

Period	Annual Minimum Rent/Square Foot	Annual Minimum Rent	Monthly Minimum Rent
Months 1 through 4	\$0.00	\$0.00	\$0.00
Months 5 through 16	\$0.00	\$0.00	\$0.00
Months 17 through 28	\$0.00	\$0.00	\$0.00
Months 29 through 40	\$0.00	\$0.00	\$0.00
Months 41 through 52	\$0.00	\$0.00	\$0.00
Months 53 through 64	\$0.00	\$0.00	\$0.00
Months 65 through 76	\$0.00	\$0.00	\$0.00

Months 77 through 88	\$0.00	\$0.00	\$0.00
Months 89 through 100	\$0.00	\$0.00	\$0.00
Months 101 through 112	\$0.00	\$0.00	\$0.00
Months 113 through 124	\$0.00	\$0.00	\$0.00

4. The Lease Commencement Date under the Lease is \_\_\_\_\_, 20\_\_.

5. The Termination Date of the Lease is \_\_\_\_\_, 20\_\_, unless the Lease is extended by exercise of an option to renew, or is sooner terminated in accordance with the terms and conditions of the Lease, including without limitation Article 38 of the Lease.

6. Lessee must exercise its right to the \_\_\_\_\_ Extension Term, if at all, by notifying Lessor no later than twelve (12) months prior to the expiration date of the Term, subject to the conditions and limitations set forth in the Lease

Lessor and Lessee each caused this Memorandum to be executed by its duly authorized representative as of the day and date written above. This Memorandum may be executed in counterparts, each of which is an original and all of which constitute one instrument.

**LESSOR:**

\_\_\_\_\_, a  
\_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**LESSEE:**

\_\_\_\_\_, a  
\_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

EXHIBIT "D"  
(Lessor's Work)

SITE PLAN AND SPACE PLAN

EXHIBIT "D-1"  
(Lessor's Work)

PRELIMINARY PLANS

EXHIBIT "E"  
(Draft Design Basis for Ventilation System)

**Draft Basis of Design**

The preliminary design basis presented here is intended to achieve Haemonetics objectives of maintaining a breathing zone level concentration of Ethylene Oxide (EtO) below the OSHA Action Level (AL) of 0.5 ppm. Due to the dynamic nature of operations,

the design basis is built on projections of conservative degassing rates for EtO and the experience at an operating warehouse in Massachusetts provided by Haemonetics, as well as certain logistical considerations (e.g. 4 to 8 turnovers of inventory per year).

### Warehouse and Quarantine Area Sizing

The initial baseline area of the warehouse is expected to be 166,400 square feet with the potential expansion of two additional bays for a total of 208,000 square feet of warehouse space. The warehouse is approximately 40' high (with 32 feet to lower truss level). Since a high air exchange rate for the warehouse would prove to be impractical and costly a ventilated quarantine area is being considered similar to what is used at Haemonetics' warehouse in Massachusetts. The quarantine area will range from 30,000 square feet to 50,000 square feet. A 46,000 square foot quarantine area will be evaluated, based upon 8 inventory turns per year for the future anticipated 208,000 square feet of warehouse space, 10 day quarantine holding period, and similar storage layout (e.g. rack height etc) in the quarantine area as the warehouse. It is anticipated that the quarantine area will be located near or along the south wall that is proposed for receiving. The final configuration will have to take into account operation requirements and the existing building configuration. Additionally, the layout of the quarantine area will provide flexibility to expand – for example, create secondary quarantine areas of storage (for lower degassing rate products) or a larger area for the primary quarantine space.

### Degassing rates for EtO

Per information provided by Haemonetics, the worst case scenario will be used for the quarantine area of up to 17 devices per square feet in storage with a projected degassing rate of 7.7 mg/day per device. This results in an anticipated total degassing rate in the quarantine area of 5 kg/day. Up to 8 air changes per hour (ACH) with an open space structure of fence and controlled access around the quarantine area will be evaluated. The effective air turnover in the warehouse will be lower and the anticipated effect in the warehouse will be evaluated. The air will be intentionally drawn from other parts of the warehouse into the quarantine area to reduce fugitive EtO emissions from the quarantine area and provide some air change in the warehouse on a whole. Eight ACH, in the quarantine area, is expected to achieve a constant concentration below the ACL of 0.5ppm for EtO. The concept design package will present the engineering analysis with consideration of residual emissions from products after the anticipated 10 day quarantine period.

### Fan and Motor

A single fan/motor is generally considered as primary basis of design (redundancy of using 2 smaller fans will be substantively more expensive). Please note, we will evaluate and present an order of magnitude price for two 75% fan/motor systems versus one fan/motor system with an uninstalled spare to enable an informed choice by Haemonetics based upon Haemonetics' risk management model. A visible and audible signal will be considered for operators to ensure that the fan is operating at the target level. A variable frequency drive will be designed for flexible control. A safety factor/excess capacity of 20 to 30 percent will be evaluated and designed to allow for significant level of flexibility in operations and control of the warehouse. Operational flexibility is a key criterion and will be factored into ductwork design, fan placement and quarantine area layout. Due to the expected size and weight of the fan and motor, the installation will be at grade outdoors. Zoning and local municipality requirements will be considered including the potential of including architectural screening and sound attenuation for the fan. The fan and motor noise will not be known until the fan/motor system has been selected; typically the design basis is to be 85 dBA or less. Local requirements relative to noise need to be investigated to determine if they are more stringent along with Haemonetics' policies and directives with regard to noise control and management. Regardless, the fan/motor system can be designed for lowering noise when required through a variety of sound attenuation devices including stack silencers, sound blankets on the fan, and attenuating covers over the motor.

### Duct work

The ductwork and exhaust hoods will be constructed of galvanized sheet metal. The design of the ductwork and exhaust hood layout will consider operational and access requirements, optimum capture of fugitive EtO, the density of EtO and the anticipated breathing zone. The ductwork itself will be designed to accommodate varying flows and modifications as the warehouse and quarantine area are expanded.

### Monitoring for EtO

The availability of a reliable EtO detector will be evaluated and if available included in the concept design. Based on identifying a reliable device that is acceptable to Haemonetics, monitors are anticipated for both the quarantine and the regular warehouse area. A local display showing the real time concentration of EtO as well as audible (horn) and visual (e.g. strobe or flashing light) for high levels will be considered in the design.

### Approval of Ventilation System Equipment and Installation

The Ventilation System described herein shall constitute a part of "Lessee's Work" under Section 17.7 of the above and foregoing Lease, Lessee would be responsible for obtaining all permits and approvals necessary for the installation of the Ventilation System,

and the improvements to be installed and all plans and specifications for the installation of the Ventilation System shall be subject to approval by Lessor as provided therein. Lessor has provided preliminary approval of an exterior, ground mounted fan/motor approximately 3' x 3' (about the size of a household air conditioner), to be located on a concrete pad near the southeast corner of the Leased Premises (see picture attached) in an area near the electric transformer serving the Building. Lessor has also provided preliminary approval of an exhaust hood (see picture attached) to be mounted in the location of the existing clerestory window, such that no additional wall opening would be required. Lessor may require screening of the exterior portions of the Ventilation System, and if necessary, may require sound attenuation and vibration attenuation to minimize any interference with the operations of other tenants or occupants of the Building.

Lessee shall endeavor to deliver plans and specifications for Lessee's Ventilation System, consistent with the foregoing description of such system, to Lessor on or before February 28, 2014, provided that if such plans and specifications affect Lessor's Work, then any delay in the delivery of such plans and specifications beyond March 7, 2014 shall constitute a delay caused by Lessee for purposes of Article 2 of the Lease. Lessor shall review and approve or provide detailed objections to such plans and specifications to Lessee within five (5) business days after Lessor's receipt of such plans and specifications. Lessee shall respond to Lessor's objections, if any, within five (5) business days of receipt of such objections. Lessor shall not unreasonably object to, or withhold, condition or delay its approval of, the plans and specifications for Lessee's Ventilation System, and Lessee shall make reasonable revisions to such plans and specifications requested by Lessor. In the event Lessor and Lessee are unable to agree upon the plans and specifications for Lessee's Ventilation System within fifteen (15) days after Lessee initially submits plans and specifications for Lessee's Ventilation System to Lessor (provided that Lessee submits such plans and specifications on or before March 7, 2014), Lessee shall have the right to terminate this Lease upon written notice to Lessor delivered on or before such fifteenth (15<sup>th</sup>) day.

