

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 quarterly period ended March 31, 2017

OR

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

For the transition period from: \_\_\_\_\_ to \_\_\_\_\_

000-30379

(Commission File Number)

**Chembio Diagnostics, Inc.**

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation)

88-0425691

(IRS Employer Identification Number)

3661 Horseblock Road

Medford, New York 11763

(Address of principal executive offices including zip code)

(631) 924-1135

(Registrant's telephone number, including area code)

N/A

(Former Name or Former Address, if Changed Since Last Report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

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

Large accelerated filer ☐

Non-accelerated filer ☐ (Do not check if a smaller reporting company)

Emerging growth company ☐

Accelerated filer ☒

Smaller reporting company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Yes ☐ No ☐

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

Yes ☐ No ☒

As of May 5, 2017, the Registrant had 12,299,122 shares outstanding of its \$.01 par value common stock.

**Quarterly Report on FORM 10-Q  
For The Quarterly Period Ended  
March 31, 2017**

**Table of Contents**

**Chembio Diagnostics, Inc.**

	<b>Page</b>
Part I. FINANCIAL INFORMATION:	
Item 1. Financial Statements:	
Condensed Consolidated Balance Sheets as of March 31, 2017 (unaudited) and December 31, 2016	2
Condensed Consolidated Statements of Operations (unaudited) for the three months ended March 31, 2017 and 2016	3
Condensed Consolidated Statements of Cash Flows (unaudited) for the three months ended March 31, 2017 and 2016	4
Notes to Condensed Consolidated Financial Statements (unaudited)	5
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	15
Item 4. Controls and Procedures	26
Part II. OTHER INFORMATION:	
Item 6. Exhibits	27
SIGNATURES	28
EXHIBITS	

---

**CHEMBIO DIAGNOSTICS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**AS OF**

	<u>March 31, 2017</u>	<u>December 31, 2016</u>
	<u>(Unaudited)</u>	
<b>- ASSETS -</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 5,582,482	\$ 10,554,464
Accounts receivable, net of allowance for doubtful accounts of \$52,000 at March 31, 2017 and December 31, 2016, respectively	5,681,524	3,383,729
Inventories, net	3,754,481	3,335,188
Prepaid expenses and other current assets	910,413	840,145
<b>TOTAL CURRENT ASSETS</b>	<b>15,928,900</b>	<b>18,113,526</b>
<b>FIXED ASSETS, net of accumulated depreciation</b>	<b>1,901,557</b>	<b>1,709,321</b>
<b>OTHER ASSETS:</b>		
Goodwill	1,162,000	-
Intangible assets, net	1,560,361	-
Deposits on manufacturing equipment	173,499	31,900
Deposits and other assets	161,189	720,489
<b>TOTAL ASSETS</b>	<b>\$ 20,887,506</b>	<b>\$ 20,575,236</b>
<b>- LIABILITIES AND STOCKHOLDERS' EQUITY -</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued liabilities	\$ 3,398,157	\$ 3,013,133
Deferred revenue	116,668	392,517
<b>TOTAL LIABILITIES</b>	<b>3,514,825</b>	<b>3,405,650</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS' EQUITY:</b>		
Preferred stock - 10,000,000 shares authorized; none outstanding	-	-
Common stock - \$.01 par value; 100,000,000 shares authorized; 12,299,122 and 12,026,847 shares issued and outstanding at March 31, 2017 and December 31, 2016, respectively	122,991	120,268
Additional paid-in capital	62,537,730	60,721,783
Accumulated deficit	(45,288,040)	(43,672,465)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>17,372,681</b>	<b>17,169,586</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 20,887,506</b>	<b>\$ 20,575,236</b>

*See accompanying notes to condensed consolidated financial statements*

**CHEMBIO DIAGNOSTICS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)

	For the three Months ended	
	March 31, 2017	March 31, 2016
<b>REVENUES:</b>		
Net product sales	\$ 5,427,427	\$ 5,917,019
License and royalty revenue	100,000	22,201
R&D, milestone and grant revenue	797,740	661,879
<b>TOTAL REVENUES</b>	<b>6,325,167</b>	<b>6,601,099</b>
Cost of product sales	3,219,215	3,435,551
<b>GROSS MARGIN</b>	<b>3,105,952</b>	<b>3,165,548</b>
<b>OPERATING EXPENSES:</b>		
Research and development expenses	2,246,572	1,634,298
Selling, general and administrative expenses	2,488,337	1,999,404
	4,734,909	3,633,702
<b>LOSS FROM OPERATIONS</b>	<b>(1,628,957)</b>	<b>(468,154)</b>
<b>OTHER INCOME:</b>		
Interest income	13,382	2,564
	13,382	2,564
<b>LOSS BEFORE INCOME TAXES</b>	<b>(1,615,575)</b>	<b>(465,590)</b>
Income tax provision (benefit)	-	(162,000)
<b>NET LOSS</b>	<b>\$ (1,615,575)</b>	<b>\$ (303,590)</b>
<b>Basic loss per share</b>	<b>\$ (0.13)</b>	<b>\$ (0.03)</b>
<b>Diluted loss per share</b>	<b>\$ (0.13)</b>	<b>\$ (0.03)</b>
<b>Weighted average number of shares outstanding, basic</b>	<b>12,270,679</b>	<b>9,631,686</b>
<b>Weighted average number of shares outstanding, diluted</b>	<b>12,270,679</b>	<b>9,631,686</b>

*See accompanying notes to condensed consolidated financial statements*

**CHEMBIO DIAGNOSTICS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED**  
**(Unaudited)**

	<u>March 31, 2017</u>	<u>March 31, 2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers and grants	\$ 3,751,523	\$ 4,118,640
Cash paid to suppliers and employees	(7,636,716)	(6,811,814)
Interest received	13,382	2,564
<b>Net cash used in operating activities</b>	<u>(3,871,811)</u>	<u>(2,690,610)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Payment for net assets of business acquired	(850,000)	-
Acquisition of and deposits on fixed assets	(250,171)	(28,407)
<b>Net cash used in investing activities</b>	<u>(1,100,171)</u>	<u>(28,407)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
<b>Net cash provided by financing activities</b>	<u>-</u>	<u>-</u>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(4,971,982)</u>	<u>(2,719,017)</u>
Cash and cash equivalents - beginning of the period	10,554,464	5,376,931
<b>Cash and cash equivalents - end of the period</b>	<u>\$ 5,582,482</u>	<u>\$ 2,657,914</u>
<b>RECONCILIATION OF NET LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</b>		
<b>Net Loss</b>	\$ (1,615,575)	\$ (303,590)
Adjustments:		
Depreciation and amortization	477,750	291,632
Deferred taxes	-	(162,000)
Share based compensation	135,945	53,588
Changes in assets and liabilities:		
Accounts receivable	(2,297,795)	(2,473,638)
Inventories	(419,293)	194,752
Prepaid expenses and other current assets	(114,018)	102,924
Deposits and other assets	-	(147)
Accounts payable and accrued liabilities	237,024	(385,310)
Customer deposits and deferred revenue	(275,849)	(8,821)
<b>Net cash used in operating activities</b>	<u>\$ (3,871,811)</u>	<u>\$ (2,690,610)</u>
<b>Supplemental disclosures for non-cash investing and financing activities:</b>		
Deposits on manufacturing equipment transferred to fixed assets	\$ 16,400	\$ 15,118
Accrual of contingent earn-out	148,000	-
Issuance of common stock for net assets of business acquired	1,682,725	-

*See accompanying notes to condensed consolidated financial statements*

**CHEMBIO DIAGNOSTICS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2017**  
**(UNAUDITED)**

**NOTE 1 — DESCRIPTION OF BUSINESS:**

Chembio Diagnostics, Inc. (the "Company" or "Chembio") and its wholly-owned subsidiaries, Chembio Diagnostic Systems Inc., and RVR Diagnostics Sdn Bhd ("RVR"), develop, manufacture, and market rapid diagnostic tests that detect infectious diseases. The Company's main lateral flow products are three rapid tests for the detection of HIV antibodies in whole blood, serum and plasma samples, two of which were approved by the FDA in 2006; the third is sold for export only. In addition, the Company has several products based on its patented Dual Path Platform (DPP®) technology, including a HIV test approved by the FDA in 2013 and CLIA-Waived in 2014. Lateral Flow Rapid HIV tests represented 30% of the Company's product revenues in the first three months of 2017. The Company's products based on its DPP® platform represented approximately 41% of the Company's product revenues in the first three months of 2017. The Company also has other rapid tests and components that together represented approximately 29% of product sales in the first three months of 2017. The Company's products are sold to medical laboratories and hospitals, governmental and public health entities, non-governmental organizations, medical professionals and retail establishments, both domestically and internationally. Chembio's products are sold under the Company's STAT PAK®, SURE CHECK®, STAT-VIEW® or DPP® registered trademarks, or under the private labels of its marketing partners. All of the Company's products that are currently being developed are based on its patented DPP®, which is a unique diagnostic point-of-care platform that has certain advantages over lateral flow technology.

**NOTE 2 — ACQUISITION OF RVR DIAGNOSTICS SDN BHD:**

On January 9, 2017, pursuant to a stock purchase agreement (the "Stock Purchase Agreement"), the Company acquired all of the outstanding common stock of RVR Diagnostics Sdn Bhd ("RVR"), a Malaysia corporation ("RVR"), for \$3,231,000, utilizing some of the proceeds from the funds raised by the Company in August 2016, the issuance of Chembio's common stock, and a contingent consideration, as described below, related to RVR reaching a milestone based on revenues that was valued at \$148,000. RVR is a privately-held Malaysia based manufacturing company focused on assembly and sales of rapid medical assays. The Company acquired RVR to have a better presence in Asia, access to lower cost, shorter approval time of in-country regulatory approvals, and a lower cost assembly operation.

Pursuant to the Stock Purchase Agreement, the Company acquired all of the issued and outstanding common stock and other equity interests of RVR for (i) a cash payment of \$1,400,000, of which \$550,000 was paid as a deposit in December 2016 and (ii) 269,236 shares of Chembio's common stock, with a value at closing of \$1,683,000, of which 7,277 shares are being held back to satisfy certain potential claims under the Stock Purchase Agreement and will become issuable to the sellers, if at all, on the one-year anniversary of the closing.

In addition, the Stock Purchase Agreement provides that the sellers may become entitled to receive certain milestone payments based on the achievement of performance goals related to sales by RVR during the 12 months ending December 31, 2017. RVR's actual sales during that period will be used to determine the "Milestone Proration Amount," which is a fraction that (i) the numerator of which is the positive amount, if any, by which actual sales for calendar year 2017 are greater than \$2,250,000, up to a maximum overage of \$250,000, and (ii) the denominator of which is \$250,000. Based on the actual sales achieved by RVR, the Sellers will be entitled to receive (i) a cash milestone payment equal to \$100,000 multiplied by the Milestone Proration Amount, for a maximum cash milestone payment of \$100,000, and (ii) a stock milestone payment equal to 21,830 shares of Chembio common stock multiplied by the Milestone Proration Amount, with a maximum stock milestone payment of 21,830 shares of Chembio common stock. As of March 31, 2017 the Company accrued \$148,000 for the milestone. This amount is the estimated value of the common stock of \$85,000 based on the assumption of reaching the milestone of 74.5% and discounted by 15%, as well as the cash portion of the milestone payment valued at \$63,000.

As a result of the consideration paid exceeding the preliminary fair value of the net assets acquired, goodwill in the amount of \$1,162,000 was recorded in connection with this acquisition, none of which will be deductible for tax purposes. In addition, the Company recorded \$1,800,000 in intangible assets, which results largely from the addition of RVR's intellectual property, customer base and distribution channels, trade names, order backlog, industry reputation, and management talent and workforce. Our Condensed Consolidated Statements of Operations for the three months ended March 31, 2017 include \$25,000 of transaction costs related to the RVR acquisition, which are reflected as general administrative expenses.

**CHEMBIO DIAGNOSTICS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2017**  
**(UNAUDITED)**

The acquisition was accounted for using the purchase method of accounting. The following table summarizes the preliminary allocation of the purchase price to the estimated fair values of the assets acquired and liabilities assumed on the closing date of January 9, 2017:

	<b>PRELIMINARY</b>
Property, plant and equipment	\$ 268,866
Goodwill	1,162,000
Other intangible assets (estimated useful life):	
Intellectual property (approximate 10 year weighted average)	800,000
Customer contracts / relationships (approximate 10 year weighted average)	700,000
Order backlog (3 months)	200,134
Trade names (approximate 11 year weighted average)	100,000
Total consideration *	<u>\$ 3,231,000</u>

\* Total consideration includes the \$1,400,000 paid in cash, \$1,683,000 in shares of common stock and \$148,000 in contingent consideration.

The Company calculated the fair value of the fixed assets based on the net book value of RVR as those approximate fair value. The intellectual property, customer contracts and trade names were based on assumption by discounted cash flow using management estimates. The order backlog was based on an order that RVR had at the closing, which was shipped in the first quarter of 2017, and valued at an estimated net income. In addition, the Company is evaluating the impact of taxes on its preliminary intangible assets which could result in additional goodwill and a deferred tax liability.

As indicated, the allocation of the purchase price and estimated useful lives of property, plant and equipment, and intangible assets shown above is preliminary, pending final completion of valuations. The Company is currently assessing the tax impact, including deferred tax liabilities related to intangible assets as well as an amount of tax net operating loss carryforwards available to the Company. Upon completion of this analysis, an adjustment may be required to goodwill.

For the period from January 10, 2017 to March 31, 2017, net sales and income before income taxes from the acquisition was approximately \$1,392,000 and \$155,000, respectively, which have been included in the Condensed Consolidated Statement of Operations for the three months ended March 31, 2017. The following represents unaudited pro forma operating results as if the operations of RVR had been included in the Company's Condensed Consolidated Statements of Operations as of January 1, 2016:

<b>Proforma table</b>	<b>For the three months ended March 31, 2016</b>
Total revenues	\$ 6,686,526
Net loss	\$ 501,288
Net loss per common share	\$ .05
Diluted net loss per common share	\$ .05

The pro forma financial information includes business combination accounting effects from the acquisition including amortization charges from acquired intangible assets of approximately \$240,000. The unaudited pro forma information as presented above is for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of fiscal 2016.

**CHEMBIO DIAGNOSTICS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2017**  
**(UNAUDITED)**

**NOTE 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**a) Basis of Presentation:**

The preceding (a) condensed consolidated balance sheet as of December 31, 2016, which has been derived from audited financial statements, and (b) the unaudited interim condensed consolidated financial statements as of March 31, 2017 and for the three-month periods ended March 31, 2017 and 2016, respectively, have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Certain information and footnote disclosures, which are normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America, have been condensed or omitted pursuant to such rules and regulations, although we believe that the disclosures made are adequate to provide for fair presentation. The interim financial information should be read in conjunction with the Financial Statements and the notes thereto, included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, previously filed with the SEC on March 7, 2017.

In the opinion of management, all adjustments (which include normal recurring adjustments) necessary to present a fair statement of the Company's condensed consolidated financial position as of March 31, 2017, its condensed consolidated results of operations for the three-month periods ended March 31, 2017 and 2016, respectively, and its condensed consolidated cash flows for the three-month periods ended March 31, 2017 and 2016, as applicable, have been made. The interim results of operations are not necessarily indicative of the operating results for the full fiscal year or any future periods.

**b) Revenue Recognition:**

The Company recognizes revenue for product sales in accordance with ASC 605, which provides that revenue is recognized when there is persuasive evidence of an arrangement, delivery has occurred or services have been rendered, the sales price is determinable, and collectability is reasonably assured. Revenue typically is recognized at time of shipment. Sales are recorded net of discounts, rebates and returns.

For certain contracts, the Company recognizes revenue from non-milestone payments and grant revenues when earned. Grants are invoiced after expenses are incurred. Revenues from projects or grants funded in advance are deferred until earned. Deferred revenues not earned were \$116,668 and \$392,517 as of March 31, 2017 and December 31, 2016, respectively.

The Company follows Financial Accounting Standards Board ("FASB") authoritative guidance ("guidance") prospectively for the recognition of revenue under the milestone method. The Company applies the milestone method of revenue recognition for certain collaborative research projects defining milestones at the inception of the agreement.

**c) Inventories:**

Inventories consist of the following at:

	<b>March 31, 2017</b>	December 31, 2016
<b>Raw materials</b>	<b>\$ 1,849,280</b>	\$ 1,824,248
<b>Work in process</b>	<b>448,130</b>	535,320
<b>Finished goods</b>	<b>1,457,071</b>	975,620
	<b><u>\$ 3,754,481</u></b>	<b><u>\$ 3,335,188</u></b>

Inventories are stated net of reserves of approximately \$245,000 as of March 31, 2017 and December 31, 2016.

**d) Earnings Per Share:**

Basic earnings per share is computed by dividing net income or loss by the weighted-average number of common shares outstanding for the period. Diluted income per share reflects the potential dilution from the exercise or conversion of other securities into common stock, but only if dilutive. The following securities, presented on a common share equivalent basis for the three-month periods ended March 31, 2017 and 2016, have been included in the earnings per share computations:

	<b>For the three months ended</b>	
	<b>March 31, 2017</b>	March 31, 2016
<b>Basic</b>	12,270,679	9,631,686
<b>Diluted</b>	12,270,679	9,631,686

No additional securities, are presented on a common share equivalent basis for the three-month periods ended March 31, 2017 and 2016, as each period has a loss and any additional shares would be anti-dilutive.

There were 674,795 and 655,672 options outstanding as of March 31, 2017 and 2016, respectively, that were not included in the calculation of diluted per common share equivalent for the three months ended March 31, 2017 and 2016, respectively, because the effect would have been anti-dilutive.

**e) Employee Stock Option Plan:**

Effective June 3, 2008, the Company's stockholders voted to approve the 2008 Stock Incentive Plan ("SIP"), initially with 625,000 shares of Common Stock available to be issued. At the Annual Stockholder meeting on September 22, 2011, the Company's stockholders voted to approve an increase to the shares of Common Stock issuable under the SIP by 125,000 to 750,000. Under the terms of the SIP, the Compensation Committee of the Company's Board has the discretion to select the persons to whom awards are to be granted and the number of shares of common stock to be covered by each grant. Awards can be



incentive stock options, non-incentive stock options, restricted stock and/or restricted stock units. The awards become vested at such times and under such conditions as determined by the Compensation Committee. As of March 31, 2017, there were 470,724 options exercised, 264,177 options outstanding and 15,099 options or shares still available to be issued under the SIP.

Effective June 19, 2014, the Company's stockholders voted to approve the 2014 Stock Incentive Plan ("2014-SIP"), with 800,000 shares of Common Stock available to be issued. Under the terms of the 2014-SIP, the Compensation Committee of the Company's Board has the discretion to select the persons to whom awards are to be granted and the number of shares of common stock to be covered by each grant. Awards can be incentive stock options, non-incentive stock options, restricted stock and/or restricted stock units. The awards become vested at such times and under such conditions as determined by the Compensation Committee at the time of the initial stock option grant. As of March 31, 2017, there were 12,000 options exercised, 203,750 options outstanding and 584,250 options or shares still available to be issued under the 2014-SIP.

The weighted average estimated fair value, at their respective dates of grant, of stock options granted in the three-month periods ended March 31, 2017 and March 31, 2016, was \$5.72 and \$5.64 per share, respectively. The fair value of options at the date of grant was estimated using the Black-Scholes option pricing model. The expected volatility is based upon the historical volatility of our stock. The expected term is based on historical information.

The assumptions made in calculating the fair values of options granted during the periods indicated are as follows:

	For the three months ended	
	March 31, 2017	March 31, 2016
<b>Expected term (in years)</b>	5.0	5.0
<b>Expected volatility</b>	44.18%	48.66 %
<b>Expected dividend yield</b>	0%	0 %
<b>Risk-free interest rate</b>	1.58%	0.90 %

The Company's results for the three-month periods ended March 31, 2017 and 2016 include share-based compensation expense totaling approximately \$135,900 and \$53,600, respectively. Such amounts have been included in the Condensed Consolidated Statements of Operations within cost of goods sold (\$8,500 and \$-, respectively), research and development (\$53,100 and \$7,500, respectively), and selling, general and administrative expenses (\$74,300 and \$46,100, respectively). The income tax benefit has been recognized in the statement of operations for share-based compensation arrangements.

Stock option compensation expense for the three-month periods ended March 31, 2017 and 2016 is based on the estimated fair value, at the date of issuance, of options outstanding, which is being amortized on a straight-line basis over the requisite service period for each vesting portion of the award, except for those that vested immediately and for which the estimated fair value was expensed immediately.

The following table provides stock option activity for the three months ended March 31, 2017:

Stock Options	Number of Shares	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
<b>Outstanding at December 31, 2016</b>	<b>600,549</b>	<b>\$ 4.55</b>	<b>3.43 years</b>	<b>\$ 1,463,052</b>
Granted	86,000	5.72		
Exercised	10,969	4.00		\$ 34,152
Forfeited/expired/cancelled	785	5.56		
<b>Outstanding at March 31, 2017</b>	<b>674,795</b>	<b>\$ 4.70</b>	<b>3.52 years</b>	<b>\$ 700,450</b>
<b>Exercisable at March 31, 2017</b>	<b>355,795</b>	<b>\$ 4.21</b>	<b>3.01 years</b>	<b>\$ 432,430</b>

As of March 31, 2017, there was \$432,452 of net unrecognized compensation cost related to stock options that have not vested, which is expected to be recognized over a weighted average period of approximately 2.37 years. The total fair value of stock options vested during the three-month periods ended March 31, 2017 and 2016 was \$239,988 and \$174,371, respectively.

#### **f) Geographic Information:**

U.S. GAAP establishes standards for the manner in which business enterprises report information about operating segments in financial statements and requires that those enterprises report selected information. It also establishes standards for related disclosures about products and services, geographic areas, and major customers.

The Company produces only one group of similar products known collectively as "rapid medical tests". In addition, the Company generates revenue from R&D, milestone and grant revenue and from license and royalties, all of which are currently earned in the U.S. Management believes that it operates in a single business segment. Net product sales by geographic area are as follows:

	For the three months ended	
	March 31, 2017	March 31, 2016
<b>Africa</b>	<b>\$ 368,827</b>	<b>\$ 713,989</b>
<b>Asia</b>	<b>1,420,422</b>	<b>64,005</b>
<b>Europe</b>	<b>440,725</b>	<b>123,096</b>
<b>North America</b>	<b>1,087,339</b>	<b>2,389,024</b>
<b>South America</b>	<b>2,110,114</b>	<b>2,626,905</b>
	<b>\$ 5,427,427</b>	<b>\$ 5,917,019</b>

#### **g) Accounts Payable and Accrued Liabilities:**

Accounts payable and accrued liabilities consist of:

	March 31, 2017	December 31, 2016
Accounts payable – suppliers	\$ 1,439,170	\$ 1,437,290
Accrued commissions	429,505	221,982
Accrued royalties / license fees	533,730	352,660
Accrued payroll	238,134	167,575
Accrued vacation	280,111	289,587
Accrued bonuses	-	282,500
Accrued expenses – other	477,507	261,539
<b>TOTAL</b>	<b>\$ 3,398,157</b>	<b>\$ 3,013,133</b>

**h) Goodwill and Intangible Assets:**

Goodwill represents the excess of the purchase price we paid over the fair value of the net tangible and identifiable intangible assets acquired in our acquisition of RVR in January 2017. Goodwill is not amortized but rather is tested annually for impairment or more frequently if we believe that indicators of impairment exist. Current U.S. generally accepted accounting principles permit us to make a qualitative evaluation about the likelihood of goodwill impairment. If we conclude that it is more likely than not that the fair value of a reporting unit is greater than its carrying amount, then we would not be required to perform the two-step quantitative impairment test. Otherwise, performing the two-step impairment test is necessary. The first step of the two-step quantitative impairment test involves comparing the fair values of the applicable reporting unit with its aggregate carrying value, including goodwill. If the carrying value of a reporting unit exceeds the reporting unit's fair value, we perform the second step of the test to determine the amount of the impairment loss, if any. The second step involves measuring any impairment by comparing the implied fair values of the affected reporting unit's goodwill and intangible assets with the respective carrying values.

We didn't perform an impairment assessment as the value of goodwill was determined as of March 31, 2017, see note 2. If actual future results are not consistent with management's estimates and assumptions, we may have to take an impairment charge in the future related to our goodwill. Future impairment tests will continue to be performed annually in the fiscal first quarter, or sooner if a triggering event occurs. As of March 31, 2017, we believe no indicators of impairment exist.

In addition, the Company added certain intangible assets as part of the RVR acquisition. See note 2 for a full listing of the intangible assets which totaled approximately \$1,800,000. The Company amortized approximately \$240,000 for the three months ended March 31, 2017.

**i) Recent Accounting Pronouncements Affecting the Company:**

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, "Revenue from Contracts with Customers" ("ASU 2014-09"), which supersedes nearly all existing revenue recognition guidance under accounting principles generally accepted in the United States ("U.S. GAAP"). The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP.

The standard is effective for annual periods beginning after December 15, 2017, and interim periods therein, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients; or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). We are currently evaluating the impact of our pending adoption of ASU 2014-09 on our consolidated financial statements and have not yet determined the method by which we will adopt the standard in 2018. The Company has conducted a preliminary analysis of its sales contracts which are based on the shipment of goods to the customer, and currently this new accounting standard will not have a material impact on its consolidated financial statement for its sales contracts. The Company has conducted a preliminary analysis of its current R&D contracts which are currently based on "as expenses are incurred" basis, and currently this new accounting standard will not have a material impact on its consolidated financial statement for current R&D contracts.

In November 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-17, Income Taxes (Topic 740) Balance Sheet Classification of Deferred Assets. This ASU is intended to simplify the presentation of deferred taxes on the balance sheet and will require an entity to present all deferred tax assets and deferred tax liabilities as non-current on the balance sheet. Under the current guidance, entities are required to separately present deferred taxes as current or non-current. Netting deferred tax assets and deferred tax liabilities by tax jurisdiction will still be required under the new guidance. This guidance will be effective for Chembio beginning in 2018, with early adoption permitted. The Company does not believe this new accounting standard update will have a material impact on its consolidated financial statements.

In February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02, which amends the ASC and creates Topic 842, Leases. Topic 842 will require lessees to recognize lease assets and lease liabilities for those leases classified as operating leases under previous US GAAP on the balance sheet. This guidance is effective for annual periods beginning after December 15, 2018 and early adoption is permitted. We are in the initial stages of evaluating the effect of the standard on our financial statements and will continue to evaluate. While not yet in a position to assess the full impact of the application of the new standard, the Company expects that the impact of recording the lease liabilities and the corresponding right-to-use assets will have a significant impact on its total assets and liabilities with a minimal impact on equity.

In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-09, Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting, which will change certain aspects of accounting for share-based payments to employees. ASU 2016-09 is effective for fiscal years (and interim reporting periods within those years) beginning after December 15, 2016. The Company adopted the provisions of ASU 2016-09 on January 1, 2017. The Company evaluated this standard and the adoption of it did not have a material impact on its consolidated financial statement.

In January 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2017-04 *Intangibles - Goodwill and Other (Topic 350)* which would eliminate the requirement to calculate the implied fair value of goodwill to measure a goodwill impairment charge. Instead, the amount of an impairment charge would be recognized if the carrying amount of a reporting unit is greater than its fair value. ASU 2017-04 is effective for public companies for fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company is currently evaluating the impact of the provisions of ASU 2017-04.

#### **NOTE 4 — COLLABORATIVE RESEARCH AND DEVELOPMENT ARRANGEMENTS:**

***a) Brain Injury agreement:***

In January 2015, the Company entered into a technology development agreement with Perseus Science Group LLC for \$946,000 and a follow-on agreement in December 2016 for \$350,000. The Company earned \$117,000 and \$62,000 for the three-month periods ended March 31, 2017 and 2016, respectively, from this agreement. The Company earned \$883,000 from this grant from inception through March 31, 2017.

***b) Malaria agreement:***

In April 2016, the Company was awarded a grant from the Bill & Melinda Gates Foundation for \$678,000. The Company earned \$159,000 for the three-month period ended March 31, 2017 from this agreement. The Company earned \$678,000 from this grant from inception through March 31, 2017.

***c) Fever Panel agreement:***

In October 2015, the Company entered into a technology development agreement with the Paul G. Allen Ebola Program for \$2,118,000 and a follow-on agreement in February 2016 for \$550,000. The Company earned none and \$572,000 for the three-month periods ended March 31, 2017 and 2016, respectively, from this agreement. The Company earned \$2,668,000 from this grant from inception through March 31, 2017.

**CHEMBIO DIAGNOSTICS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2017**  
**(UNAUDITED)**

**d) *BARDA Zika agreement:***

In August 2016, the Company was awarded a grant for \$5,934,000 from BARDA, which is part of the U.S. Department of Health And Human Resources. The Company earned \$412,000 for the three-month period ended March 31, 2017 from this agreement. The Company earned \$885,000 from this grant from inception through March 31, 2017.

**e) *USDA Bovid:***

In September 2016, the Company entered into a Phase II agreement with the USDA for an additional \$600,000 to develop a Bovid TB assay. The Phase I agreement was for \$70,000. Revenue for these agreements are being recognized under a proportional performance method. The Company earned \$101,000 for the three-month period ended March 31, 2017 from these agreements. The Company earned \$153,000 from these agreements from inception through March 31, 2017.

**f) *FIND agreement:***

In March 2017, the Company entered into a technology development agreement with FIND for \$999,000. The Company earned \$0 for the three-month period ended March 31, 2017 from this agreement. The Company didn't start work on this agreement until after March 31, 2017.