**DATED 19<sup>th</sup> DAY OF SEPTEMBER 2013**

**BETWEEN**

**PENANG DEVELOPMENT CORPORATION  
("Lessor")**

**AND**

**HAEMONETICS MALAYSIA SDN BHD  
(Company No.: 1055910-U)  
("Lessee")**

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**AGREEMENT TO LEASE  
IN RELATION TO ALL THE LANDS AND HEREDITAMENTS COMPRISED OR FORMERLY COMPRISED IN  
PLOT 308, BATU KAWAN INDUSTRIAL PARK AND MEASURING APPROXIMATELY TWELVE POINT TWO SIX  
FOUR SIX (12.2646) ACRES**

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**THIS AGREEMENT TO LEASE** (“this Agreement”) is made the day and year stated in Section 1 of the First Schedule hereto,

Between

(1) **PENANG DEVELOPMENT CORPORATION** a body corporate incorporated pursuant to the *Penang Development Corporation Enactment 1971* and having its office at Bangunan Tun Dr. Lim Chong Eu, No. 1 Pesiaran Mahsuri Bandar Bayan Baru 11909 Bayan Lepas Pulau Pinang (“the Lessor”) of the one part;

And

(2) **HAEMONETICS MALAYSIA SDN BHD (Company No.: 1055910-U)**, a company incorporated in Malaysia under the Companies Act, 1965 and having its registered address at Level 6.03, Menara Keck Seng, 203 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia (“the Lessee”) of the other part.

## **WHEREAS**

- 1 The State Authority of Penang (hereinafter called “the State Authority”) has, pursuant to the Land Acquisition Act 1960, acquired the Land and the State Authority has agreed in due course to alienate the Land to the Lessor in accordance with the National Land Code, 1965 (“NLC”) for a term of sixty (60) years under Qualified Title and ultimately to be held under a State lease subject to the category of land use, the express conditions and restrictions in interest as stated therein;
- 2 The Lessee wishes to take from PDC a lease of the Land before such alienation and the Lessor has agreed to grant and the Lessee has agreed to accept the lease of the Land upon the terms and conditions hereinafter appearing; and
- 3 The Lessee has agreed to take a registrable lease for a term of thirty (30) years commencing from the date of this Agreement with vacant possession but subject to the category of land use, the express conditions and the restrictions in the Qualified Title as stated therein upon its issuance, all conditions and restrictions implied by the NLC and upon the terms and conditions herein contained.

**NOW IT IS HEREBY AGREED as follows:**

## **1 INTERPRETATION**

### **1.1 Definitions**

In this Agreement unless the context otherwise requires, the following expressions shall have the following meanings:

1.1.1 “Affiliate” means a company or legal entity which, (i) Controls, directly or



indirectly the Lessee or (ii) which is Controlled directly or indirectly by the Lessee or (iii) which is directly or indirectly Controlled by a company or legal entity which directly or indirectly Controls the Lessee. The term “Control” means control in excess of fifty percent (50%) of the voting rights in a company or other legal entity or the ability to appoint more than half of the board of directors of such company or legal entity;

- 1.1.2 “Appropriate Authority” means any governmental, semi or quasigovernmental and or statutory department, agency or body invested with or exercising lawful authority;
- 1.1.3 “Authorised Use” means such use of the Land more particularly described in Section 7 of the First Schedule hereto as shall be authorised under this Agreement;
- 1.1.4 “the Land” means all the lands more particularly described in Section 4 of the First Schedule hereto;
- 1.1.5 “the Lessor” means the Penang Development Corporation;
- 1.1.6 “the NLC” means the National Land Code, 1965;
- 1.1.7 “the Prescribed Rate” being the rate stated in Section 8 of the First Schedule hereto;
- 1.1.8 “the Lease Consideration” means the consideration payable by the Lessee to the Lessor in respect of the Land as stated in Section 5 of the First Schedule hereto;
- 1.1.9 “the Lessee” means HAEMONETICS MALAYSIA SDN BHD (Company No.: 1055910-U), having its registered address at Level 6.03, Menara Keck Seng, 203 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia, and shall include its successors-in-title;
- 1.1.10 “the State Authority” means the State Authority of Penang;
- 1.1.11 “the Initial Sum” means the sum stated in Section 6(i) of the First Schedule hereto; and
- 1.1.12 “the Term” means the term stated in Section 3 of the First Schedule hereto.

## **1.2 Construction**

The headings, if any, herein are inserted for convenience only and shall not be taken read or construed as essential parts of this Agreement or affect the construction of the provisions hereof. All references to provisions of statutes include such provisions as are amended modified re-certified or re-enacted. Words applicable to natural persons include any body of persons, company, corporation, firm or partnership corporate or incorporate or any government body or agency and *vice versa*. Words importing the singular number shall include the plural and *vice versa*. Words importing the masculine gender shall

include the female and neuter genders and *vice versa*. Where two or more persons or parties are included or comprised in any expression, agreements, covenants, terms, stipulations and undertaking expressed to be made to such persons, the same shall, unless expressly stated to the contrary, be enforceable by them jointly and severally and agreements, covenants, terms, stipulations and undertakings expressed to be made by or on the part of such persons, the same shall be deemed to be made by and binding upon such persons jointly and severally. This Agreement shall not in any circumstances be construed *contra proferentum* against the Lessor.

## 2 AGREEMENT TO LEASE

- 2.1 In consideration of the mutual covenants herein, the Lessor hereby agrees to grant and the Lessee agrees to accept a lease of the Land, subject to the Exceptions and Reservations set out in the Second Schedule hereto, to be held by the Lessee for the Term as set out in Section 3 of the First Schedule and paying therefor to the Lessor the Lease Consideration as set out in Section 5 of the First Schedule and upon the terms and conditions contained herein.
- 2.2 The Lease Consideration shall be paid by the Lessee to the Lessor in the manner as set out in Section 6 of the First Schedule hereto.
- 2.3 The Lessee hereby acknowledges that upon the approval of alienation of the Land and the issuance of the Qualified Title in the Lessor's name, the Lessor shall be the registered legal owner of the Land and the Lessor shall recognize the rights attached to the lease right held by the Lessee according to the laws of Malaysia. In its capacity as the registered legal owner of the Land, the Lessor shall have the right to enter and inspect the Land during the Term provided that there is a reasonable notice given and at reasonable frequency (without materially affecting the operation and activities of the Lessee). However subject to terms and conditions of this Agreement, the Lessee shall be entitled to quiet and peaceful enjoyment of the Land in its capacity as the Lessee and eventually as the registered Lessee as envisaged under this Agreement. The Lessee further covenants with and represents and warrants to the Lessor and the State Authority that the Lessee shall not at any time whatsoever whether during or after the continuance of the Term, deny that the Lessor has full capacity and or right, title or interest in all respects to enter into and or enforce this Agreement nor raise any objection or inquiry in respect of the Lessor's title to the Land.
- 2.4 The parties hereby agree that this Agreement is conditional upon the fulfillment of the following conditions:
  - 2.4.1 the Lessor to procure alienation approval for the Land in its favour within the period of thirty (30) days from the date of this Agreement; and
  - 2.4.2 the Lessor to procure the consent from the State Authority to lease the Land in favour of the Lessee within fifteen (15) days from the fulfillment of the condition under Clause 2.4.1 above.
- 2.5 In the event that the alienation of the Land to the Lessor and/or the consent to lease the Land to the Lessee is not approved by the State Authority within the period described

in Clause 2.4.1 or 2.4.2 above respectively, the Lessor shall be granted an automatic extension of another fifteen (15) days to obtain the respective approval (“the Extended Period”).

2.5.1 In the event the Lessor still fail to procure alienation of the Land and/or the consent to lease the Land within the Extended Period, the Lessee shall have the option to terminate this Agreement within a period of fourteen (14) days thereof, failing which the period for the Lessor to obtain alienation approval of the Land or the consent to lease the Land shall be deemed to be extended by a further period of one (1) month.

2.5.2 In the event the Lessee exercises the option to terminate the Agreement or the Lessor still fail to procure the alienation of the Land and/or the consent to lease the Land within the said period of one (1) month:

2.5.2.1 the Lessee shall forthwith deliver possession of the Land to the Lessor (whether or not any building shall then have been completely or partially erected on the Land and for the avoidance of doubt it is hereby declared that no compensation whatsoever shall be payable by the Lessor in respect of such building); and

2.5.2.2 the Lessor shall within thirty (30) days from the delivery of possession of the Land under Clause 2.5.2.1 above, refund without interest to the Lessee and/or the financier all monies paid by the Lessee and/or the financier towards the Lease Consideration.

2.6 The last date of the fulfillment of the last condition under Clause 2.4 shall be referred to as the “Unconditional Date”. The Lessor shall, within seven (7) days from its receipt of notice from the relevant authority informing the Lessor of the fulfillment of the conditions under Clause 2.4 above, notify the Lessee in writing the satisfaction of the conditions and the impending Unconditional Date.

2.7 The parties also acknowledge that upon the execution of this Agreement, the Lessee shall have the right to conduct a survey, at its own cost and expense, in order to ascertain the condition of the Land. The Lessee shall conduct and complete the survey on or before the 15<sup>th</sup> October 2013. In the event the survey reveals that the condition of the Land is found to be different from its condition as herein described, the Lessee shall have the right to terminate this Agreement and all monies paid by the Lessee shall be refunded by the Lessor.

### **3 REGISTRATION OF LEASE**

3.1 Upon the Unconditional Date, the issuance of the Qualified Title to the Land and provided that there shall not, at any relevant time, be existing any default or breach by the Lessee of any of the terms and conditions of this Agreement, the parties hereto shall create and register a lease of the Land for such term as shall then be remaining on the Term upon the same terms and conditions as set out herein and this Agreement shall be annexed and form the annexure to the lease instrument in Form 15A of the NLC (“Form 15A”) (or such other form as shall then be applicable) in the following manner:

- 3.1.1 The Lessor or its solicitors shall have first notified the Lessee or its solicitors on the issuance of the Qualified Title in respect of the Land and the State Authority's consent to the lease;
- 3.1.2 The Lessee, upon receipt of the aforesaid notification from the Lessor shall promptly prepare or instruct its solicitors to prepare and forward to the Lessor Form 15A (or such other form as shall then be applicable) duly executed by the Lessee for the Lessor's execution;
- 3.1.3 The Lessor or its solicitors shall then forward the executed Form 15A together with this Agreement annexed thereto, original document of title of the Land and the State Authority's consent document (hereinafter collectively referred to as "the Lease Instrument"), to the Lessee or its solicitors within fourteen (14) working days from the receipt of the executed Form 15A from the Lessee or its solicitors;
- 3.1.4 Upon receipt of the Lease Instrument from the Lessor, the Lessee or its solicitors shall promptly at the Lessee's own cost and expense do all things necessary to:
  - 3.1.4.1 submit the Lease Instrument for adjudication for assessment of stamp duty at the relevant stamp office, if applicable;
  - 3.1.4.2 pay the adjudicated amount of stamp duty on the Lease Instrument;
  - 3.1.4.3 present the Lease Instrument together with the other relevant documents for registration within fourteen (14) days from the payment of the stamp duty.
- 3.2 The Lessor and the Lessee agree that they shall work together, as may reasonably be required, to complete and register the lease in favour of the Lessee. Notwithstanding anything contained herein, the Lessor also acknowledges that pending registration of the lease in favour of the Lessee, the Lessee has beneficial lease interest and the lease right over the Land.
- 3.3 The Lessor hereby represents and warrants that it has never entered into or committed with any arrangement with any third party in relation to the Land (including sale, purchase, occupational right or any option thereto) and to the best of its knowledge that there is no claim made by any third party against the Lessor over the Land which may affect the rights, title and interest of the Lessee under this Agreement. Any losses suffered by the Lessee which is proven to be due to a breach by the Lessor of the representation made under this Clause shall be indemnified by the Lessor. Nevertheless the Lessor shall not be responsible for any indirect or consequential loss including other economic or financial loss or expense whatsoever as may be suffered by the Lessee.
- 3.4 Provided always that if the Lessee or its solicitors shall fail to present the Lease Instrument for registration pursuant to Clause 3.1.4.3, the Lessor or its solicitors may at its sole discretion do all things necessary to present the Lease Instrument for registration and any monies expended by the Lessor shall be repayable by the Lessee to the Lessor on

demand and without any interest, and unless so repaid, shall be treated as monies owing by the Lessee to the Lessor.

- 3.5 The Lessee shall return the original document of title in respect of the Land to the Lessor forthwith upon the registration of the Lease Instrument.

#### **4 INITIAL PAYMENT**

The Lessee shall immediately upon the execution of this Agreement provide to the Lessor the Initial Payment (forfeitable by the Lessor pursuant to Clause 9.2.4(a)(i) and Clause 9.3(a) in the amount and manner as set out in Section 6(i) of the First Schedule hereto as security for the due performance and observance by the Lessee of the terms and conditions of this Agreement on the part of the Lessee to be performed or observed.

#### **5 LESSEE'S COVENANTS**

##### **5.1 Payment of Lease Consideration etc**

The Lessee shall pay the Lease Consideration and any other sums of money payable hereunder at the times and in the manner provided in this Agreement in full and without any deduction whatsoever at the aforesaid address of the Lessor or at such other place as the Lessor at any time or from time to time hereafter may notify the Lessee in writing for that purpose and the Lessee shall not exercise nor seek to exercise any right or claim to withhold the Lease Consideration or any part thereof or any right or claim to any legal or equitable set-off.

##### **5.2 Construction and Operation of Factory**

5.2.1 Notwithstanding the scope of the implied conditions in Section 117 of the NLC, as soon as possible after possession of the Land has been delivered to the Lessee and in any case within thirty (30) months from the date of the Agreement or from such further term, if any, as may be approved by the Lessor, the Lessee shall at its own cost and expense erect and complete thereon such factory, building or buildings for the purpose agreed upon in accordance with a plan approved by the local authority and shall commence its industrial operations thereat.

5.2.2 Any right of the Lessee to assign the lease, underlet or sublet or rent the buildings built on the Land shall be as set out in Section 11 of the Third Schedule.

##### **5.3 Restriction on Construction of Other Buildings**

The Lessee shall not erect or otherwise construct on the Land any building or structure otherwise than as aforesaid in Clause 5.2 without the prior written consent of the Lessor and the approval of all relevant authorities, (if applicable).

##### **5.4 Observance of Regulations**

The Lessee shall at all times during the Term observe and perform the regulations specified or referred to in the Third Schedule hereto.

## **5.5 Payment of Quit Rent and Assessments**

Subject to Clause 5.6 below, the Lessee shall pay the quit rents and assessments payable in respect of the Land including any increase thereon imposed by any Appropriate Authority during the Term. All payments under this Clause 5.6 shall be apportioned between the Lessor and the Lessee as at the date of the commencement and expiration of the Term or early termination of the lease of the Land.

## **5.6 Delivery of Vacant Possession**

The Lessor shall deliver the vacant possession of the Land and without any encumbrances to the Lessee upon the payment of the Initial Payment as set out in Section 6(i) of the First Schedule. Nevertheless, in any event if the Lessee is prohibited by the Lessor or its agent from entering and utilising the Land for any reason whatsoever, the vacant possession of the Land shall not be deemed to have been delivered to the Lessee.

## **6 LESSOR'S COVENANTS**

6.1 The Lessor hereby covenants with the Lessee, subject to the Lessee shall at all times during the Term pay the Lease Consideration and otherwise perform and observe all the covenants and conditions herein contained on the Lessee's part to be performed and observed, that the Lessee may peaceably and quietly possess and enjoy the Land during the Term without any interruption by the Lessor or any person claiming through or under the Lessor, subject always to the Exceptions and Reservations set out in the Second Schedule hereto.

6.2 The Lessor shall not at any time, during the continuance of the Term, sell, transfer, charge or otherwise howsoever dispose of or encumber or part with the legal or beneficial ownership of the Land, except upon the direction or directive of the state government or the federal government and/or upon any legal provisions under the laws of Malaysia.

6.3 Subject to consent granted by the Lessor pursuant to Section 11 of the Third Schedule of this Agreement, the Lessor shall upon request by the Lessee, render to the State Authority, in the opinion of the Lessor to be a reasonable, recommendation in support of the application by the Lessee in the event the Lessee intends to transfer, assign, charge or otherwise howsoever dispose of or encumber its lease right over the Land and/or otherwise howsoever part with the actual or legal possession, occupation or use of the whole or part of the Land, except upon the direction or directive of the state government or the federal government and/or upon any legal provisions under the laws of Malaysia. Notwithstanding the foregoing, the Lessor agrees that the Lessee shall have the right to assign the lease right over the Land to its Affiliate without prior written consent of the Lessor Provided Always and subject to the conditions that:

6.3.1 the Lessee shall ensure that the Affiliate receiving the benefit of the assignment of the lease shall:

6.3.1.1 undertake to the Lessor to comply with all the terms and condition of this Agreement;

6.3.1.2 continue to adhere to and comply with the Authorised Use under this Agreement and as approved by the Department of Environment and any other relevant authorities.

6.3.2 the Lessee shall have full control of the Affiliate and shall continue to be liable and responsible for the compliance of the terms and conditions of this Agreement.