**NOTE 5 — RIGHTS AGREEMENT:**

In March 2016, the Company entered into a Rights Agreement dated as of March 8, 2016 (the "Rights Agreement") between the Company and Action Stock Transfer Corp., as Rights Agent. Pursuant to the Rights Agreement, the Company declared a dividend of one preferred share purchase right (a "Right") for each outstanding share of common stock, \$0.01 par value (the "Common Stock"), of the Company. The Board of Directors set the payment date for the distribution of the Rights as March 8, 2016, and the Rights were distributed to the Company's shareholders of record on that date. The description and terms of the Rights are set forth in the Rights Agreement.

**Rights Initially Not Exercisable.** The Rights are not exercisable until a Distribution Date, which is defined below. Until a Right is exercised, the holder thereof, in his capacity as a holder of Rights, will have no rights as a shareholder of the Company, including, without limitation, the right to vote or to receive dividends.

**Separation and Distribution of Rights.** The Rights will be evidenced by the certificates for shares of Common Stock registered in the names of the holders thereof, and not by separate rights certificates until the earlier to occur of (i) the close of business on the tenth business day following a public announcement that an Acquiring Person (as defined in the Rights Agreement) acquired a Combined Ownership (as defined in the Rights Agreement) of 20% or more of the outstanding shares of the Common Stock (the "Shares Acquisition Date") or (ii) the later of (A) the close of business on the tenth business day (or such later date as may be determined by action of the Board of Directors prior to such time as any person or group of affiliated or associated persons becomes an Acquiring Person) after the date that a tender or exchange offer or intention to commence a tender or exchange offer by any person is first published, announced, sent or given within the meaning of Rule 14d-4(A) under the Securities Exchange Act of 1934, as amended, the consummation of which would result in any person having Combined Ownership of 20% or more of the outstanding shares of the Common Stock, or (B) if such a tender or exchange offer has been published, announced, sent or given before the date of the Rights Agreement, then the close of business on the tenth business day after the date the Rights Agreement was entered into (or such later date as may be determined by action of the Board of Directors prior to such time as any person becomes an Acquiring Person); (the earlier of such dates referred to in (i) and (ii), which date may include any such date that is after the date of the Rights Agreement but prior to the issuance of the Rights, being called the "Distribution Date").

**CHEMBIO DIAGNOSTICS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2017**  
**(UNAUDITED)**

**NOTE 6 — COMMON STOCK, WARRANTS AND OPTIONS:**

During the first quarter of 2017, options to purchase 10,969 shares of the Company's common stock were exercised on a cashless basis into 3,039 shares of common stock at an exercise price of \$4.00 by surrendering options and shares of common stock already owned.

The Company completed the acquisition of RVR Diagnostics Sdn Bhd (RVR) on January 9, 2017. Pursuant to the Stock Purchase Agreement, the Company acquired all of the issued and outstanding common stock and other equity interests of RVR from the sellers for (i) a cash payment of \$1,400,000, (ii) contingent consideration of \$148,000 and (iii) 269,236 shares of the Company's common stock, of which 7,277 shares are being held back to satisfy certain potential claims under the Stock Purchase Agreement and will become issuable to the Sellers, if at all, on the one-year anniversary of the closing. The closing price of our common stock on January 9, 2017 was \$6.25.

The Company entered into an employment agreement, effective as of March 13, 2017 (the "CEO Employment Agreement"), with John Sperzel to serve as the Company's Chief Executive Officer, for an additional term of three years through March 5, 2020. Pursuant to the Employment Agreement, the Company issued to Mr. Sperzel incentive and non-qualified stock options to purchase 20,000 shares of the Company's common stock. These options vest on the third anniversary or March 13, 2020. The exercise price for these options was equal to the volume weighted trading price for the Company's common stock on March 31, 2017, which was \$5.3666 per share. Each option granted will expire and terminate, if not exercised sooner, upon the earlier to occur of (a) 30 days after termination of Mr. Sperzel's employment with the Company or (b) the seventh anniversary of the effective date of the grant.

During the first quarter of 2017, the Company issued options to purchase 5,000 shares of common stock to each of six members of the executive team. The options became exercisable on the date of issue. The options issued have an exercise price of \$5.25 per share, which was the last traded price of the common stock on the day issued. The options expire five years from date of issue.

During the first quarter of 2017, the Company issued options to purchase 36,000 shares of common stock to a newly-hired vice-president of operations. The options are exercisable in three equal annual installments starting on the first anniversary of the date of issue. The options issued have an exercise price of \$6.30 per share, which was the last traded price of the common stock on the day issued. The options expire five years from date of issue.

During 2016, options to purchase 191,804 shares of the Company's common stock were exercised on a cashless basis into 98,599 shares of common stock at exercise prices ranging from \$2.80 to \$5.56 by surrendering options and shares of common stock already owned.

During the fourth quarter of 2016, the Company issued options to purchase 36,000 shares of common stock to a newly-hired president of the EMEA and APAC regions. The options are exercisable in three equal annual installments starting on the first anniversary of the date of issue. The options issued have an exercise price of \$7.15 per share, which was the last traded price of the common stock on the day issued. The options expire five years from date of issue.

The Company closed an underwritten public offering of 2,300,000 shares of its common stock on August 3, 2016. The price per share of common stock sold in the offering was \$6.00 per share. The net proceeds of the offering, after deducting the underwriters' discounts and other offering expenses payable by the Company, was approximately \$12,493,000. The Company intends to use the net proceeds for business expansion and working capital, including product development, operational improvements, clinical trials, and sales and marketing.

During the second quarter of 2016, the Company issued options to one of its directors pursuant to the Company's compensation policy for directors. The director was issued options to purchase 46,875 shares of common stock. The options become exercisable in five equal annual installments starting on the date of issue. The options issued have an exercise price of \$8.86 per share, which was the last traded price of the common stock on the day issued. The options expire five years from date of issue.

The Company entered into an employment agreement, effective as of March 5, 2016 (the "Employment Agreement"), with Javan Esfandiari to serve as the Company's Chief Scientific and Technical Officer, for an additional term of three years through March 5, 2019. Pursuant to the Employment Agreement, the Company issued to Mr. Esfandiari incentive and non-qualified stock options to purchase 60,000 shares of the Company's common stock. Of these stock options, options to purchase 20,000 shares vest on each of the first three anniversaries of March 11, 2016 which is the date on which the Employment Agreement was entered into. The exercise price for these options is equal to the trading price for the Company's common stock on March 11, 2016, which was \$5.64 per share. Each option granted will expire and terminate, if not exercised sooner, upon the earlier to occur of (a) 30 days after termination of Mr. Esfandiari's employment with the Company or (b) the fifth anniversary of the effective date of the grant.

**CHEMBIO DIAGNOSTICS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2017**  
**(UNAUDITED)**

**NOTE 7 — COMMITMENTS, CONTINGENCIES, AND CONCENTRATIONS:**

**a) Economic Dependency:**

The following table discloses product sales the Company had to each customer that purchased in excess of 10% of the Company's net product sales for the periods indicated:

	For the three months ended				Accounts Receivable as of	
	March 31, 2017		March 31, 2016		March 31, 2017	March 31, 2016
	Sales	% of Sales	Sales	% of Sales		
Customer 1	\$ 1,939,587	36%	\$ 2,589,405	44%	\$ 2,781,266	\$ 2,694,495
Customer 2	*	*	1,796,477	30%	*	860,420
Customer 3	1,326,171	24%	*	*	914,526	*

(\*) Product sales did not exceed 10% for the period indicated.

Note that sales include product sales only while accounts receivable reflects the total due from the customer, which includes freight.

The following table discloses purchases the Company made from each vendor that sold to the Company in excess of 10% of the Company's total purchases for the periods indicated:

	For the three months ended				Accounts Payable as of	
	March 31, 2017		March 31, 2016		March 31, 2017	March 31, 2016
	Purchases	% of Purc.	Purchases	% of Purc.		
Vendor 1	\$ -	0%	\$ 222,902	14%	\$ *	\$ -
Vendor 2	698,838	32%	*	*	375,164	*

(\*) Purchases did not exceed 10% for the period indicated.

The Company currently buys materials which are purchased under intellectual property rights agreements and are important components in its products. Management believes that other suppliers could provide similar materials on comparable terms as the vendors shown in this table. A change in suppliers, however, could cause a delay in manufacturing, either from the logistics of changing suppliers or from product changes attributable to new components, which could result in a possible loss of sales, and which could adversely affect operating results.

**b) Governmental Regulation:**

All of the Company's existing and proposed diagnostic products are regulated by the United States Food and Drug Administration, United States Department of Agriculture, certain U.S., state and local agencies, and/or comparable regulatory bodies in other countries. Most aspects of development, production, and marketing, including product testing, authorizations to market, labeling, promotion, manufacturing, and record keeping, are subject to regulatory review. After marketing approval has been granted, Chembio must continue to comply with governmental regulations. Failure to comply with these regulations can result in significant penalties.

**c) Employment Agreements:**

The Company has employment contracts with five key employees: CEO John J. Sperzel III; President Americas Sharon Klugewicz; CSTO Javan Esfandiari; Managing Director of RVR Magentiren Vajuram; Vice-President of RVR Dr. Avijit Roy. The contracts call for salaries presently aggregating \$1,265,000 per year. The Sperzel contract expires in March 2020, the Klugewicz contract expires in May 2017, the Esfandiari contract expires in March 2019, and the Vajuram and Roy contracts expire January 9, 2018. In connection with the Sperzel contract that expires in March 2020, the Company issued, in March 2017, options to purchase 20,000 common shares of stock, which vest on the third anniversary of the grant. In connection with the Klugewicz contract that expires in May 2017, no options were issued; however in connection with the prior Klugewicz contract that expired in May 2015, the Company issued, in May 2013, options to purchase 5,000 shares of common stock, with one-half vesting on each of the first and second anniversaries of the grant. In connection with the Esfandiari contract that expires in March 2019, the Company issued, in March 2016, options to purchase 60,000 shares of common stock, with one-third vesting on each of the first, second and third anniversaries of the grant.

**CHEMBIO DIAGNOSTICS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2017**  
**(UNAUDITED)**

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

The terms "Chembio", "Company", "we", "us", and "our" refer to Chembio Diagnostics, Inc. and its subsidiaries as a consolidated entity, unless the context suggests otherwise.

**Overview**

This discussion and analysis should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and related notes. The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"). The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent liabilities at the financial statement date, and reported amounts of revenue and expenses during the reporting period. On an ongoing basis, we review our estimates and assumptions. Our estimates are based on our historical experience and other assumptions that we believe to be reasonable under the circumstances. Actual results are likely to differ from those estimates under different assumptions or conditions, but we do not believe such differences will materially affect our financial position or results of operations. Our critical accounting policies, the policies we believe are most important to the presentation of our financial statements and require the most difficult, subjective and complex judgments, are outlined below in "Critical Accounting Policies," and have not changed significantly from December 31, 2016, with the exception of goodwill.

In addition, certain statements made in this report may constitute "forward-looking statements". These forward-looking statements involve known or unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Specifically, 1) our ability to obtain necessary regulatory approvals for our products; and 2) our ability to increase revenues and operating income are dependent upon our ability to develop and sell our products, general economic conditions, and other factors. You can identify forward-looking statements by terminology such as "may," "could", "will," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "potential", "continues" or the negative of these terms, or other comparable terminology. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements.

Except as may be required by applicable law, we do not undertake or intend to update or revise our forward-looking statements, and we assume no obligation to update any forward-looking statements contained in this report, as a result of new information or future events or developments. Thus, you should not assume that our silence over time means that actual events are bearing out as expressed or implied in such forward-looking statements. You should carefully review and consider the various disclosures we make in this report and our other reports filed with the Securities and Exchange Commission that attempt to advise interested parties of the risks, uncertainties and other factors that may affect our business.

All of the Company's future products that are currently being developed are based on its patented Dual Path Platform (DPP®), which is a unique diagnostic point-of-care platform that has certain advantages over lateral flow technology. The Company has completed development of several products that employ the DPP® technology which are currently marketed under Chembio's label (DPP® HIV 1/2 Screening Assay and DPP® HIV 1/2 –Syphilis Assay, which latter assay is not yet approved to be marketed in the U.S.), or which may be marketed pursuant to private label license or distribution agreements such as those with the Oswaldo Cruz Foundation ("FIOCRUZ"), Labtest, RVR and Bio-Rad.

Research and development ("R&D"), milestone, and grant revenues for the three months ended March 31, 2017 increased to \$0.80 million from \$0.66 million in the prior-year period, which was primarily the result of increased R&D project revenues in 2017.

R&D expenses in the three months ended March 31, 2017 were \$2.25 million, compared with \$1.63 million in the prior-year period. Development work continues on several assays utilizing Chembio's DPP® platform, including the DPP® HIV multiplex tests that are designed to detect various infectious diseases such as Zika, Malaria, Dengue and other fever diseases partially funded by projects and grants.

## Research & Development Activities

### **Sexually Transmitted Disease**

- **DPP® HIV-Syphilis Assay:** The DPP® HIV-Syphilis Assay is a rapid, point-of-care (POC), multiplex test for the simultaneous detection of antibodies to HIV and to *Treponema Pallidum* (TP) bacteria (the causative agent of syphilis). This novel combination assay was developed to address the growing concern among public health officials regarding the rising co-infection rates of HIV and syphilis as well as mother-to-child transmission (MTCT) of HIV and syphilis. The product received approval by the Mexican regulatory agency (Cofepris) in 2014, received approval by the Brazilian regulatory agency, Agência Nacional de Vigilância Sanitária (ANVISA) in 2015, and received CE mark approval in 2017. We are developing a U.S. version of the DPP® HIV-Syphilis Assay, designed to meet the performance requirements for the "reverse" algorithm that is currently in clinical use for syphilis testing in the United States. The clinical trial to support the FDA application for the DPP® HIV-Syphilis Assay, which was initiated during first quarter of 2016, has been completed. In March 2017, the FDA requested further studies in addition to the clinical studies recently completed. As a result, Chembio is in discussion with the FDA regarding the timing of filing the Premarket Approval Application with the FDA.

### **Fever & Tropical Disease**

- **DPP® Malaria Assay:** The DPP® Malaria Assay is a rapid, POC, multiplex test for the simultaneous detection of *plasmodium falciparum*, and other *plasmodium* infections. In January 2015, we received a grant from the Bill & Melinda Gates Foundation to expedite the development and feasibility testing of a POC DPP® Malaria Assay. The Company completed this project, which compared the new DPP® Malaria Assay to the world's leading currently-available POC malaria assay with favorable results: a ten-fold improvement in sensitivity. In April 2016, we received a second Malaria grant from the Bill & Melinda Gates Foundation to expedite the feasibility testing and development of the world's first oral fluid/saliva POC diagnostic test to simply and accurately identify individuals infected with all species of malaria. We recently completed the feasibility, and plan to deliver DPP® Malaria Assays to a partner of the Bill & Melinda Gates Foundation during the second quarter of 2017, to commence field evaluation.
- **DPP® Zika Assay:** The DPP® Zika Assay is a rapid POC stand-alone test for the simultaneous detection of IgM/IgG antibodies. In February 2016, we received a grant from The Paul G. Allen Family Foundation to initiate development the DPP® Zika Assay. During 2016, Chembio announced collaborations with Bio-Manguinhos, the unit of the Oswaldo Cruz Foundation (Fiocruz) responsible for the development and production of vaccines, diagnostics, and biopharmaceuticals, primarily to meet the demands of Brazil's national public health system, related to the DPP® Zika Assay. In August 2016, the Company received an award from the U.S. Government (HHS/ASPR/BARDA), granting the Company up to \$13.2 million (\$5.9 million to develop DPP® Zika Assay and obtain U.S. regulatory approval). The Company filed the following regulatory submissions: U.S. Food And Drug Administration Emergency Use Authorization (EUA), World Health Organization EUA, Brazil's regulatory agency ANVISA, Mexico's regulatory agency Cofepris, and CE mark. The Company obtained CE mark in July 2016, and then began selling in the Caribbean region via its distribution partner, Isla Lab, LLC. In September 2016, the Company received a contract award from CDC, to initiate a Zika surveillance program in India, Peru, Guatemala, and Haiti, and we began selling the DPP® Zika IgM/IgG Assay to CDC for field testing purposes during the first quarter of 2017. The Company received ANVISA approval (Brazil) for the DPP® Zika IgM/IgG Assay in November 2016, and is working with our Brazilian partner, Bio-Manguinhos, to obtain ANVISA approval for the DPP® Micro Reader.
- **DPP® Dengue Fever Assay:** The DPP® Dengue Fever Assay is a rapid, POC, multiplex test for the simultaneous detection of IgG/IgM and NS1 antigens. During 2016, Chembio announced collaborations with Bio-Manguinhos, the unit of the Oswaldo Cruz Foundation (Fiocruz) responsible for the development and production of vaccines, diagnostics, and biopharmaceuticals, primarily to meet the demands of Brazil's national public health system related to the DPP® Dengue Fever Assay. We completed verification and validation studies, and production of pilot lots, to support preclinical studies. Also during 2016, we initiated registration to begin initial commercialization in Southeast Asia, and we initiated sales of our DPP® Dengue Assay in Southeast Asia during Q1 2017.
- **DPP® Chikungunya Assay:** The DPP® Chikungunya Assay is a rapid, POC, multiplex test for the simultaneous detection of IgG/IgM antibodies. During 2016, Chembio announced collaborations with Bio-Manguinhos, the unit of the Oswaldo Cruz Foundation (Fiocruz) responsible for the development and production of vaccines, diagnostics, and biopharmaceuticals, primarily to meet the demands of Brazil's national public health system, related to the DPP® Chikungunya Assay.



**CHEMBIO DIAGNOSTICS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2017**  
**(UNAUDITED)**

- **DPP® Zika/Dengue/Chikungunya Assay:** The DPP® Zika/Dengue/Chikungunya Assay is a rapid, POC, multiplex test for the simultaneous detection of IgM/IgG antibodies. In February 2016, we received a grant from The Paul G. Allen Family Foundation to initiate development of the DPP® Zika/Dengue/Chikungunya Assay. During 2016, Chembio announced collaborations with Bio-Manguinhos, the unit of the Oswaldo Cruz Foundation (Fiocruz) responsible for the development and production of vaccines, diagnostics and biopharmaceuticals, primarily to meet the demands of Brazil's national public health system, related to the DPP® Zika/Dengue/Chikungunya Assay. In August 2016, the Company received an award from the U.S. Government (HHS/ASPR/BARDA), granting the Company up to \$13.2 million (including an option of \$7.3 million to develop DPP® Zika/Dengue/Chikungunya Assay and obtain U.S. regulatory approval). In September 2016, the Company received a contract award from CDC, to initiate a Zika, Dengue, and Chikungunya surveillance program in India, Peru, Guatemala, and Haiti, and we began selling the DPP® Zika/Dengue/Chikungunya IgM/IgG Assay to CDC during the first quarter of 2017.
- **DPP® Fever Panel Assay (1):** The DPP® Fever Panel Assay is a rapid, POC, multiplex test for the simultaneous detection of Malaria, Dengue, Chikungunya, Zika, Ebola, Lassa, and Marburg. In October 2015, we received a \$2.1 million grant from the Paul G. Allen Ebola Program to develop the DPP® Fever Panel Assay and a \$0.55 million follow-on grant to add a test for the detection of Zika virus. We completed the development of the DPP® Fever Panel Assay in 2016, including the addition of Zika, and we supplied 10,000 tests to FIND, which initiated field evaluation in Peru and Nigeria.
- **DPP® Fever Panel Assay (2):** The DPP® Fever Panel Assay is a rapid, POC, multiplex test for the simultaneous detection of Malaria, Dengue, Chikungunya, Zika, leptospirosis, *Rickettsia typhi*, *Burkholderia pseudomallei*, and *Orientia tsutsugamushi*. In April 2017, the Company announced collaboration with FIND, to develop the DPP® Asian Fever Panel Assay.
- **DPP® Ebola Assay and DPP® Malaria-Ebola Assay:** The DPP® Ebola Assay is a rapid POC test for the detection of Ebola, and the DPP® Malaria-Ebola Assay is a rapid, POC, multiplex test for the simultaneous detection of Malaria and Ebola. In October 2014, we announced plans to develop, validate, and commercialize POC DPP® Assays for Ebola and Febrile Illness. We completed the development of the DPP® Ebola Assay and submitted it for Emergency Use Authorization (EUA) with the Food & Drug Administration (FDA) and World Health Organization (WHO), and we are actively engaged with these regulatory agencies. During the third and fourth quarters of 2015, we sold DPP® Ebola and DPP® Malaria-Ebola Assays to the Centers for Disease Control & Prevention (CDC) for field studies in West Africa, which is ongoing.

#### **Technology Collaboration**

- **DPP® Cancer Assay:** The DPP® Cancer Assay is a rapid, POC, multiplex test for the early detection and monitoring of a specific type of cancer. In October 2014, we entered into collaboration with an international diagnostics company to develop a POC diagnostic test for a specific type of cancer. This program is fully funded by this partner. However, under the terms of the agreement, neither Chembio's partner nor the specific type of cancer is being disclosed. The cancer project represents an application of the DPP® technology outside of the infectious disease field, and the scope of the agreement involves product development of a quantitative, reader-based cancer assay for two cancer markers, utilizing Chembio's DPP® technology and DPP® Micro Reader. During the third quarter of 2015, we completed successful feasibility, and our partner agreed to fund continued development of the DPP® Cancer Assay, which development and verification is ongoing.
- **DPP® Traumatic Brain Injury Assay:** The DPP® Traumatic Brain Injury Assay is a rapid POC test for the detection of traumatic brain injury (TBI) and sports-related concussion. In January 2015, we entered into an agreement with the Concussion Science Group (CSG) Division of Perseus Science Group LLC, to combine CSG's patented biomarker with our proprietary DPP® platform and DPP® Micro Reader, to develop a semi-quantitative or quantitative POC test, to diagnose TBI. The DPP® Traumatic Brain Injury Assay is in the feasibility and pre-clinical stage. Under institutional review board (IRB) agreements with multiple hospitals, we are conducting pre-clinical studies of the prototype DPP® Traumatic Brain Injury Assay using patient samples.

**CHEMBIO DIAGNOSTICS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2017**  
**(UNAUDITED)**

- **DPP® Bovine Tuberculosis:** The DPP® BovidTB Assay is a rapid POC test for the detection of bovine tuberculosis (TB). In September 2016, the Company was awarded a \$600,000 grant from the United States Department of Agriculture (USDA) to develop the DPP® BovidTB Assay. The grant will be managed by the Small Business Innovation Research Program (SBIR) of the National Institute of Food and Agriculture (NIFA), a federal agency within the USDA, and the assay will be developed in collaboration with National Animal Disease Center (NADC) and Infectious Disease Research Institute (IDRI). Under the two-year grant, Chembio will use its patented DPP® technology to undertake to develop a simple, rapid, accurate and cost-effective test for bovine TB in cattle. The DPP® BovidTB Assay will be designed to provide results within 20 minutes, thereby significantly improving on the time-consuming, tedious and inadequate diagnostic methods currently in use.

**Regulatory Activities**

- **DPP® HIV-Syphilis Assay:** We have developed a U.S. version of the DPP® HIV-Syphilis Assay, designed to meet the performance requirements for the "reverse" algorithm that is currently in clinical use for syphilis testing in the United States. The clinical trial to support the FDA application for the DPP® HIV-Syphilis Assay, which was initiated during first quarter of 2016, has been completed. In March 2017, the FDA requested further studies in addition to the clinical studies recently completed. As a result Chembio is in discussion with the FDA regarding the timing of filing the Premarket Approval Application with the FDA.
- **DPP® Zika IgM/IgG System:** In July of 2016 Chembio obtained a CE Mark for the DPP® Zika IgM/IgG Assay. The DPP® Zika IgM/IgG System, which includes an assay utilizing the patented DPP® technology as well as a digital reader (DPP® Micro Reader), is now cleared for commercialization in European countries as well as the majority of the Caribbean nations, not including U.S. territories. In November of 2016, we received approval from ANVISA, Brazil's regulatory Agency, and we are working with our Brazilian partner, Bio-Manguinhos, to obtain ANVISA approval for the DPP® Micro Reader. We have also filed regulatory submissions to FDA (Emergency Use Authorization), the World Health Organization (Emergency Use Assessment and Listing), and Cofepris (Mexico), and we are actively engaged with these organizations.

*There can be no assurance that any of the aforementioned Research & Development and/or regulatory products or activities will result in any product approvals or commercialization, nor that any of the existing research and development activities, or any new potential development programs or collaborations will materialize or that they will meet regulatory or any other technical requirements and specifications, and/or that if continued, will result in completed products, or that such products, if they are successfully completed, can or will be successfully commercialized.*

**Critical Accounting Policies and Estimates**

We believe that there are several accounting policies that are critical to understanding our historical and future performance, as these policies affect the reported amounts of revenue and the more significant areas involving management's judgments and estimates. These significant accounting policies relate to revenue recognition, research and development costs, valuation of inventory, valuation of long-lived assets, goodwill, and income taxes. For a summary of our significant accounting policies, which have not changed from December 31, 2016, see our Annual Report on Form 10-K for the twelve months ended December 31, 2016, with the exception of goodwill, which was filed with the SEC on March 7, 2017.

**CHEMBIO DIAGNOSTICS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2017**  
**(UNAUDITED)**

**RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2017 AS COMPARED WITH THE THREE MONTHS ENDED MARCH 31, 2016**

**Income:**

For the three months ended March 31, 2017, Loss before income taxes was \$1,616,000 compared to \$466,000 for the three months ended March 31, 2016. Net Loss for the 2017 period was \$1,616,000 as compared to \$304,000 for 2016. The increase in Net Loss is primarily attributable to an increase in operating expenses, a decrease in product revenues, and decreased product gross margin, partially offset by increased R&D revenues of \$136,000. Product gross margin decreased in the three months ended March 31, 2017, as compared with the three months ended March 31, 2016, by \$273,000 or 11.01%.

**Revenues:**

Selected Product Categories:	For the three Months ended		\$ Change	% Change
	March 31, 2017	March 31, 2016		
<b>Lateral Flow HIV Tests and Components</b>	\$ 1,632,014	\$ 3,056,531	\$ (1,424,517)	-46.61%
<b>DPP® Tests and Components</b>	2,218,618	2,657,884	(439,266)	-16.53%
<b>Other</b>	1,576,795	202,604	1,374,191	678.26%
<b>Net Product Sales</b>	5,427,427	5,917,019	(489,592)	-8.27%
<b>License and royalty revenue</b>	100,000	22,201	77,799	350.43%
<b>R&amp;D, milestone and grant revenue</b>	797,740	661,879	135,861	20.53%
<b>Total Revenues</b>	<u>\$ 6,325,167</u>	<u>\$ 6,601,099</u>	<u>\$ (275,932)</u>	<u>-4.18%</u>

Revenues for our lateral flow HIV tests and related components during the three months ended March 31, 2017 decreased by approximately \$1,425,000 from the same period in 2016. This was primarily attributable to decreased sales to North America of approximately \$1,240,000, decreased sales to Africa of approximately \$438,000, and decreased sales to Asia of approximately \$44,000, partially offset by increased sales to Europe of approximately \$325,000. Revenues for our DPP® products during the three months ended March 31, 2017 decreased by approximately \$439,000 over the same period in 2016, primarily due to decreased sales in Brazil. Revenues for our other products during the three months ended March 31, 2017, increased by approximately \$1,374,000, primarily as a result of sales from our Malaysia subsidiary. The increase in R&D, and in milestone and grant revenue, was primarily due to increased R&D project revenues in 2017.

**CHEMBIO DIAGNOSTICS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2017**  
**(UNAUDITED)**

Management is now focused on sales by region more than on sales by product types. To make the transition easier for the reader we are providing the following table which shows sales by region and by product type.

Region	For the three Months ended			Part-Type	For the three Months ended		
	March 31, 2017	March 31, 2016	\$ Change		March 31, 2017	March 31, 2016	\$ Change
Africa				DPP	\$ 88,380	\$ 10	\$ 88,370
				LF-HIV	276,276	713,979	(437,703)
				OTHER	4,171	0	4,171
	\$ 368,827	\$ 713,989	\$ (345,162)	DPP	5,000	0	5,000
Asia				LF-HIV	16,399	60,168	(43,769)
	1,420,422	60,378	1,360,044	OTHER	1,399,023	210	1,398,813
Europe				DPP	500	250	250
				LF-HIV	438,799	113,642	325,157
	440,725	123,096	317,629	OTHER	1,426	9,204	(7,778)
Latin America				DPP	1,943,567	2,589,405	(645,838)
				LF-HIV	39,685	60,000	(20,315)
	2,110,114	2,678,905	(568,791)	OTHER	126,862	29,500	97,362
Other				DPP	0	0	0
				LF-HIV	0	3,625	(3,625)
	0	3,627	(3,627)	OTHER	0	2	(2)
USA				DPP	181,171	68,219	112,952
				LF-HIV	860,910	2,100,701	(1,239,791)
	1,087,339	2,337,024	(1,249,685)	OTHER	45,258	168,104	(122,846)
<b>TOTALS</b>	<b>\$ 5,427,427</b>	<b>\$ 5,917,019</b>	<b>\$ (489,592)</b>	-	<b>\$ 5,427,427</b>	<b>\$ 5,917,019</b>	<b>\$ (489,592)</b>

**Gross Margin:**

	For the three Months ended		\$ Change	% Change
	March 31, 2017	March 31, 2016		
Gross Margin per Statement of Operations	\$ 3,105,952	\$ 3,165,548	\$ (59,596)	-1.88%
Less: R&D, milestone, grant, license and royalty revenues	897,740	684,080	213,660	31.23%
Gross Margin from Net Product Sales	\$ 2,208,212	\$ 2,481,468	\$ (273,256)	-11.01%
Product Gross Margin %	40.69%	41.94%		

The overall gross margin dollar decrease of \$60,000 included a \$273,000 decrease in gross margin from product sales and was partially offset by a \$214,000 increase in non-product revenues. The decrease in net product sales gross margin of \$273,000 is primarily attributable to the reduction in sales compared to 2016. The net product sales gross margin decrease is primarily affected by two components, one is the decrease in product sales of \$490,000, which, at the 41.9% margin percentage for March 31, 2016, contributed \$205,000 to the decrease, and the other is the decreased change in margin percentage of 1.25%, which contributed \$68,000 to the balance of the decrease in our net product sales gross margin.