6.4 The Lessor hereby warrants that the level of the Land as at the date of this Agreement is 2.6 meters finish level.

## **7 CONSTITUTION OF THE LESSEE**

7.1 Given that the Lessee is a company or a corporation within the meaning of the Companies Act, 1965, the following provisions shall apply:

7.1.1 The Lessee shall not without the written consent of the Lessor (which shall not be unreasonably withheld) do any acts or things so as to cause compulsory winding-up proceedings to be taken against itself.

7.1.2 On the execution of this Agreement, the Lessee shall give to the Lessor in writing a list of all the shareholders then holding shares in the Lessee including particulars of all the shares held by each shareholder and the value thereof and such list shall be certified to be correct by a director or the company secretary of the Lessee.

## **8 OTHER TERMS AND CONDITIONS**

It is hereby expressly agreed between the parties that this Agreement shall in addition to the terms and conditions herein, be subject to the special terms and conditions (if any) set out in the Fourth Schedule hereto and in the event any provision of this Agreement is inconsistent with any provision of those special terms and conditions, the provisions of the special terms and conditions shall prevail.

## **9 TERMINATION**

### **9.1 Mutual Termination**

This Agreement may be mutually terminated by the parties due to any reason whatsoever subject to terms and conditions to be mutual agreed upon by the parties at the time of termination.

### **9.2 Termination Due to Default**

9.2.1 This Agreement may also be terminated due to default of any party in the following events:

- (a) the Lessee fails to pay the Lease Consideration or any other payment payable by the Lessee to the Lessor under this Agreement or any part thereof and the same shall remain unpaid for a period of ten (10) working days after becoming due and payable (whether the same shall have been formally demanded or not);
- (b) any party fails to observe or perform any of the covenants, terms or stipulations herein contained and on its part to be observed or performed;
- (c) any party goes into voluntary liquidation otherwise than for the purpose of a *bona fide* reconstruction or amalgamation or an order of court is made for its compulsory winding-up or become bankrupt or have a receiving order made against any of its assets;
- (d) any party becomes insolvent or be unable to pay its debts or admits in writing its inability to pay its debts as they fall due or enter into any composition or arrangement with its creditors or make a general assignment for the benefit of its creditors or have execution or distress levied on the property of the party and such execution or distress is not lifted within seven (7) days after it is imposed; and
- (e) whole or any part of its undertaking or assets or have a receiving or adjudicating order made against it.

#### 9.2.2 Default by the Lessee

If any of the events in Clause 9.2.1 above shall have occurred pursuant to the default by the Lessee, then it shall be lawful for the Lessor at any time thereafter to give notice in writing to the Lessee specifying the relevant default and requiring the Lessee to remedy the default within a period specified in the notice taking into account the nature of the remedy to be carried out by the Lessee but shall in no event be less than a duration of thirty (30) days and if the Lessee fails to remedy the default within such period, the Lessor shall be entitled to terminate this Agreement immediately by written notice, whereupon the lease hereby created shall absolutely determine but without prejudice to the right of action of the Lessor in respect of any antecedent breach of the Lessee's covenants, terms or stipulations herein contained.

#### 9.2.3 Default by the Lessor

Where an event of default under Clause 9.2.1 above occurs on the part of the Lessor:



- (a) to the extent that such default has caused losses or damages to the Lessee but the Lessee's enjoyment of the Land remains unaffected, the Lessee shall notify the Lessor of the nature of its losses or damages by providing clear details thereof and the parties shall use their best endeavour to amicably settle the matter within a reasonable period of time.

If the matter shall remain unresolved and the parties fails to agree on a settlement of the matter, then, it shall be lawful for the Lessee at any time thereafter to give notice in writing to the Lessor specifying the relevant default and requiring the Lessor to remedy the default within a period of thirty (30) days and if the Lessor fails to remedy the default within such period, the Lessee shall has the right to seek for any remedy under the laws for such losses or damages by having the matter referred to arbitration under the auspicious of Kuala Lumpur Regional Centre for Arbitration and the Arbitration Act, 2005 shall apply. For the avoidance of doubt, the Lessee shall not have the right to terminate this Agreement due to any default pursuant to this Clause.

- (b) where the nature of such default of the Lessor affects the material right of the Lessee under this Agreement and prevents its peaceful enjoyment of the Land and as a result, the Lessee is restrained and prevented from running and conducting its business activities on the Land, the Lessee shall give notice in writing to the Lessor specifying the breach and requiring the Lessor to remedy the default within the period of sixty (60) days from the date of the notice. Failure of the Lessor to remedy such default within the prescribed period shall entitle the Lessee to terminate this Agreement and Clause 9.2.4(b) below shall apply.

9.2.4. Upon such determination of the lease, the following provisions shall apply:

- (a) In the event the Lessee is the defaulting party:

- (i) a sum equivalent to the Initial Payment shall be forfeited absolutely to the Lessor as agreed liquidated damages without proof of any actual damage (which sum the Lessee hereby warrants to be a genuine pre-estimate of damage and to be reasonable compensation and further the parties hereby expressly agree that Section 75 of the Contracts Act, 1950 shall not apply to this Agreement);
- (ii) thereafter, all other payment made by the Lessee to the Lessor pursuant to this Agreement, if any, shall be refunded by the Lessor to the Lessee without any interest;
- (iii) in the event the lease hereby created shall have been registered in the name of the Lessee, the Lessee shall, at its own cost, attend to the cancellation of registration of the lease and in the event the Land shall then be subject to any encumbrance, the Lessee shall at its sole cost and expense remove or cause to be removed such

encumbrance and for such purpose shall at all times diligently do all necessary or incidental acts and things;

- (iv) for the purpose of securing the Lessee's obligation under the Clause 9.2.4(a)(iii), the Lessor may hold the moneys to be refunded to the Lessee until all the duties of the Lessee in Clause 9.2.4(a)(iii) have been completed;
- (v) the Lessor shall have the right to pursue for any legal proceeding and exercise its rights under the law against the Lessee to seek for any remedy including all relevant damages.

(b) In the event the Lessor is the defaulting party:

Upon termination of this Agreement by the Lessee under Clause 9.2.3(b) above, the Lessee shall have the right to pursue for any legal proceeding and exercise its rights under the law against the Lessor to seek for any remedy including all relevant damages.

### **9.3 Unilateral Termination**

In the event the Lessee terminates, exits, abandons, aborts, withdraws or discontinues this Agreement before the expiry of the Term:

- (a) if the termination occurs prior to the settlement of the Lease Consideration, a sum equivalent to the Initial Payment shall be forfeited absolutely to the Lessor as agreed liquidated damages without proof of any actual damage and the Lessor shall refund the remaining balance of the all other payment paid by the Lessee;
- (b) if the termination occurs subsequent to the settlement of the Lease Consideration, the Lessor shall refund to the Lessee the balance Lease Consideration for the remaining Term based on pro rata basis; and
- (c) it is hereby expressly agreed that the provisions of Clause 9.2.4(a)(iii) and (iv) shall be applicable *mutatis mutandis*.

9.4 Pursuant to the termination of this Agreement by either parties under this Clause 9, the Lessor shall have the right to deal with or dispose of the Land and any building erected on the Land in any manner as the Lessor shall see fit.

## **10 LAND ACQUISITION**

### **10.1 Definitions**

For the purpose of this Clause:

10.1.1 "Acquisition" means any acquisition of the Land or any part thereof pursuant to the Land Acquisition Act 1960;

- 10.1.2 “Compensation” means of any award, payment, consideration, damages or compensation ordered or paid pursuant to the Land Acquisition Act 1960 consequent upon any Acquisition.
- 10.1.3 “Date of Possession” means the date upon which the Appropriate Authority shall take or shall be deemed to take possession of the Land or any part thereof pursuant to the Land Acquisition Act 1960;
- 10.1.4 “Partial Acquisition” means the acquisition of only a part of the Land pursuant to the Land Acquisition Act 1960 which does not constitute a Total Acquisition;
- 10.1.5 “Total Acquisition” means the acquisition of the entire Land as to substantially prevent or impair the use thereof by the Lessee for the uses specified in this Agreement.

## **10.2 Total Acquisition**

In the event of a Total Acquisition at any time during the Term:

- 10.2.1 this lease shall wholly cease and determine as of the Date of Possession and the Lessee shall be entitled to such proportion of the Compensation as is reasonable and just which is to be negotiated in good faith by both parties at the relevant point in time but without prejudice to any claim by any party against any other in respect of any antecedent breach of any stipulation term covenant or condition; and
- 10.2.2 the Lessor shall refund free of interest to the Lessee any prepaid but unaccrued Lease Consideration and the Lessee shall pay to the Lessor all Lease Consideration due to the Lessor under this Agreement up to and apportioned as at the Date of Possession.