**CHEMBIO DIAGNOSTICS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2017**  
**(UNAUDITED)**

**Research and Development:**

Research and development expenses include costs incurred for product development, regulatory approvals, clinical trials, and product evaluations.

Selected expense lines:	For the three Months ended		\$ Change	% Change
	March 31, 2017	March 31, 2016		
Clinical and Regulatory Affairs:				
Wages and related costs	\$ 132,113	\$ 132,569	\$ (456)	-0.34%
Consulting	-	4,396	(4,396)	-100.00%
Stock-based compensation	9,652	-	9,652	100.00%
Clinical trials	472,945	52,095	420,850	807.85%
Other	10,658	13,700	(3,042)	-22.20%
Total Regulatory	625,368	202,760	422,608	208.43%
R&D Other than Regulatory:				
Wages and related costs	726,322	740,031	(13,709)	-1.85%
Consulting	49,009	5,660	43,349	765.88%
Stock-based compensation	43,457	7,457	36,000	482.77%
Materials and supplies	674,057	560,232	113,825	20.32%
Other	128,359	118,158	10,201	8.63%
Total other than Regulatory	1,621,204	1,431,538	189,666	13.25%
Total Research and Development	\$ 2,246,572	\$ 1,634,298	\$ 612,274	37.46%

Expenses for Clinical & Regulatory Affairs for the three months ended March 31, 2017 increased by \$423,000 as compared to the same period in 2016. This was primarily due to the increase in clinical trial expenses of \$421,000.

R&D expenses other than Clinical & Regulatory Affairs increased by \$190,000 in the three months ended March 31, 2017, as compared with the same period in 2016. The increases were primarily related to an increase in material and supplies, in order to support the increase in our sponsored research.

**Selling, General and Administrative Expenses:**

Selected expense lines:	For the three Months ended		\$ Change	% Change
	March 31, 2017	March 31, 2016		
Wages and related costs	\$ 1,032,194	\$ 814,249	\$ 217,945	26.77%
Consulting	9,425	61,744	(52,319)	-84.74%
Commissions	231,724	315,980	(84,256)	-26.66%
Stock-based compensation	74,297	46,132	28,165	61.05%
Marketing materials	110,976	50,133	60,843	121.36%
Investor relations/investment bankers	69,622	82,926	(13,304)	-16.04%
Legal, accounting and compliance	301,381	332,117	(30,736)	-9.25%
Travel, entertainment and trade shows	170,307	90,484	79,823	88.22%
Other	488,411	205,639	282,772	137.51%
<b>Total S, G &amp; A</b>	<b>\$ 2,488,337</b>	<b>\$ 1,999,404</b>	<b>\$ 488,933</b>	<b>24.45%</b>

Selling, general and administrative expenses for the three months ended March 31, 2017, increased by \$489,000 as compared with the same period in 2016, a 24.5% increase. This increase resulted primarily from increases in wages and related costs due to an increase in sales staff, stock-based compensation, marketing material, travel, entertainment and trade shows, and other expenses which were partially offset by decreases in commissions, primarily due to decreased sales to Brazil, and decreases in consulting, professional fees, and investor relations expenses.

**CHEMBIO DIAGNOSTICS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2017**  
**(UNAUDITED)**

**Other Income:**

	<b>For the three Months ended</b>		<b>\$ Change</b>	<b>% Change</b>
	<b>March 31, 2017</b>	<b>March 31, 2016</b>		
<b>Interest income</b>	\$ 13,382	\$ 2,564	\$ 10,818	421.92%
<b>Total Other Income</b>	<u>\$ 13,382</u>	<u>\$ 2,564</u>	<u>\$ 10,818</u>	<u>421.92%</u>

Other income for the three months ended March 31, 2017 increased to \$13,382, from an income of \$2,564 in the same period in 2016, primarily as a result of interest income received as a result of more cash to invest.

**Income tax expense:**

The Company recorded a full valuation allowance during the three months ended March 31, 2017, on its deferred tax assets.

**MATERIAL CHANGES IN FINANCIAL CONDITION**

<b>Selected Changes in Financial Condition</b>	<b>As of</b>		<b>\$ Change</b>	<b>% Change</b>
	<b>March 31, 2017</b>	<b>December 31, 2016</b>		
Cash and cash equivalents	\$ 5,582,482	\$ 10,554,464	\$ (4,971,982)	-47.11%
Accounts receivable, net of allowance for doubtful accounts of \$52,000 at March 31, 2017 and December 31, 2016, respectively	5,681,524	3,383,729	2,297,795	67.91%
Inventories	3,754,481	3,335,188	419,293	12.57%
Fixed assets, net of accumulated depreciation	1,901,557	1,709,321	192,236	11.25%
Deposits on manufacturing equipment	173,499	31,900	141,599	443.88%
Deposits and other assets	161,189	720,489	(559,300)	-77.63%
Prepaid expenses and other current assets	910,413	840,145	70,268	8.36%
Goodwill	1,162,000	-	1,162,000	100.00%
Intangible assets, net	1,560,361	-	1,560,361	100.00%
Accounts payable and accrued liabilities	3,398,157	3,013,133	385,024	12.78%
Deferred revenue	116,668	392,517	(275,849)	-70.28%

Cash decreased by \$4,972,000 from December 31, 2016, primarily due to cash used in operating activities and cash used in investing activities, primarily for the acquisition in RVR, for the three months of 2017. In addition, there were increases in accounts receivable of \$2,298,000 (primarily due to a large customer as described under "Liquidity And Capital Resources"), inventories of \$419,000, prepaid expenses, net of amortization, of \$70,000, net fixed assets of \$192,000, deposits on manufacturing equipment of \$142,000, an increase in accounts payable and accrued liabilities of \$385,000, and increases in goodwill and intangible assets of \$1,162,000 and \$1,560,000, respectively due to the RVR acquisition. We experienced a decrease in deposits and other assets of \$559,000, primarily from reducing the deposit paid for the RVR acquisition, and a decrease in deferred revenue of \$276,000.

**CHEMBIO DIAGNOSTICS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2017**  
**(UNAUDITED)**

**LIQUIDITY AND CAPITAL RESOURCES**

	<b>For the three Months ended</b>		<b>\$ Change</b>	<b>% Change</b>
	<b>March 31, 2017</b>	<b>March 31, 2016</b>		
<b>Net cash used in operating activities</b>	\$ (3,871,811)	\$ (2,690,610)	\$ (1,181,201)	43.90%
<b>Net cash used in investing activities</b>	(1,100,171)	(28,407)	(1,071,764)	3,772.89%
<b>Net cash provided by financing activities</b>	-	-	-	N/A
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<u>\$ (4,971,982)</u>	<u>\$ (2,719,017)</u>	<u>\$ (2,252,965)</u>	<u>82.86%</u>

The Company's cash decreased as of March 31, 2017 by \$4,972,000 from December 31, 2016, primarily due to cash used in operating activities, and net cash used in investing activities, primarily for the RVR acquisition, for the first three months of 2017.

The cash used in operations in the first three months of 2017 was \$3,872,000, which consisted primarily of an increase in accounts receivable of \$2,298,000, an increase in prepaid expenses of \$114,000 (net of amortization), increase in inventories of \$419,000, a decrease in deferred revenue of \$276,000, and a net loss net of non-cash items of \$1,002,000, partially offset by cash provided by an increase in accounts payable and accrued liabilities of \$237,000. Net loss net of non-cash items includes loss before income taxes of \$1,616,000 reduced by non-cash expenses of \$478,000 in depreciation and amortization, and of \$136,000 in share-based non-cash compensation. The use of cash from investing activities is primarily due to the acquisition of RVR for \$1,400,000 in cash, of which \$850,000 was paid in the three months ended March 31, 2017, and partially offset by reduction in deposit for RVR investment of \$550,000 for a deposit paid in December of 2016.

The Company currently has positive working capital. It has used approximately \$5.0 million in cash for the three months ended March 31, 2017, primarily due to cash used in operating activities. Approximately \$2.8 million of the total \$5.7 million of accounts receivable is related to one customer, and the Company has a high degree of confidence that this account receivable is collectible from this customer.

**Fixed Asset Commitments**

As of March 31, 2017, the Company had \$173,499 in deposits on equipment, and \$191,400 in commitments for additional equipment purchase obligations.

**CHEMBIO DIAGNOSTICS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2017**  
**(UNAUDITED)**

**RECENT DEVELOPMENTS AND CHEMBIO'S PLAN OF OPERATIONS FOR THE NEXT TWELVE MONTHS**

During the first quarter of 2017, Chembio continued to execute its strategy to expand the Company's commercial channels, focusing on the United States (U.S.), Latin America, Asia Pacific, Europe and Africa, by adding sales management, distribution relationships, and a new base of operations in Southeast Asia. With this new organization, Chembio achieved a geographic mix of product sales for the first quarter of 2017, consisting of 39% of sales in Latin America, 26% in Asia Pacific, 20% in the U.S., 8% in Europe, and 7% in Africa.

Also during the first quarter, Chembio continued efforts to expand its product portfolio by leveraging its patented DPP® technology platform, which the Company believes will result in both near-term and long-term growth opportunities. The near-term product development strategy includes two primary objectives: 1) strengthening Chembio's core business in the sexually transmitted disease market, and 2) building a strong position in the high-growth fever and tropical disease market.

To strengthen the Company's core business related to sexually transmitted disease, Chembio continues to focus on the DPP® HIV-Syphilis Assay in response to the global concerns related to co-infection and mother-to-child transmission of both HIV and Syphilis. During the first quarter of 2017, Chembio received a CE mark for the DPP® HIV-Syphilis Assay, which allows the product to be marketed and sold within the member states of the European Union and in the Caribbean, except for Puerto Rico. The clinical trial to support Chembio's FDA application for the DPP® HIV-Syphilis Assay, which was initiated during first quarter of 2016, has been completed. In March 2017, the FDA requested further clinical studies in addition to those recently completed. As a result, Chembio is in discussion with the FDA regarding the timing of filing the Premarket Approval Application with the FDA. Another important recent development is that Chembio has secured a \$5.8 million order to supply, during 2017, test components and intermediate product for the production of DPP® HIV 1/2 Assays in Brazil and subsequent supply to Brazil's Ministry Of Health.

To build a strong position in the tropical and fever disease market, Chembio continues to make significant progress toward the goal of commercializing multiple products during 2017. During the first quarter of 2017, the Company initiated sales of the DPP® Zika Assay and DPP® Zika/Dengue/Chikungunya Assay to the Centers For Disease Control And Prevention (CDC) for use in a pilot surveillance program in Peru, India, Guatemala, and Haiti. The Company also initiated sales of our DPP® Dengue Assay in Asia Pacific, and continues to pursue important regulatory approvals for the DPP® Zika Assay, including with the U.S. FDA Emergency Use Authorization (EUA), World Health Organization Emergency Use Assessment And Listing (EUAL), and the Brazil Agência Nacional de Vigilância Sanitária (ANVISA).

Subsequent to the first quarter of 2017, Chembio had another important development in the fever disease business, as the Company entered into a new collaboration with FIND to develop a POC test that can identify multiple life-threatening acute febrile illnesses common in the Asia Pacific region. Over the next twelve months, Chembio and FIND will endeavor to develop a simple, rapid, and cost-effective test, based on Chembio's proprietary DPP® technology platform, to detect multiple diseases simultaneously. Developing such a test, to address the most common causes of fever in Asia Pacific, is aligned with the Company's growth strategy and affirms Chembio's commitment to the development of new and innovative POC diagnostic tests for life-threatening febrile illnesses.

It is important to note that nearly all of the Company's fever and tropical disease products are being developed through collaborations and/or funding from world-leading health organizations including, the Bill & Melinda Gates Foundation, the Paul G. Allen Family Foundation, the CDC, FIND, the U.S. Department of Health And Human Services (HHS), the Office of the Assistant Secretary for Preparedness and Response, and the Biomedical Advanced Research And Development Authority (BARDA).

In addition to the progress the Company achieved with its programs, Chembio had two important corporate/operational advances during the first quarter of 2017.

As part of Chembio's global commercialization strategy, the Company appointed three new international sales executives. Javier Gutman joined the Company as Regional Director, Latin America, Kenneth Burns joined the Company as Regional Director, Africa, and Mohan Anasalam joined the Company as Regional Director, Asia Pacific. The newly appointed sales executives will focus on increasing product sales, strengthening and expanding the Company's distribution channels, and providing local support to customers and commercial partners in their respective regions.



**CHEMBIO DIAGNOSTICS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2017**  
**(UNAUDITED)**

Also in January 2017, the Company completed the acquisition of RVR Diagnostics Sdn Bhd (RVR), a Malaysia, privately-held manufacturer and distributor of POC diagnostic tests for infectious diseases. Since the beginning of Chembio's alliance with RVR in 2014, RVR successfully built a manufacturing facility capable of producing DPP® Assays and obtained ISO 13485 certification for the plant. RVR also received regulatory approval to market and sell products in certain Southeast Asia countries, provided funding to accelerate the development of Chembio's DPP® Dengue Assay, and was granted an important Dengue tender award in Malaysia. Chembio made the decision to acquire RVR as a result of the considerable progress made by RVR over the last two years, and to further support the Company's global product and commercialization strategy. As a subsidiary of Chembio, RVR is an important base of operations, providing additional revenue, a strategically located and cost-effective manufacturing facility, and a path to regulatory access in Southeast Asia.

**Overview of Chembio's Global Sales**

During the first quarter of 2017, Chembio achieved total revenue of \$6.3 million, which included product revenue of \$5.4 million. While total revenue declined by 4.2% as compared with the first quarter of 2016, it is important to note that the prior-year period included approximately \$1.8 million in product purchases by our previous U.S. distributor, while the first quarter of 2017, included approximately \$1.4 million is sales from our recently acquired Malaysia subsidiary. During the first quarter of 2017, we continue to see important quarter-on-quarter sales growth.

Within a number of geographic regions, Chembio had several notable sales successes during the first quarter of 2017. In Asia Pacific, the Company achieved \$1.4 million in product sales, driven by key tender wins in Malaysia, representing the first time Chembio has achieved meaningful sales in Asia. In the U.S., the Company achieved \$1.1 million in product sales, and a number of HIV tenders, which were won during the last two quarters and much of which the Company expects to realize over the next 18 months. In Latin America, Chembio achieved product sales of \$2.1 million driven by sales to Brazil and, as noted, the Company secured a large order in the HIV testing market, which we expect to positively impact our business in Brazil during the remainder of 2017. And, in Europe and Africa, the Company achieved \$0.8 million in combined product sales, largely driven by HIV sales in the HIV self-testing and professional HIV testing segments.