## **10.3 Partial Acquisition**

In the event of a Partial Acquisition at any time during the Term:

- 10.3.1 this lease shall cease and determine in respect of the portion of the Land acquired as of the Date of Possession and the Lessee shall be entitled to such compensation as is reasonable and just which is to be negotiated in good faith by both parties at the relevant point in time but without prejudice to any claim by any party against any other in respect of any antecedent breach of any stipulation term covenant or condition;
- 10.3.2 the Lessee shall have the right to terminate this Agreement in accordance with Clause 9.2.3(b) if the Lessee determines that such Partial Acquisition has or will adversely affect its business and operation on the Land. For the avoidance of doubt, the provisions of Clause 9.2.4(b) of this Agreement shall not be applicable for the purpose of this Clause 10.3;

10.3.3 if the Lessee determines that such Partial Acquisition does not adversely affect its business and operation on the Land, and that the Lessee wishes to continue with the lease of the remaining area of the Land, it is hereby expressly agreed and declared for the avoidance of doubt that, the Lease Consideration shall be recalculated in accordance with the area of the remaining parts of the Land and shall otherwise continue to be payable as stipulated in Clause 2.2 hereof.

## **11 PAYMENT OF INTEREST**

In addition to and without prejudice to any power right or remedy of the Lessor conferred whether by this Agreement or under the general law, if the Lease Consideration, or any other payment whatsoever herein covenanted to be paid by the Lessee or any part hereof shall remain unpaid after becoming payable, interest thereon shall commence to accrue immediately thereafter and be payable by the Lessee to the Lessor, such interest to be calculated from day to day at the Prescribed Rate as set out in Section 8 of the First Schedule.

## **12 DESCRIPTION OF LAND AND LESSEE'S NOTICE AS TO CONDITION**

12.1 It is hereby expressly agreed and declared that the position, measurements, boundaries, area or other description of the Land as given herein are believed but are not warranted to be true and correct as at the date of this Agreement.

12.2 The parties acknowledge that if position, measurements, boundaries, area or other description of the Land shall be found to be different from its position, measurements, boundaries, area or other description as herein described:

- (a) such difference shall not affect the lease hereby created nor in any way affect the validity of this Agreement nor be a ground for rescission hereof and no damages or other compensation shall be payable to either party; and
- (b) the Lease Consideration shall be adjusted accordingly relative to the then applicable position, measurements, boundaries, area or other description of the Land.

12.3 The Lessee shall have the right to conduct a survey at its own cost and expense but subject to the Lessor's prior written consent, in order to ascertain the actual area of the Land and the Lease Consideration may be adjusted to suit the surveyed area. The adjustment of Lease Consideration shall take effect from commencement of the Term and any underpayment an overpayment in the Lease Consideration shall be paid free of interest on written demand by either party to the other. Upon the completion of the survey referred to in Clause 2.7, the Lessee hereby declares that the Lessee has entered into this Agreement with notice of the actual state and condition of the Land and being satisfied therewith takes the Land as it is.

12.4 The Lessee hereby declares and agrees that:

12.4.1 the Lessee has entered into this Agreement with full notice and knowledge of the Lessor's intentions to develop or otherwise carry on such other works as the

Lessor shall in its absolute discretion deem fit on such lands at near adjoining or about the Land, and with notice and knowledge that such development or other works shall or may affect the Land. For this purpose, the Lessor shall, upon request from the Lessee and within a reasonable period, inform the Lessee the proposed development or works to be carried out by the Lessor.

12.4.2 the Lessee shall solely (to the exclusion of the Lessor) be responsible for taking any such precautionary, mitigative, remedial or additional actions, measures or counter-measures or any other action whatsoever as the Lessee shall think fit as may or shall be appropriate or necessary for the purpose of preventing mitigating or remedying any loss or damage whatsoever to the Land or to the Lessee as otherwise may be caused by such development or other works aforesaid. Similarly, the Lessor shall solely be responsible to take precautionary steps or measures in order to ensure that the proposed development or works shall not adversely affect the Land and all easements for ingress and egress over the Land shall not be encumbered; and

12.4.3 the Lessor shall not in any circumstances whatsoever, except arising from omission and gross negligence of the Lessor, its agents, contractors, and authorised persons, be liable to the Lessee for any such loss or damage of whatsoever nature as may be caused by such development or other works aforesaid, including but not limited to:

12.4.3.1 the expense of any such precautionary, mitigative, remedial or additional works in at or about the Land undertaken by the Lessee; or

12.4.3.2 any other economic or financial loss or expense whatsoever as may be suffered or incurred by the Lessee;

and the Lessee shall not by reason of any such loss or damage (if any) occurring be in any way relieved from fully and effectually performing or observing any obligation on its part to be performed or observed in this Agreement nor shall any such loss or damage be set-off or otherwise in any way discounted against any Lease Consideration or other money payable by the Lessee to the Lessor under this Agreement.

12.5 Notwithstanding any other provision in this Agreement and for the avoidance of doubt, the Lessor hereby covenants, undertakes, warrants and represents that the Land's category of land use is suitable with the proposed Authorised Use.

## **13 EXCLUSIONS**

### **13.1 Warranty of Fitness**

Neither this Agreement or any provision herein shall operate or be construed as warranting that the Authorised Use or otherwise any use to which the Lessee proposes now or hereafter to put the Land or any use to which the Lessee may be at liberty to or may be required under the provisions of this Agreement to put the Land is or may be or

become legally permitted by law nor that the Land is or may be or become fit for such use or purpose.

### **13.2 Implied Rights**

This Agreement shall not confer upon or be deemed to include (by implication or otherwise) in favour of the Lessee any rights or privileges not expressly herein set out nor (without prejudice to the generality of the foregoing) any right of light or air liberties privileges easements or benefits in through over and upon any land or premises adjoining or near to the Land.

### **14 LESSEE'S PROPERTY**

14.1 If after the Lessee has vacated the Land on the expiration or sooner determination of the lease, any property of the Lessee remains in on or about the Land and the Lessee fails to remove it (if so capable of removing it) within fifteen (15) working days after being requested in writing by the Lessor to do so, the Lessee hereby agrees that:

14.1.1 the Lessor may as the agent of the Lessee sell such property and the Lessee will indemnify and keep indemnified the Lessor against any liability incurred by it to any other person whose property shall have been sold by the Lessor in the mistaken belief held in good faith (which shall be presumed unless the contrary be proved) that such property belonged to the Lessee; and

14.1.2 if the Lessor having made reasonable efforts is unable to locate the Lessee, the Lessor shall be entitled to retain such proceeds of sale absolutely unless the Lessee shall claim them within six (6) months from the date upon which the Lessee vacated the Land.

### **15 NOTICES**

15.1 Any notice request demand or other communication to be given by either party to the other under or pursuant to this Agreement shall be in writing and shall be given by any one of the following means, that is to say;

15.1.1 by facsimile transmission and/or email (with a copy thereof by registered post);

15.1.2 by registered post; or

15.1.3 by personal delivery;

to the following address:

(i) **Lessor:** Penang Development Corporation

Address: Bangunan Tun Dr. Lim Chong Eu  
No. 1, Pesiaran Mahsuri  
Bandar Bayan Baru,  
11909 Bayan Lepas  
Pulau Pinang, Malaysia.  
Telephone No.: 04-6340 111  
Fax No.: 04-6413 409  
Attention: General Manager

(ii) **Lessee:** Haemonetics Malaysia Sdn Bhd

Address: Level 6.03  
Menara Keck Seng,  
203 Jalan Bukit Bintang  
55100 Kuala Lumpur  
Telephone No.: 03-2118 5118  
Fax No.: 03-2145 7171  
Email Address: paul.daly@haemonetics.com  
Attention: Paul Daly (+353 87 249 3839)

C.c. to (if any): Haemonetics Corporation  
400 Wood Road  
Braintree, MA02184  
Head of Legal Department  
Azmi & Associates  
14<sup>th</sup> Floor, Menara Keck Seng  
203, Jalan Bukit Bintang

55100 Kuala Lumpur, Malaysia.

Attention: Dato' Azmi Mohd Ali

15.2 Any such notice request demand or other communication shall be deemed to have been served (whether or not it is actually received):

15.2.1 if given by facsimile and/or email, when transmitted, provided that a copy thereof shall at any time also have been sent by registered post;

15.2.2 if given by registered post, upon the expiration of forty-eight (48) hours after posting; or

15.2.3 if given by personal delivery, when delivered.

## 16 COSTS

16.1 All costs and expenses including stamp duty, alienation, demarcation, processing, survey, resurvey fees and registration fee (if any) in respect of the alienation of and the issuance of title of the Land to the Lessor shall be borne and paid solely by the Lessor.

16.2 All costs and expenses including stamp duty cost payable on this Agreement and registration of the Lease Instrument shall be borne and paid solely by the Lessee.

## **17 GENERAL**

### **17.1 Time**

Time wherever mentioned shall be of the essence of this Agreement in all respects.

### **17.2 Severability**

If any provision of this Agreement shall be invalid or unenforceable in any respect, then all other provisions which are capable of separate enforcement without regard to the invalid or unenforceable provisions, shall be and continue to be valid and enforceable in accordance with their term and shall not be in any way be affected or impaired thereby.

### **17.3 No variation**

No variation, modification or waiver of any provision of this Agreement nor consent to any departure by any party therefrom, shall in any event be of any force or effect unless the same shall be confirmed in writing, signed by the parties, and then such variation, modification, waiver or consent shall be effective only to the extent for which it may be made or given.

### **17.4 No Agency**

Nothing contained in or relating to this Agreement shall or shall be deemed to constitute an agency relationship between the parties and no party shall have any authority to act for or assume any obligation or responsibility on behalf of the other party or for its own benefit to use or otherwise in any way exploit the name of or to claim or express any association or relationship with the other party, save and except with such other party's prior written consent.

### **17.5 No waiver**

17.5.1 No failure, omission, delay, relaxation or indulgence on the part of any party in exercising any power or right conferred upon such party in terms of this Agreement shall operate as nor be deemed to be a waiver of such power or right, nor shall any single exercise of any such power or right preclude any other or future exercise thereof, or the exercise of any other power or right under this Agreement.

17.5.2 In the event of any breach of or default in any of the terms and conditions of this Agreement by a party, then:

17.5.2.1 any indulgence whatsoever given by the other party upon, after or in respect of such breach or default;



17.5.2.2 any knowledge or acquiescence by the other party of or in such breach or default;

17.5.2.3 any failure omission delay or relaxation by the other party in exercising any of its rights or remedies contained in this Agreement or provided by law upon, after or in respect of such breach or default; or

17.5.2.4 any act by or conduct of the other party purportedly in pursuance of the Agreement or any purported performance or observance by the other party of this Agreement upon or after such breach or default which would otherwise constitute or operate as a waiver of such breach or default or an affirmation of this Agreement;

shall not of itself constitute, operate as or be deemed to be such a waiver or affirmation by the other party, but instead shall be deemed not to constitute or operate as such a waiver or affirmation, and notwithstanding any matter aforesaid in Clauses 17.5.2.1, 17.5.2.2, 17.5.2.3 or 17.5.2.4, the other party shall not be estopped in any manner whatsoever but shall be entitled at any and all times to rely on such breach or default or to exercise any of its rights or remedies contained in this Agreement or provided by law or to require strict performance by the defaulting party of all or any of the terms and conditions of this Agreement.

## **17.6 Force Majeure**

17.6.1 Neither party shall be in breach of their obligations under this Agreement if the party is unable to perform its obligations under this Agreement (or any part of them), other than the payment and indemnification obligations, if any, as a result of the occurrence of an event of force majeure, which are extraordinary events or circumstances affecting this Agreement and are completely beyond the control of the parties, which limited to the following:

(a) war (whether declared or not), hostilities, invasion and act of foreign enemies;

(b) insurrection, revolution, rebellion, military or usurped power, civil war or acts of terrorism;

(c) natural catastrophes including but not limited to earthquakes, floods or any operation of the forces of nature against which the parties could not reasonably have been expected to take precautions;

(d) nuclear explosion, radioactive or chemical contamination or radiation;

(e) pressure waves caused by aircraft or other aerial devices travelling at sonic or supersonic speeds;

(f) riot, commotion or disorder; and

(g) any other conditions as may be agreed between the parties.

(herein referred to as “Event of Force Majeure”).

17.6.2 If an Event of Force Majeure occurs by reason of which any party is unable to perform any of its obligations under this Agreement (or any part thereof), the said party shall inform the other party immediately of the occurrence of such Event of Force Majeure with full particulars thereof and the consequences thereof.

17.6.3 If the parties consider the Event of Force Majeure to be of such severity or to be continuing for such period of time that it effectively frustrates the original intention of this Agreement, then the parties may agree that this Agreement may be terminated upon mutual agreement of the Parties in writing.

17.6.4 If this Agreement is terminated by an Event of Force Majeure, all rights, obligations and liabilities of the parties under this Agreement shall forthwith cease and neither party shall have any claim against the other party and neither party shall be liable to each.

17.6.5 Either party shall be entitled to rely upon the provisions above if the parties reasonably determine that an Event of Force Majeure has occurred.

17.6.6 The parties shall continue to perform parts of those obligations not affected, delayed or interrupted by an Event of Force Majeure and such obligation shall, pending the outcome of this Clause 17.6, continue in full force and effect.

### **17.7 The Parties’ Warranties**

Each of the parties hereby agrees with, undertakes and warrants to the other that the provisions in this Agreement in all respects are valid and enforceable and that it shall not at any time dispute, contest, challenge or otherwise impugn or disclaim the validity or enforceability of any such provision against the other party nor in any way otherwise seek to be relieved from their performance or observance thereof or the full force effect or consequences thereof.

### **17.8 Cumulative Rights**

The rights and remedies herein provided are cumulative and not exclusive of any rights and remedies provided by law save and except where herein expressly excluded.

### **17.9 Successors-In-Title and Permitted Assigns**

This Agreement shall be binding on the respective successors-in-title and permitted assigns of the parties hereto.

### **17.10 Last Day**

Where the last day for doing any act or thing or taking any step would but for this provision be a day when banks are not open for their normal banking business and operation in the State of Penang, such last day shall instead be the next following day where banks are open for their normal banking business and operation in the State of Penang.

#### **17.11 Entire Agreement**

This Agreement including the Schedules hereto supersedes all previous agreements understandings and arrangements between the parties and constitutes the sole and entire agreement between the parties and no warranties, representations, guarantees or other terms or conditions of whatsoever nature not contained and recorded herein shall be of any force or effect.

#### **17.12 Governing Law**

This Agreement shall be governed by and construed in all respects in accordance with the laws of Malaysia and the parties hereto hereby submit to the jurisdiction of the courts of Malaysia.

**-End of Page-**

IN WITNESS WHEREOF the parties hereto have hereunto set their hands the day and year first abovewritten.

Signed by \_\_\_\_\_ )  
for and on behalf of \_\_\_\_\_ )  
**PENANG DEVELOPMENT CORPORATION**  
in the presence of : ) /s/ Dato' Rosli Jaafar  
Name in Full: Dato' Rosli Jaafar.

Identification No.: .....  
In the capacity of General Manager

/s/ Iskandar Basha Abdul Kadir  
Name: Iskandar Basha Abdul Kadir  
Identification No.: .....  
Designation: Deputy General Manager

Signed by \_\_\_\_\_ )  
for and on behalf of \_\_\_\_\_ )  
**HAEMONETICS MALAYSIA SDN BHD** )  
**(Company No.: 1055910-U)** )  
) /s/ David Helsel  
Name in Full: David Helsel

Identification or Passport  
No.: .....  
In the capacity of: Executive Vice President, Global Manufacturing

In the presence of:

/s/ Brian P. Concannon  
Name: Brian Concannon  
Identification or Passport No:  
.....  
Designation: President and Chief Executive Officer  
Address:.....  
.....  
.....

**FIRST SCHEDULE**

<b>Section</b>	<b>Matter</b>	<b>Particulars</b>
1.	The day and year of this Agreement	The 19th day of September 2013
2.	The name and description of the Lessee	Haemonetics Malaysia Sdn Bhd (Company No.: 1055910-U)  Registered Address: Level 6.03, Menara Keck Seng, 203 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia
3.	The Term	A term of thirty (30) years commencing on the date of this Agreement.
4.	The Land	All the lands and hereditaments comprised or formerly comprised in Plot 308, Batu Kawan Industrial Park and measuring approximately twelve point two six four six (12.2646) acres, the plan of which is annexed to this Agreement.
5.	Lease Consideration	Ringgit Malaysia Eight Million Thirteen Thousand Six Hundred Eighty Nine and Sen Seventy (RM8,013,689.70) only which is calculated based on Ringgit Malaysia Fifteen (RM15.00) only per square foot.