**Conclusion:**

The advances during the first quarter of 2017 significantly changed the Chembio organization and strengthened its global sales and marketing organization. During the first quarter, Chembio established a new operational base in Southeast Asia that will provide the Company with important manufacturing efficiencies, a successful turnkey commercialization organization, and access to regulatory approvals in the region. It also brings a strong revenue stream.

In the sexually transmitted disease business, the Company received an important CE mark for the DPP® HIV-Syphilis combination assay, clearing it to be marketed and sold within the member states of the European Union and in the Caribbean region, except for Puerto Rico. As Chembio continues to advance the DPP® HIV-Syphilis combination assay for the U.S. market, we are encouraged to have another important region validate the importance of this combination diagnostic.

In our fever disease business, based on the success Chembio has already demonstrated with the development of its DPP® Fever Panel – Africa, the Company entered into a new collaboration for the development of the DPP® Fever Panel – Asia with FIND, a world-leading organization dedicated to the delivery of high-quality, affordable diagnostics to communities in need around the world. The new DPP® Fever Panel is being developed to test for nine infectious diseases that are specific to the Asia region.

And lastly, to support each of these advances and the Company's growth objectives, Chembio appointed three seasoned and successful sales executives to manage and expand the Chembio sales footprint worldwide.

We believe the advances made during the first quarter of 2017 demonstrate Chembio's commitment to continue expanding its global commercial channels, strengthening its core business in the sexually transmitted disease market, and building a strong position in the high-growth fever and tropical disease market.

**CHEMBIO DIAGNOSTICS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2017**  
**(UNAUDITED)**

**ITEM 4. CONTROLS AND PROCEDURES**

- (a) **Disclosure Controls and Procedures.** Under the supervision and with the participation of our senior management, consisting of our principal executive officer and our principal financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this report. Based on this evaluation, our management, including our principal executive officer and principal financial officer, concluded that as of March 31, 2017 our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. Our disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in our Exchange Act reports is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.
- (b) **Changes in Internal Control over Financial Reporting.** There were no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rule 13a-15 or Rule 15d-15 under the Exchange Act that occurred during the three months ended March 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**CHEMBIO DIAGNOSTICS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2017**  
**(UNAUDITED)**

**PART II. OTHER INFORMATION**

**ITEM 6. EXHIBITS**

**EXHIBITS INDEX**

<b>Number</b>	<b>Description</b>
3.1	<a href="#">Articles of Incorporation, as amended.</a> (1)
3.2	Bylaws and Bylaw Amendments. (2)
3.3	<a href="#">Certificate of Designation of Series D Preferred Stock</a> (13)
4.1	<a href="#">2008 Stock Incentive Plan, as amended.</a> (3)
4.2	<a href="#">Form of Option, for 2008 Stock Incentive Plan</a> (4)
4.3	<a href="#">2014 Stock Incentive Plan</a> (5)
4.4	<a href="#">Form of Option, for 2014 Stock Incentive Plan</a> (6)
4.5	<a href="#">Rights Agreement, dated as of March 8, 2016</a> (7)
4.6	Form of Warrant (to be filed by amendment)
10.1*	<a href="#">Employment Agreement dated effective as of March 13, 2017 with John J. Sperzel III</a>
10.2*	<a href="#">Employment Agreement dated March 5, 2016 with Javan Esfandiari</a> (8)
10.3*	<a href="#">Employment Agreement dated June 12, 2015 with Sharon Klugewicz</a> (9)
10.4*	<a href="#">Employment Agreement dated January 9, 2017 with Magentiren Vajuram</a>
10.5*	<a href="#">Employment Agreement dated January 9, 2017 with Avijit Roy</a>
10.6	<a href="#">HIV Barrel License, Marketing and Distribution Agreement, dated as of September 29, 2006, by and among the Registrant, Alere and StatSure.</a> (10)
10.8	<a href="#">HIV Cassette License, Marketing and Distribution Agreement, dated as of September 29, 2006, between the Registrant and Alere.</a> (10)
10.9	<a href="#">Non-Exclusive License, Marketing and Distribution Agreement, dated as of September 29, 2006, between the Registrant and Alere.</a> (10)
10.10	<a href="#">Joint HIV Barrel Product Commercialization Agreement, dated as of September 29, 2006, between the Registrant and StatSure.</a> (10)
10.11	<a href="#">2015 Omnibus Agreement</a> (11)
10.12	<a href="#">Amended And Restated Stock Purchase Agreement, dated as of December 7, 2016, by and among Chembio Diagnostics, Inc., RVR Diagnostics Sdn Bhd, Avijit Roy and Magentiren Vajuram</a> (14)
14.1	<a href="#">Ethics Policy</a> (12)
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Definition Linkbase Document
101.LAB	XBRL Taxonomy Label Linkbase Document
101.PRE	XBRL Taxonomy Presentation Linkbase Document

**CHEMBIO DIAGNOSTICS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2017**  
**(UNAUDITED)**

1 Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on July 29, 2010.  
2 Incorporated by reference to the Registrant's registration statement on [Form SB-2 \(File No. 333-85787\) filed with the Commission on August](#)  
3 [23, 1999](#) and the Registrant's Forms 8-K filed on [May 14, 2004](#), [December 20, 2007](#) and [April 18, 2008](#).  
4 Incorporated by reference to the Registrant's definitive proxy statement on Schedule 14A filed with the Commission on August 3, 2012.  
5 Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on May 8, 2014.  
6 Incorporated by reference to the Registrant's definitive proxy statement on Schedule 14A filed with the Commission on April 29, 2014.  
7 Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on August 7, 2014.  
8 Incorporated by reference to the Registrant's registration statement on Form 8-A filed with the Commission on April 7, 2016.  
9 Incorporated by reference to the Registrant's Current Report on Form 8-K filed with the Commission on March 14, 2016.  
10 Incorporated by reference to the Registrant's Current Report on Form 8-K filed with the Commission on June 17, 2015.  
11 Incorporated by reference to the Registrant's Current Report on Form 8-K filed with the Commission on October 5, 2006.  
12 Incorporated by reference to the Registrant's Annual Report on Form 10-K filed with the Commission on March 5, 2015.  
13 Incorporated by reference to the Registrant's Annual Report on Form 10-KSB filed with the Commission on March 30, 2006.  
14 Incorporated by reference to the Registrant's Current Report on Form 8-K filed with the Commission on April 7, 2016.  
Incorporated by reference to the Registrant's Current Report on Form 8-K filed with the Commission on January 10, 2017.

(\*) An asterisk (\*) beside an exhibit number indicates the exhibit contains a management contract, compensatory plan or arrangement which is required to be identified in this report.

---

**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.

Chembio Diagnostics, Inc.

Date: May 9, 2017 By: /s/ John J. Sperzel III  
John J. Sperzel III  
Chief Executive Officer  
(Principal Executive Officer)

Date: May 9, 2017 By: /s / Richard J. Larkin  
Richard J. Larkin  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

**CERTIFICATION**

I, John J. Sperzel III, certify that:

1. I have reviewed this Form 10-Q of Chembio Diagnostics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) 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(s) 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 the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2017

/s/ John J. Sperzel III  
John J. Sperzel III, Chief Executive Officer

**CERTIFICATION**

I, Richard J. Larkin, certify that:

1. I have reviewed this Form 10-Q of Chembio Diagnostics, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) 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(s) 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 the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2017

/s/ Richard J. Larkin

Richard J. Larkin, Chief Financial Officer

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q (the "Report") of Chembio Diagnostics, Inc. (the "Company") for the quarter ended March 31, 2017, each of the undersigned John J. Sperzel III, the Chief Executive Officer of the Company, and Richard J. Larkin, the Chief Financial Officer of the Company, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of the undersigneds' knowledge and belief:

(1) This Form 10-Q for the quarter ended March 31, 2017 fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in this Form 10-Q for the quarter ended March 31, 2017 fairly presents, in all material respects, the financial condition and results of operations of Chembio Diagnostics, Inc. for the periods presented therein.

Dated: May 9, 2017

/s/ John J. Sperzel III

John J. Sperzel III  
Chief Executive Officer

Dated: May 9, 2017

/s/ Richard J. Larkin

Richard J. Larkin  
Chief Financial Officer

## EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") is entered into as of this 31<sup>st</sup> day of March 2017 by and between Chembio Diagnostics, Inc., a Nevada corporation (the "Company"), and John J. Sperzel III ("Employee"), to be effective as of March 13, 2017 (the "Effective Date"). Employee and the Company are sometimes referred to individually as a "Party" and collectively as the "Parties."

In consideration of the mutual covenants, promises and agreements herein contained, the Company and Employee hereby covenant, promise and agree to and with each other as follows:

1. Employment. The Company shall employ Employee, and Employee shall perform services for and on behalf of the Company upon the terms and conditions set forth in this Agreement.

2. Positions and Duties of Employment. Employee shall be required to devote his full energy, skill and best efforts as required to the furtherance of his managerial duties with the Company as the Company's Chief Executive Officer. While serving in this capacity, Employee shall have the responsibilities, duties, obligations, rights, benefits and requisite authority as is customary for his position and as may be determined by the Company's Board of Directors (the "Board").

Employee understands that his employment as Chief Executive Officer of the Company involves a high degree of trust and confidence, that he is employed for the purpose of furthering the Company's reputation and improving the Company's operations and profitability, and that in executing this Agreement he undertakes the obligations set forth herein to accomplish those objectives. Employee agrees that he shall serve the Company fully, diligently, competently and to the best of his ability. Employee certifies that he fully understands his right to discuss this Agreement with his attorney, that he has availed himself of this right to the extent that he desires, that he has carefully read and fully understands this entire Agreement, and that he is voluntarily entering into this Agreement.

3. Duties. Employee shall perform the following services for the Company:

(a) Employee shall serve as Chief Executive Officer of the Company, or in such other position as determined by the Board, and in that capacity shall work with the Company to pursue the Company's plans as directed by the Board. The Board agrees to recommend and support Employee as a Director at all times while he is Chief Executive Officer of the Company.

(b) Employee shall perform duties with the functions of the Chief Executive Officer of the Company, subject to the direction of the Board.

---



(c) During the Term of this Agreement (defined below), Employee shall devote substantially all of Employee's business time to the performance of Employee's duties under this Agreement, and substantially all of Employee's business time under this Agreement will be spent in the Company's locations on Long Island, New York, except for business trips taken on behalf of and for the business interests of the Company, unless otherwise agreed to by the Board; provided, however, that Employee may serve as a Director of up to two other entities so long as such entities are not competitive with the Company and such service would not pose a conflict for Employee or restrict his ability to carry out his duties to the Company, and so long as any such position is approved by the Board. Without limiting the foregoing, Employee shall perform services on behalf of the Company for at least forty hours per week, and Employee shall be reasonably available at the request of the Company at other times, including weekends and holidays, to meet the needs and requests of the Company's operations, customers, and Board.

(d) During the Term, Employee will not engage in any other activities or undertake any other commitments that conflict with or take priority over Employee's responsibilities and obligations to the Company, its business, and its customers, including without limitation those responsibilities and obligations incurred pursuant to this Agreement.

(e) During the Term, the Company will not require Employee to relocate his residence nor will the Company require that over any material period of time Employee will be required to be physically present at the Company's facilities to a greater degree than was the case prior to the effective date of this Agreement.

4. Term.

(a) Unless terminated earlier as provided for in this Agreement, the term of this Agreement shall be for three years, commencing on the Effective Date and ending on the third anniversary of the Effective Date (the "Term").

(b) If the employment relationship is terminated by either Party, Employee agrees to cooperate with the Company and with the Company's new management with respect to the transition of the new management in the operations previously performed by Employee. Upon Employee's termination, Employee agrees to return to the Company all Company documents (and all copies thereof), any other Company property in Employee's possession or control, and any materials of any kind that contain or embody any proprietary or confidential material of the Company.

5. Compensation. Employee shall receive the following as compensation:

(a) A base salary at an annual rate of \$425,000, subject to periodic review by the Board or the Compensation Committee of the Board (the "Compensation Committee"), payable in accordance with the Company's customary payroll practices (the "Base Salary"); and

(b) An annual bonus, in the discretion of the Compensation Committee or Board, of up to 50% of the Base Salary, in the discretion of the Compensation Committee or the Board, with criteria established each year by the Compensation Committee or the Board, to consist of financial, strategic, and other management goals. The bonus shall be paid between January 1 and March 15 of the year following the year to which the bonus applies.

---

(c) If Employee is eligible, the Company shall include Employee in any profit sharing plan, executive stock option plan, pension plan, retirement plan, medical and/or hospitalization plan, and/or any and all other benefit plans, except for disability and life insurance, which may be placed in effect by the Company for the benefit of the Company executives during the Term. Except for the fact that the Company at all times shall provide Employee with all or at least a portion of Employee's medical and/or hospitalization insurance, which shall not be less than that afforded to the Company's other executives, nothing in this Agreement shall limit (i) the Company's ability to exercise the discretion provided to it under any such benefit plan, or (ii) the Company's discretion to adopt, not adopt, amend or terminate any such benefit plan at any time.

(d) Employee shall be entitled to five weeks vacation leave for each year of the Term, as well as sick leave, medical insurance coverage and any other benefits consistent with the Company's plans and policies in effect for the Company's executives from time to time. The Company may modify, in its sole and absolute discretion, such benefits from time to time as it considers necessary or appropriate.

(e) During the Term, Employee shall be reimbursed for reasonable expenses that are authorized by the Company and that are incurred by Employee for the benefit of the Company in accordance with the standard reimbursement practices of the Company. As part of these amounts, the Company shall reimburse Employee for reasonable travel expenses incurred between his primary residence and the Company's offices, or at the Company's offices or facilities, including without limitation, auto mileage, ferry expenses, and hotel. Any direct payment or reimbursement of expenses shall be made only upon presentation of an itemized accounting conforming in form and content to standards prescribed by the Internal Revenue Service relative to the substantiation of the deductibility of business expenses.

(f) Any payments which the Company shall make to Employee pursuant to this Agreement shall be reduced by standard withholding and other applicable payroll deductions, including, without limitation, federal, state or local income or other taxes, social security and medicare taxes, state unemployment insurance deductions, state disability insurance deductions, and any other applicable tax or deduction (collectively, any withheld taxes and deductions, "Deductions").