6.	Payment Structure	<p>(i) Twenty percent (20%) of the Lease Consideration upon the execution of the Agreement as the Initial Payment amounting to Ringgit Malaysia One Million Six Hundred Two Thousand Seven Hundred Thirty Seven and Sen Ninety (RM1,602,737.90) only.</p> <p>(ii) Thirty Percent (30%) of the Lease Consideration within four months (4) from the date of this Agreement amounting to Ringgit Malaysia Two Million Four Hundred Four Thousand One Hundred Six and Sen Ninety (RM2,404,106.90) only.</p> <p>iii) Fifty Percent (50%) of the Lease Consideration within six months (6) from the date of this Agreement amounting to Ringgit Malaysia Four Million Six Thousand Eight Hundred Forty Four and Sen Ninety (RM4,006,844.90) only.</p>
7.	The Authorised Use	Manufacture of medical consumables including blood and blood component collection and providing related consultancy services thereto.
8.	The Prescribed Rate	Eight percent (8%) per annum

**SECOND SCHEDULE**  
**Exceptions and Reservations**  
**Clause 2**

**1 Right of Way**

The right for the Lessor with or without servants, workmen and other persons authorised by the Lessor and with or without vehicles or other equipment or machinery of whatsoever nature at all reasonable times to enter and remain upon the Land or any part thereof for the purpose of carrying out or exercising any of the obligations or powers of the Lessor conferred whether by this Agreement or under the general law.

**2 Right to passage of water etc**

The right to the passage and running of water, soil, gas, electricity and other services through the mains, pipes, sewers, drains, channels and cables in or under the Land together with the right to construct and maintain (or permit to be laid constructed and maintained) in or under the Land such further mains, pipes, sewers, drains, channels, cables, manholes, stopcocks, inspection, chambers and similar apparatus as may in the opinion of the Lessor be necessary during the Term and together also with the right for the Lessor and its agents, any Appropriate Authority and all other persons lawfully authorised with or without workmen and others at all reasonable times to enter upon the Land or any part thereof for the purpose of laying constructing inspecting maintaining repairing and renewing any main pipe sewer drain channel manhole stopcock cable inspection chamber or similar apparatus subject to the lessor or such other persons as aforesaid making good all damage caused to the Land by reason of the carrying out of any such works.

**3 Right to obstruct light and air**

The right and liberty at any time hereafter and from time to time to execute works erections and additions or to alter and rebuild any of the buildings from time to time erected on its or their adjoining and neighbouring lands and to use its or their adjoining and neighbouring lands and buildings in such manner as it or they may think fit notwithstanding that interference may thereby be caused to the access of light and air to any buildings on the Land.

**THIRD SCHEDULE**  
**Regulations as to User of the Land**  
**Clause 5.4**

**1 Use of the Land**

- 1.1 The Lessee shall use the Land for and only for the purpose of the Authorised Use and shall not without the consent in writing of the Lessor first obtained use or occupy the Land or any part thereof or suffer the same to be used or occupied for any purpose or purposes other than the Authorised Use, which consent may be given or refused as the Lessor shall in its absolute discretion think fit and upon such terms and conditions as the Lessor may require.
- 1.2 The Lessee shall not use or permit or suffer the Land or any part thereof to be used for any illegal or immoral purpose.
- 1.3 The Lessee shall not hold or permit to be held any sale by auction or any public, political or religious meeting on the Land or any part thereof nor perform or conduct or permit to be performed or conducted in at or about the Land any religious service, rite or ceremony of any nature whatsoever.
- 1.4 The Lessee shall not use or permit or suffer the Land or any part thereof to be used for any purpose or reason whatsoever which in the opinion of the Lessor shall have the effect of adversely affecting the interest of the Lessor.

**2 Good Land Management**

The Lessee shall at its own cost and expense manage and maintain the Land in accordance with the rules and practices of good Land management and this obligation shall be deemed to be fulfilled only if the Lessee's management of the Land is such as to be reasonably adequate, having regard to the character and situation of the Land and other relevant circumstances.

**3 Payment for Electricity etc Charges**

The Lessee shall promptly pay and discharge all existing and future charges for water electricity gas or other energy consumed within the Land and the Lessee shall pay all charges in respect of telephone and any other facility or service connected to the Land.

**4 Payment of Outgoings**

The Lessee shall pay all existing and future rates taxes impositions and other outgoings payable in respect of the Land including any increase thereon imposed



by the Appropriate Authority during the Term and if the Lessee shall at any time fail to do so and the Lessor (as it is hereby agreed may without being under any obligation so to do) shall pay the same the Lessee shall repay to the Lessor on demand any money expended by the Lessor for that purpose.

## **5 Upkeep and Maintenance of Buildings**

- 5.1 The Lessee shall throughout the Term at its own cost and expense, maintain, repair and keep all the buildings and structures erected on the Land including but not limited to all drains and all drains and sanitary water and electrical apparatus (including all electrical power generating plants, machinery and equipment located in at or about the Land for the supply of electricity and water pumps, machinery and equipment located in at or about the Land and the supply of water to the Land) and all fixtures and fittings and all glass in good tenable repair and condition, fair wear and tear excepted, making such replacements from time to time as may be necessary, and shall yield up the same in such repair and condition at the expiration or sooner determination of this lease.
- 5.2 The Lessee shall keep all buildings and structures erected on the Land and the surroundings thereof in a clean proper and neat order.

## **6 Compliance with Laws**

- 6.1 The Lessee shall at its own cost and expense comply with all laws, by-laws, regulations and any other orders, directives or requirements of the State Authority or any Appropriate Authority (whether having force of law or otherwise) relating to or affecting the Land and or the Lessee's use thereof as permitted in this Agreement and or any matter connected therewith or incidental thereto, and the Lessee shall not do or permit to be done anything which will infringe any of such laws, by-laws, regulations, orders, directives or requirements and shall attend to and comply with all notices or orders issued by the State Authority or any Appropriate Authority whether received by the Lessee or the Lessor in respect thereof and the Lessee shall give full particulars of such notices or orders to the Lessor and the Lessee shall on demand repay to the Lessor any money expended by the Lessor in complying with such notices or orders.
- 6.2 Without limiting the generality of the foregoing, the Lessee shall at its own cost and expense:
- 6.2.1 and at all times have in effect all licences, permits, approvals, permission or consent of or from any Appropriate Authority as shall be necessary; and
- 6.2.2 comply with all category of land use, restrictions in interest and express conditions on the Qualified Title at all times and or from time to time whenever applicable.

## **7 Prohibition of Nuisance**

The Lessee shall not do nor permit to be done upon the Land anything which in the opinion of the Lessor may be a nuisance or annoyance to or in any way interfere with the quiet and comfort of the occupiers of adjoining lands and shall not use the same for any illegal or immoral purposes.

## **8 Fire Risks and Noxious Things**

8.1 The Lessee shall not do any act or thing which shall or may increase the risk of fire to the Land or any part thereof but shall take full and proper precautions to protect the Land from risk of damage by fire and the Lessee shall not bring or store or permit or suffer to be brought or stored on the Land or any part thereof any article substance or thing which in the opinion of the Lessor is of a noxious or dangerous or hazardous or inflammable or combustible nature Provided always that nothing herein shall prohibit the Lessee from bringing or storing on the Land such article substance or thing which may be considered by the Lessor as noxious or dangerous or hazardous or inflammable or combustible if:

8.1.1 such article substance or thing is necessary for the Lessee's use of the Land as permitted in this Agreement; and

8.1.2 the Lessee shall handle, store or otherwise deal with such article substance or thing with due care, taking all precautions as may be necessary, and in accordance with all applicable laws.

## **9 Insurance**

9.1 The Lessee shall at all times during the Term at its own cost and expense procure and keep in effect Public Liability Insurance in the amount of Ringgit Malaysia Three Million (RM3,000,000.00) against all claims for personal injury, death, property damage or other liabilities related to the condition, use or occupancy of the Land or to any of the Lessee's operations thereat.

9.2 The Lessee covenants with the Lessor as follows:

9.2.1 to procure and ensure that the Lessor and the State Authority shall be named as additional insured parties for Public Liability Insurance effected by the Lessee pursuant hereto;

9.2.2 to produce on demand to the Lessor a certificate of insurance evidencing that such a Public Liability Insurance policy is in effect;

9.2.3 to give notice to the Lessor immediately upon the happening of any event which shall or may in any way affect such insurance; and

9.2.4 not do anything whereby such insurance may be rendered void or voidable or whereby the premium for any such insurance may be liable to be increased and to pay all sums payable by way of increased premium.

9.3 If the Lessee shall at any time fail to procure and keep in effect such aforesaid insurance and the Lessor (as it is hereby agreed may without being under any obligation so to do) shall effect and maintain such insurance, the Lessee shall repay to the Lessor on demand any money expended by the Lessor for that purpose.