## 6. Stock Option Grant.

(a) Grant of Stock Options. In recognition of Employee's importance and value to the Company and as an additional inducement for Employee to enter into this Agreement, but subject in all respects to the terms and conditions of this Agreement, including, without limitation, the vesting/exercisability schedule set forth below, and the Company's 2014 Stock Incentive Plan (the "Plan") and the Company's form of Stock Option Agreement, the Company hereby grants to Employee on the later of the Effective Date or the date that this Agreement has been signed by the Employee and the Company (the "Option Grant Date"), stock options to purchase 20,000 shares (the "Options") of the Company's common stock, \$0.01 par value per share (the "Common Stock"), with the number of those Options whose aggregate exercise price is up to but not more than \$100,000 to be incentive stock options under the Plan and within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended, and with the remainder of the Options to be non-qualified stock options under the Plan. Resales of shares of common stock underlying all the Options will be covered by the Company's registration statement on Form S-3. The price per share of the Options shall be equal to the Fair Market Value (as that term is defined below) of the Common Stock on the Option Grant Date. For purposes of this Agreement, the term "Fair Market Value" shall mean the Volume Weighted Average Traded Price (as defined below) of the Common Stock on the Option Grant Date on the National Association of Securities Dealers Automated Quotation System ("NASDAQ"). Subject to the terms and conditions of this Agreement, the Options shall become exercisable on the third anniversary of the Option Grant Date, and all the Options will expire on the seventh anniversary of the Option Grant Date unless exercised prior to that date. As used in this Agreement, the term "Volume Weighted Average Traded Price" shall mean, for a given day, the sum of sale prices for all shares traded during that day, divided by the total aggregate number of shares traded during that day.

(b) No Proportionate or Partial Vesting or Becoming Exercisable. There shall be no proportionate or partial vesting (or becoming exercisable) of the Options prior to the vesting date set forth in subparagraph 6(a) above.

(c) Restrictions on Transfer. Employee shall not exercise, sell, transfer, pledge, hypothecate, assign or otherwise encumber or dispose of the Options, except as set forth in this Agreement. Any attempted exercise, sale, transfer, pledge, hypothecation, assignment or other disposition of the Options in violation of this Agreement shall be void and of no effect.

(d) Forfeiture; Immediate Vesting. If Employee's employment is terminated by Employee at any time other than for "Reasonable Basis" (as that term is hereinafter defined) or by the Company for Cause (as that term is hereinafter defined), then Employee will forfeit, without compensation, any and all Options that are not exercisable as of the date of termination of Employee's employment. In the event Employee's employment is terminated by Employee for "Reasonable Basis" or in the event the Company terminates Employee's employment without his consent for a reason other than Cause, then all of the Options shall become exercisable immediately.

## 7. Confidentiality.

(a) Employee hereby warrants, covenants and agrees that, without the prior express written consent of the Company, and unless required by law, court order or similar process, Employee shall hold in the strictest confidence, and shall not disclose to any person, firm, corporation or other entity, any and all of the Company's information, including, for example, and without limitation, any data related to (i) drawings, sketches, plans or other documents concerning the Company's business or

development plans, customers or suppliers; (ii) the Company's development, design, construction or sales and marketing methods or techniques; or (iii) the Company's trade secrets and other "know-how" or information not of a public nature, regardless of how that information came to the custody of Employee (collectively, subsections (i), (ii) and (iii) of this Section 7(a), "Information"). For purposes of this Agreement, such Information shall include, but not be limited to, any information regarding a formula, pattern, compilation, program, device, method, technique or process that (A) derives independent economic value, present or potential, not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (B) is the subject of Company efforts.

(b) In the event Employee is required by law, court order or similar process to disclose any Information, Employee shall provide the Company immediate notice of such obligatory disclosure prior to such disclosure, so that the Company, at its sole option, may attempt to seek a protective order or other appropriate remedy to preclude such disclosure.

(c) The warranty, covenant and agreement set forth in this section 7 shall not expire, shall survive this Agreement, and shall be binding upon Employee without regard to the passage of time or any other event.

---

(d) Notwithstanding any other provision of this Agreement, Employee may disclose Information when required to do so by a court of competent jurisdiction, by any governmental agency having authority over Employee or the business of the Company or by any administrative body or legislative body (including a committee thereof) with jurisdiction to order Employee to divulge, disclose or make accessible such information. Employee and the Company agree that nothing in this Agreement (or any other agreement with the Company) is intended to interfere with Employee's right to (i) report possible violations of federal, state or local law or regulation to any governmental agency or entity charged with the enforcement of any such laws, (ii) make other disclosures that are protected under the whistleblower provisions of federal, state or local law or regulation, (iii) file a claim or charge with any state human rights commission or any other government agency or entity, or (iv) testify, assist or participate in an investigation, hearing or proceeding conducted by any state human rights commission or any other government or law enforcement agency, entity or court. In making or initiating any such reports or disclosures, Employee need not seek the Company's prior authorization and is not required to notify the Company of any such reports or disclosures. Employee is hereby notified in accordance with the Defend Trade Secrets Act of 2016 that Employee will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in confidence to a federal, state or local government official, either directly or indirectly or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, or is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding.

8. Company's Right to Inventions and Discoveries.

(a) "Inventions" means all improvements, discoveries, inventions, works of authorship, mask works, computer programs, source and object codes, writings, formulas, ideas, processes, techniques, know-how and data, made or conceived or reduced to practice or developed by Employee, either alone or jointly with others as a result of employment at the Company or that otherwise relate to the Company's actual or anticipated business or research or development. "Proprietary Rights" means all trade secret, patent, copyright, trademark, trade name, service mark, and other intellectual property rights throughout the world. Inventions and Proprietary Rights do not include inventions that the Employee developed entirely on Employee's own time without using the Company's equipment, supplies, facilities, or Information except for those inventions that either relate to the Company's actual or anticipated business, research or development or that result from work performed by the Employee for the Company.

(b) Employee hereby assigns and agrees to assign in the future to the Company all of Employee's right, title and interest in and to any and all Inventions and all Proprietary Rights, whether or not subject to protection under the patent, copyright, trademark or industrial design laws, made or conceived or reduced to practice or learned by Employee (solely or jointly with others) during Employee's employment with the Company (including, without limitation such employment prior to the Effective Date) and for a one-year period after Employee's termination of employment with the Company (collectively "Assigned Intellectual Property"). Employee further agrees that all Assigned Intellectual Property is the sole property of the Company.

(c) Employee agrees to promptly notify and fully disclose to the Company all Assigned Intellectual Property, and will take such steps as are deemed necessary to maintain complete and current records of same. Employee will, at the Company's request and expense, whether during or after employment, take such steps as are reasonably necessary to assist the Company in securing, maintaining, defending or enforcing any title and right to Assigned Intellectual Property.

---

9. **Non-Compete.** Employee acknowledges and recognizes the highly competitive nature of the Company's business and that Employee's duties hereunder justify restricting Employee's further employment following any termination of employment. Employee further acknowledges and understands that the Company recognizes Employee's importance and value to the Company and thus has provided Employee with the overall compensation package described hereunder in order to induce Employee to enter into this Agreement. Accordingly, Employee agrees that so long as Employee is employed by the Company, and (i) for a period of two years following the termination of Employee's employment, Employee shall not induce or attempt to induce any employee of the Company to leave the employ of the Company, or in any way interfere with the relationship between the Company and any other employee; (ii) for a period of one year following the termination of Employee's employment, Employee, except when acting at the request of the Company on behalf of or for the benefit of the Company, shall not induce customers, agents or other sources of distribution of the Company's business under contract, or doing business, with the Company to terminate, reduce, alter or divert business with or from the Company; and (iii) for the period during which Employee is entitled to be paid severance under this Agreement (or for a period of six (6) months after termination of Employee's employment if Employee's employment is terminated under circumstances in which Employee is not entitled to severance pursuant to the terms of this Agreement), Employee shall not, directly or indirectly, either as a principal, agent, employee, employer, consultant, partner, member or manager of a limited liability company, shareholder of a company that does not have securities registered under the Securities Exchange Act of 1934 (the "1934 Act"), or a shareholder in excess of one (1%) percent of a company that has securities registered under the 1934 Act, corporate officer or director, or in any other individual or representative capacity, engage or otherwise participate in any manner or fashion in any business that directly competes with the business activities of the Company (which at the present time are point-of-care diagnostics for infectious diseases in humans and animals) in or about any market in which the Company is, or has publicly announced a plan for, doing business. Employee further covenants and agrees that the restrictive covenants set forth in this paragraph are reasonable as to duration, terms, and geographical area and that the same protects the legitimate interests of the Company, imposes no undue hardship on Employee, and is not injurious to the public. The covenant set forth under (iii) above shall not apply if Employee's employment is terminated within twelve months of a Change Of Control (as defined below). Ownership by Employee, for investment purposes only, of less than one percent of any class of securities of a corporation if those securities are listed on a national securities exchange or registered under the 1934 Act shall not constitute a breach of the covenant set forth under (iii) above. Employee acknowledges and understands that, by virtue of his position with the Company, he will have exposure to various entities with which the Company does business or is in discussions to do business. Accordingly, Employee hereby covenants and agrees that, so long as he is employed by the Company, he will not, except with the prior written consent of the Company, solicit or enter into any discussions for a position of employment with any such entities. It is the desire and intent of the Parties that the provisions of this paragraph be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, if any particular portion of this paragraph shall be adjudicated to be invalid or enforceable, this paragraph shall be deemed amended to apply in the broadest allowable manner and to delete therefrom the portion adjudicated to be invalid or unenforceable, such amendment and deletion to apply only with respect to the operation of this paragraph in the particular jurisdiction in which that adjudication is made. If Employee violates any of the restrictions contained in this Section 9, the Restricted Period shall be suspended and shall not run in favor of Employee until such time that Employee cures the violation; the period of time in which Employee is in breach shall be added to the restricted period.

---

10. Internal Revenue Code Section 409A ("409A") Matters. This Agreement is intended to comply with Section 409A of the U.S. Internal Revenue Code. Any ambiguous provisions will be construed in a manner that is compliant with or exempt from the application of 409A. If a provision of this Agreement would result in the imposition of an applicable tax under 409A, the Parties agree that such provision shall be reformed to avoid imposition of the applicable tax, with such reformation effected in a manner that has the most favorable result to Employee.

(a) For purposes of 409A, each payment or amount due under this Agreement shall be considered a separate payment, and Employee's entitlement to a series of payments under this Agreement is to be treated as an entitlement to a series of separate payments.

(b) If (x) Employee is a "specified employee," as that term is defined in 409A and determined as described below in this Paragraph 11(b), and (y) any payment due under this Agreement is subject to 409A and is required to be delayed under 409A because Employee is a specified employee, that payment shall be payable on the earlier of (A) the first business day that is six months after Employee's separation from service, as that term is defined in 409A, (B) the date of Employee's death, or (C) the date that otherwise complies with the requirements of 409A. This Section 10(b) shall be applied by accumulating all payments that otherwise would have been paid within six months of Employee's separation and paying those accumulated amounts on the earliest business day that complies with the requirements of 409A. For purposes of determining the identity of specified employees, the Board may establish procedures as it deems appropriate in accordance with 409A.

11. Termination.

(a) If Employee's employment is terminated by the Company without Cause (as defined below), or if Employee terminates his employment for Reasonable Basis (as defined below), then the Company shall, in exchange for Employee's execution of a general release and waiver of claims against the Company as of the termination date in a form reasonably acceptable to the Company, (i) pay Employee, as severance, an amount equal to Employee's Base Salary for a period of twelve (12) months following the date such general release and waiver of claims is executed by Employee and delivered to the Company; provided, however, that in the event the time period for Employee to execute and deliver an irrevocable general release and waiver of claims spans two taxable years, the first severance payment shall not be paid to the Employee until the second taxable year; (ii) pay Employee an annual bonus (based on actual performance and determined in accordance with section 5(b) above), which amount, if any, shall be prorated based on the number of days elapsed from the commencement of such fiscal year through and including the date of such termination and paid at such time as such year's annual bonus would have been paid had the Employee's employment not terminated, but in no event later than the date that is 2 ½ months following the last day of the fiscal year in which the termination occurred; and (iii) pay Employee an amount equal to the Company's monthly share of health insurance premium payments for the Employee, as in effect for other executive officers of the Company, on a monthly basis during the period when Employee is paid severance under (i) ((i), (ii) and (iii) collectively, "Severance Payments"). The Severance Payments shall be made in accordance with the Company's customary payroll practices, and all payments described above shall be subject to all applicable Deductions. The Company shall provide Employee with the form of general release and waiver described above not later than thirty (30) days after the termination of this Agreement and Employee shall have a maximum of thirty (30) days to sign the general release and waiver.

---

If the Company and the Employee do not enter into a new employment agreement prior to expiration of this Agreement, then Employee's employment shall be deemed to have been terminated by the Company without Cause and all the provisions of the preceding paragraph shall apply.

Notwithstanding any provision herein to the contrary: (a) if there is a Disengaging Change of Control (as defined below) and Employee terminates his employment within six (6) months after such Disengaging Change in Control, the severance amount to be paid to Employee will be equal to twelve (12) months Base Salary payable over a period of twelve (12) months; and (b) if there is an Engaging Change of Control (as defined below) and at any time thereafter, the Company terminates Employee's employment without Cause or Employee terminates his employment with Reasonable Basis, the severance amount to be paid to Employee will be equal to twelve (12) months Base Salary payable over twelve (12) months;

In the event of any such termination set forth in this Section 11(a), Employee will not be entitled to any additional cash compensation or benefits beyond what is provided in the first sentence of this Section 11(a), except that Employee shall be entitled to receive all compensation earned (including pay for up to two weeks of unused vacation in accordance with Company policy as set forth in the Company's Employee Handbook dated April 2012), plus any accrued unused vacation (calculated on a per diem proportionate basis) for the year of termination, and all benefits and reimbursements due through the effective date of termination. In addition, Employee shall be entitled to payment of any bonus in respect of any completed year that ended prior to the date of such termination, which bonus shall be paid not later than the fifteenth (15<sup>th</sup>) day of the third month in the year following the year to which the bonus applies.

(i) For purposes of this Agreement, "Cause" shall mean that the Board, acting reasonably and in good faith based upon the information then known to the Company, determines that Employee has engaged in or committed any of the following: (A) willful misconduct, gross negligence, theft, fraud, or other illegal conduct or conduct that violates the Company's Insider Trading Policy or other regulations of the U.S. Securities and Exchange Commission and with respect to which Employee was not acting under the advice of counsel for the Company; (B) refusal or unwillingness to perform any of Employee's material duties (as "material" is determined by the Board, reasonably and in good faith); (C) performance by Employee of Employee's duties determined by the Board to be inadequate in a material (as determined by the Board, reasonably and in good faith) respect (meaning that Employee has failed to diligently perform his duties); (D) breach of any material applicable non-competition provision, confidentiality provision or other proprietary information or inventions agreement between Employee and the Company; (E) inappropriate conflict of interest; (F) insubordination (meaning the refusal of Employee to follow a lawful and reasonable directive of the Board that is made known to him, and that implementing the directive is within the ambit of Employee's duties); (G) failure to follow the material directions of the Board or any committee thereof; or (H) any other material breach of this Agreement. In addition, an indictment or conviction of any felony, or any entry of a plea of nolo contendere, under the laws of the United States or any State shall be considered "Cause" hereunder. "Cause" shall be specified in a notice of termination to be delivered by the Company to Employee no later than the date as of which termination is effective. As to subsections (B), (C), (D), (E), (F), (G), and (H), the Company shall not have Cause unless it provides written notice to Employee specifying in reasonable detail Employee's alleged failure or breach and Employee does not cure the alleged failure or breach within fourteen days after receipt of such notice. The Parties agree that to the extent that the failure or breach cannot be cured because what occurred in the past cannot reasonably be reversed or otherwise remedied by future actions or other conduct, then no such cure or cure period will be permitted. The determination of whether a matter is "material" under this Agreement shall be made by the Board, reasonably and in good faith.