## **10 Indemnification Against Environmental Pollution**

Notwithstanding any other provision contained in this Agreement, the Lessee shall indemnify and keep the Lessor indemnified from and against all actions, prosecutions, claims, demands, damages, penalties, costs, expenses and any other loss which the Lessor shall or may suffer or sustain or be or become liable for to any person in respect of or arising from any environmental, soil or chemical hazard degradation or any other pollution affecting the Land or emanating from the Land caused or contributed to by any act or omission on the part of the Lessee or its invitees, servants, agents or contractors or any other person thereon. Nevertheless the Lessee shall not be responsible for any indirect or consequential loss including other economic or financial loss or expense whatsoever as may be suffered by the Lessor.

## **11 Prohibition Against Assignment etc**

The Lessee shall not assign the lease hereby created or any right title or interest under this Agreement or underlet or sub-let or part with or share the possession or the occupation or the use of the Land or any part thereof or in any way create any security or other encumbrance over the same without the prior consent in writing of the Lessor, which consent shall not be withheld provided that the Lessee and the assignee/ sub-lessee/ tenant/ occupier who shall receive the benefit of the assignment/ possession/ occupation/ use of the Land under this Section 11 complies with the industrial standard and the requirements of the development plans of the Penang Industrial Park set by the Lessor and the State Authority at the time of the assignment provided always that in any event any such assignment sub-letting or parting with or sharing of possession shall not extend beyond the expiration of the Term. The acceptance of any lease consideration or other monies by the Lessor tendered by any purported assignee, under-lessee, sub-tenant or occupier of the Land or any part thereof claiming through or under the Lessee shall not be deemed to be an acceptance by the Lessor of any such person or persons as assignee, under-lessee, sub-tenant or lawful occupier of the Land or any part thereof.

## **12 Inspection Prior to Expiration**

In the event of the due expiration of the lease the Lessee shall during the three (3) calendar months immediately preceding such expiration of the lease permit the Lessor or intending

tenants and others with written authority from the Lessor or its agents at all reasonable times of the day to enter and view the Land.

### **13 Expiration of Lease**

Upon the expiration or sooner determination of the lease the Lessee shall vacate and yield up the Land in good and substantial repair and condition and shall, if required by the Lessor, at its own cost and expense restore the Land including any building or structure erected thereon to its original state and condition as at the commencement of this lease, as far as possible and fair wear and tear excepted.

### **14 General Indemnification**

Notwithstanding any other provision in this Agreement, each party shall indemnify and keep the other party indemnified from and against all actions, prosecutions, claims, demands, damages, penalties, costs, expenses and any other loss which the party shall or may suffer or sustain or be or become liable for to any person in respect of or in connection with the Land or this lease thereof and without limiting the generality of the foregoing. Nevertheless each party shall not be responsible for any indirect or consequential loss including other economic or financial loss or expense whatsoever as may be suffered by the other party. The Lessee shall so indemnify the Lessor in respect of any loss damage or injury to property or person caused or contributed to by the state of repair or condition of the Land or by the use or occupancy of the Land by the Lessee or its invitees, servants, agents or contractors or other persons thereon or by the Lessee's operations thereon or by any act, omission, neglect, breach or default of the Lessee or such invitees, servants, agents or contractors or other persons. For the avoidance of doubt, this Section 14 shall not apply if such actions, prosecutions, claims, demands, damages, penalties, cost, expenses and any other loss or injury to property or person are caused by or contributed to by the Lessor's omission, gross negligence or wrongful conduct for which the Lessor shall remain liable.

### **15 Historical Objects and Places**

In the event the Lessee or any of its invitees, servants, agents or contractors or other persons on the Land shall discover in on or about the Land any treasure trove within the meaning of the Antiquities and Treasure Trove Ordinance 1957 or any antiquity monument, ancient monument or historical object within the meaning of the Antiquities Act 1976 the Lessee shall immediately give notice thereof to the Lessor and the Lessee shall at its own cost and expense comply and or ensure compliance by such invitees, servants, agents, contractors or other persons aforesaid with all the requirements of the said Antiquities and Treasure Trove Ordinance 1957 and or the said Antiquities Act 1976.

**THE FOURTH SCHEDULE**  
**Further Terms and Conditions**  
**Clause 8**

1 Subject to Section 2 of the Fourth Schedule below, the Lessee hereby expressly declares and agrees that the Lessee has entered into this Agreement with full notice and knowledge that:

- 1.1 the Term of the lease is thirty (30) years only from the execution of this Agreement;
- 1.2 that prior to the expiry of the Term, this Agreement may be terminated by the Lessor pursuant to Clause 9.2.2 of this Agreement; and
- 1.3 upon the expiration of the Term or earlier termination of this Agreement pursuant to Clause 9.4, the Lessor shall have full rights and powers to re-enter upon the Land and to do such things as authorised by this Agreement or under the law,

and the Lessee expressly agrees that the Lessee shall not dispute the Lessor's right upon such expiration or termination and shall not be entitled to and shall not apply to seek or obtain any injunctive relief (whether prohibitive or mandatory) against the Lessor in any claim arising out or relating to this Agreement including but not limited to any injunctive relief in any way affecting the Lessor's right or liberty to terminate this Agreement pursuant to Clauses 9 of this Agreement or to do or omit any other act or thing whatsoever in consequence of or in any way incidental or relating to such termination.

**2 OPTION TO RENEW**

- 2.1 If prior to the expiration of the Term hereby created, the Lessee desires a renewal of the lease, it shall have the option to submit a written request to the Lessor not later than six (6) months prior to such expiry of the Terms ("Option") and provided that there shall not be at the time of such request any existing breach or non-observance of any of the terms of this Agreement, the Lessor shall, at the expense of the Lessee, grant to the Lessee a renewed term for the period to be determined by the Lessee (which period shall not be lesser than ten (10) years or exceed any such term remaining on the State lease in relation to the Land) ("Renewed Term") from the expiration of the Term at a renewed lease consideration ("the Renewed Lease Consideration") and on any other conditions as shall be agreed upon between the parties hereto but otherwise containing the like covenant and provisions in this Agreement with the exception of the present covenant for renewal.
- 2.2 In the event that the parties hereto shall fail to come to an agreement on the renewed Lease Consideration, both parties shall appoint an independent and qualified assessor to be mutually agreed upon by the parties and whose costs and expenses shall be paid by the Lessee (no later than four (4) months prior to the expiry of the Term hereby created) who shall then assess the prevailing market value of the Land which shall then be used as a basis for the renewed Lease Consideration. If, thereafter, the parties are still unable to agree on the Renewed Lease Consideration, the parties agree that no Renewed Term shall be granted to the Lessee and that Section 13 of Third Schedule shall apply.

THE LAND SITE PLAN  
-This section is intentionally left blank-

**CERTIFICATION**

I, Brian Concannon, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Haemonetics Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

July 31, 2014

/s/ Brian Concannon

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Brian Concannon, President and Chief Executive  
Officer (Principal Executive Officer)

**CERTIFICATION**

I, Christopher Lindop, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Haemonetics Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

July 31, 2014

/s/ Christopher Lindop

Christopher Lindop, Chief Financial Officer and  
Executive Vice President Business Development  
(Principal Financial Officer)



Certification Pursuant To  
18 USC. Section 1350,  
As Adopted Pursuant To  
Section 906 of the Sarbanes/Oxley Act of 2002

In connection with the Quarterly Report of Haemonetics Corporation (the "Company") on Form 10-Q for the period ended June 28, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brian Concannon, President and Chief Executive Officer of the Company, certify, pursuant to Section 1350 of Chapter 63 of Title 18, United States Code, that this Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

July 31, 2014

/s/ Brian Concannon

Brian Concannon,  
President and Chief Executive Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Haemonetics and will be retained by Haemonetics and furnished to the Securities and Exchange Commission or its staff upon request.

Certification Pursuant To  
18 USC. Section 1350,  
As Adopted Pursuant To  
Section 906 of the Sarbanes/Oxley Act of 2002

In connection with the Quarterly Report of Haemonetics Corporation (the "Company") on Form 10-Q for the period ended June 28, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christopher Lindop, Chief Financial Officer and Executive Vice President Business Development of the Company, certify, pursuant to Section 1350 of Chapter 63 of Title 18, United States Code, that this Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

July 31, 2014

/s/ Christopher Lindop

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Christopher Lindop,  
Chief Financial Officer and Executive Vice President  
Business Development

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Haemonetics and will be retained by Haemonetics and furnished to the Securities and Exchange Commission or its staff upon request.