---

(ii) For purposes of this Agreement, "Reasonable Basis" shall mean (A) a material breach of this Agreement by the Company, provided, however, that Employee shall provide written notice to the Company of any alleged material breach within 90 days of the breach first occurring, and any alleged material breach will only be considered a material breach if the Company fails to cure such breach within thirty days after receiving notice of such breach, and further provided that Employee terminates Employee's employment within 30 days after the end of the cure period for such breach; (B) termination of Employee's employment by the Company without Cause during the term hereof; (C) a material reduction in Employee's salary or bonus opportunity, except to the extent that a majority of the other executive officers of the Company incur reductions of salary or bonus opportunity that average no less than the percentage reduction incurred by Employee, and termination of Employee's employment by Employee within 30 days after the end of the 90-day notice and 30-day cure periods described below; (D) without Employee's consent, a material reduction in Employee's title, duties, or responsibilities, or benefits, and termination of Employee's employment by Employee within 30 days after the end of the 90-day notice and 30-day cure periods described below; or (E) termination of Employee's employment by Employee within six months after the end of the 90-day notice and 30-day cure periods described below in the case of a "Disengaging Change Of Control." For the purposes of this Agreement, the terms "Change Of Control", "Engaging Change Of Control", and "Disengaging Change Of Control" are defined below. Further, in order to be considered a Reasonable Basis termination except as otherwise provided above in this paragraph, Employee must give notice of the existence of one of the Reasonable Basis conditions within 90 days of the condition first occurring and the Company must have 30 days to cure the condition.

A. The term "Change Of Control" is defined as follows:

- (1) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation, other than a merger of the Company in which the holders of the Company's voting common stock immediately prior to the merger own a majority of the voting common stock of the surviving corporation immediately after the merger;
- (2) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of the Company;
- (3) any approval by the stockholders of the Company of any plan or proposal for the liquidation or dissolution of the Company;
- (4) the acquisition by any person or entity, or any group of persons and/or entities of a majority of the stock entitled to elect a majority of the directors of the Company; or
- (5) subject to applicable law, in a Chapter 11 bankruptcy proceeding, the appointment of a trustee or the conversion of a case involving the Company to a case under a Chapter 7 bankruptcy proceeding.

B. The term "Engaging Change Of Control" is defined as follows: A Change Of Control pursuant to which Employee is offered to be employed by the Company or its successor, provided that each of the following is adhered to:

- (1) the material economic terms of this Agreement continue to be in effect;
-



(2) the material responsibilities of Employee continue to be substantially similar to those prior to the Change Of Control, which means that Employee continues to be in charge of running the business that was previously the business of the Company – even if Employee's title is different because after the Change Of Control substantially all of the business of the Company becomes part of a subsidiary or a division, or a similar structure, of the new controlling person or entity; and

(3) either (I) the Employee is not required to travel more than 10 miles farther to Employee's primary work location after the Change Of Control than Employee was required to travel to his primary work location prior to the Change Of Control; or (II) Employee's primary work location after the Change Of Control is located not more than 10 miles away from Employee's primary work location prior to the Change Of Control.

C. The term "Disengaging Change Of Control" is defined as a Change Of Control that does not satisfy the definition of an Engaging Change Of Control.

(b) In the event that Employee's employment with the Company is terminated for Cause, by reason of Employee's death or disability, or due to Employee's resignation or voluntary termination (other than for a Reasonable Basis), then all compensation (including, without limitation, any Base Salary, and the right to receive a Performance Bonus, and benefits, and the vesting of any unvested Options, will cease as of the effective date of such termination, and Employee shall receive no severance benefits, or any other compensation; provided that Employee shall be entitled to receive all compensation earned (including up to two weeks pay for unused vacation), all benefits and reimbursements due through the effective date of termination, and payment of any bonus in respect of any completed year that ended prior to the date of such termination (which bonus shall be paid not later than the 15<sup>th</sup> day of the third month in the year following the year to which the bonus applies).

(c) Employee agrees that the payments contemplated by this Agreement shall constitute the exclusive and sole remedy for any termination of employment, and Employee covenants not to assert or pursue any other remedies, at law or in equity, with respect to any termination of employment.

(d) Any Party terminating this Agreement shall give prompt written notice to the other Party hereto advising such other Party of the termination of this Agreement stating in reasonable detail the basis for such termination (the "Notice of Termination"). The Notice of Termination shall indicate whether termination is being made for Cause (if the Company has terminated the Agreement) or for a Reasonable Basis (if Employee has terminated the Agreement).

12. Remedies. If there is a breach or threatened breach of any provision of Section 7, 8, 9 or 11 of this Agreement, the Company will suffer irreparable harm and shall be entitled to an injunction restraining Employee from such breach. Nothing herein shall be construed as prohibiting the Company from pursuing any other remedies for such breach or threatened breach.

---

13. Severability. It is the clear intention of the Parties to this Agreement that no term, provision or clause of this Agreement shall be deemed to be invalid, illegal or unenforceable in any respect, unless such term, provision or clause cannot be otherwise construed, interpreted, or modified to give effect to the intent of the Parties and to be valid, legal or enforceable. The Parties specifically charge the trier of fact to give effect to the intent of the Parties, even if in doing so, invalidation of a specific provision of this Agreement is required to make the Agreement consistent with the foregoing stated intent. In the event that a term, provision, or clause cannot be so construed, interpreted or modified, the validity, legality and enforceability of the remaining provisions contained herein and other application(s) thereof shall not in any way be affected or impaired thereby and shall remain in full force and effect.

14. Waiver of Breach. The waiver by the Company or Employee of the breach of any provision of this Agreement by the other Party shall not operate or be construed as a waiver of any subsequent breach by that Party.

15. Entire Agreement. This document contains the entire agreement between the Parties and supersedes all prior oral or written agreements, if any, concerning the subject matter hereof or otherwise concerning Employee's employment by the Company. This Agreement may not be changed orally, but only by a written agreement signed by both Parties.

16. Governing Law. This Agreement, its validity, interpretation and enforcement, shall be governed by the laws of the State of New York, excluding conflict of laws principles. Employee hereby expressly consents to personal jurisdiction in the state and federal courts located in Long Island, NY for any lawsuit filed there against him by the Company arising from or relating to this Agreement.

17. Notices. Any notice pursuant to this Agreement shall be validly given or served, and deemed effective, if that notice is made in writing and delivered personally or sent by courier or overnight courier and received at the following respective address of the Party to whom the notice is being given:

If to Company: Chembio Diagnostics, Inc.  
3661 Horseblock Road, Suite A  
Medford, NY 11763  
Attention: CFO

If to Employee: To the address for Employee set forth below his signature.

Either Party, by notice given in the manner described above, may change the address to which his or its future notices shall be sent.

18. Assignment and Binding Effect. This Agreement shall be binding upon Employee and shall be binding on and benefit the Company and its successors and assigns. This Agreement shall not be assignable by Employee.

19. Headings. The headings in this Agreement are for convenience only; they form no part of this Agreement and shall not affect its interpretation.

20. Construction. Employee represents that he has (a) read and completely understands this Agreement and (b) had an opportunity to consult with such legal and other advisers as he has desired in connection with this Agreement. This Agreement shall not be construed against any one of the Parties.

21. Directors' and Officers' Insurance. The Company is to maintain directors' and officers' insurance in an amount determined by the Board to be reasonable.

22. Key Man Insurance. The Company may, in its discretion, purchase, one or more "key man" insurance policies on Employee's life, each of which will be payable to and owned by the Company. The Company, in its sole discretion, may select the amount and type of key man life insurance purchased, and Employee will have no interest in any such policies. Employee will cooperate with the Company in securing and maintaining this key man insurance by submitting to all required medical examinations, supplying all information and executing all documents required in order for the Company to secure and maintain the insurance.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed on the respective day and year set forth below to be effective as of March 13, 2017.

EMPLOYEE:

COMPANY:

JOHN J. SPERZEL III

CHEMBIO DIAGNOSTICS, INC.

By: \_\_\_\_\_

John J. Sperzel III

Richard J. Larkin  
Chief Financial Officer

Date:\_\_\_\_\_

Date:\_\_\_\_\_

Address:\_\_\_\_\_

\_\_\_\_\_

\* \* \* \* \*

## EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") is entered into as of the Effective Date, by and between RVR Diagnostics Sdn Bhd (the "Company"), and Magentiren Vajuram ("Employee"). Employee and the Company are sometimes referred to individually as a "Party" and collectively as the "Parties". As utilized in this Agreement, the term "Company" includes the Company's subsidiaries, and the term "Effective Date" is defined in Section 4 below.

In consideration of the mutual covenants, promises and agreements herein contained, the Company and Employee hereby covenant, promise and agree to and with each other as follows:

1. Employment. The Company shall employ Employee, and Employee shall perform services for and on behalf of the Company upon the terms and conditions set forth in this Agreement.

2. Positions and Duties of Employment. Employee shall be required to devote his full energy, skill and best efforts as required to the furtherance of his managerial duties with the Company as the Company's Managing Director. While serving in such capacities, Employee shall have the responsibilities, duties, obligations, rights, benefits and requisite authority as is customary for his position and as may be determined by the Company's Board of Directors (the "Board").

Employee understands that his employment as Managing Director of the Company involves a high degree of trust and confidence, that he is employed for the purpose of furthering the Company's reputation and improving the Company's sales, operations and profitability, and that in executing this Agreement he undertakes the obligations set forth herein to accomplish such objectives. Employee agrees that he shall serve the Company fully, diligently, competently and to the best of his ability. Employee certifies that he fully understands his right to discuss this Agreement with his attorney, that he has availed himself of this right to the extent that he desires, that he has carefully read and fully understands this entire Agreement, and that he is voluntarily entering into this Agreement.

3. Duties. Employee shall perform the following services for the Company:

(a) Employee shall serve as Managing Director of the Company, or in such other position as determined by the Board, and in those capacities shall work with the Company to pursue the Company's plans as directed by the Board.

(b) Employee shall perform duties with the functions of an officer of the Company, subject to the direction of the Board.

(c) During the Term (as defined in Section 4 below) of this Agreement, Employee shall devote substantially all of Employee's business time to the performance of Employee's duties under this Agreement. Without limiting the foregoing, Employee shall perform services on behalf of the Company for at least forty hours per week, and Employee shall be reasonably available at the request of the Company at other times, including weekends and holidays, to meet the needs and requests of the Company's customers.

(d) During the Term, Employee will not engage in any other activities or undertake any other commitments that conflict with or take priority over Employee's responsibilities and obligations to the Company and the Company's customers, including without limitation those responsibilities and obligations incurred pursuant to this Agreement.

---

4. Term. Unless terminated earlier as provided for in this Agreement, the term of this Agreement shall be for one year, commencing on the Effective Date and ending on the first anniversary of the Effective Date (the "Term"). At such time that the employment relationship terminates, Employee agrees to cooperate with the Company and with the appropriate employees of the Company concerning the transition to other employees of the functions previously performed by Employee. Upon Employee's termination, Employee agrees to return to the Company all Company documents (and all copies thereof), any other Company property in Employee's possession or control, and any materials of any kind that contain or embody any proprietary or confidential material of the Company. The term "Effective Date" shall mean the closing date of the purchase of all the outstanding stock and other equity of the Company by Chembio Diagnostics, Inc. as set forth in the Amended And Restated Stock Purchase Agreement (the "SPA") between and among Magentiren Vajuram, Avijit Roy, RVR Diagnostics Sdn Bhd, and Chembio Diagnostics, Inc. dated on or about December 7, 2016.

5. Compensation. As compensation for the services to be performed by Employee during the Term, Company shall pay Employee a monthly salary of US\$10,000 per month, subject to periodic review by the Board or the Compensation Committee of the Board (the "Committee"), payable in accordance with the Company's customary payroll practices (the "Base Salary").

6. Certain Additional Provisions Relating to Compensation and Other Employee Benefits.

(a) Employee shall be entitled to four (4) weeks vacation leave for each year of the Term.

(b) During the Term, Employee shall be reimbursed for reasonable expenses that are authorized by the Company and that are incurred by Employee for the benefit of the Company in accordance with the standard reimbursement practices of the Company. Any direct payment or reimbursement of expenses shall be made only upon presentation of an itemized accounting conforming in form and content to standards prescribed by the U.S. Internal Revenue Service relative to the substantiation of the deductibility of business expenses.

(c) Any payments which the Company shall make to Employee pursuant to this Agreement shall be reduced by standard withholding and other applicable payroll deductions, including, without limitation, any applicable Malaysian local income or other taxes, social security taxes, unemployment or disability insurance deductions, and any other applicable tax or deduction (collectively, any withheld taxes and deductions, "Deductions").

7. Confidentiality.

(a) Employee hereby warrants, covenants and agrees that, without the prior express written consent of the Company, and unless required by law, court order or similar process, Employee shall hold in the strictest confidence, and shall not disclose to any person, firm, corporation or other entity, any and all of the Company's information, including, for example, and without limitation, any data related to (i) drawings, sketches, plans, lists or other documents concerning the Company's business or development plans, customers or suppliers, and research and development efforts; (ii) the Company's development, design, construction or sales and marketing methods or techniques; or (iii) the Company's trade secrets and other "know-how" or information not of a public nature, regardless of how such information came to the custody of Employee (collectively, subsections (i), (ii) and (iii) of this Section 7(a), "Information"). For purposes of this Agreement, such Information shall include, but not be limited to, any information regarding a formula, pattern, compilation, program, device, method, technique or process that (A) derives independent economic value, present or potential, not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (B) is the subject of Company efforts.

---

(b) In the event Employee is required by law, court order or similar process to disclose any Information, Employee shall provide immediate notice of such obligatory disclosure prior to such disclosure, so that the Company, at its sole option, may attempt to seek a protective order or other appropriate remedy to preclude such disclosure.

(c) The warranties, covenants and agreements set forth in this Section 8 shall not expire, shall survive this Agreement, and shall be binding upon Employee without regard to the passage of time or any other event.

#### 8. Company's Right To Inventions and Discoveries

(a) "Inventions" means all improvements, discoveries, inventions, works of authorship, mask works, computer programs, source and object codes, writings, formulas, ideas, processes, techniques, know-how and data, made or conceived or reduced to practice or developed by Employee, either alone or jointly with others as a result of employment at the Company. "Proprietary Rights" means all trade secret, patent, copyright, trademark, trade name, service mark, and other intellectual property rights throughout the world. Inventions and Proprietary Rights do not include inventions that the Employee developed entirely on Employee's own time without using the Company's equipment, supplies, facilities, or Information except for those inventions that either relate to the Company's actual or anticipated business, research or development or that result from work performed by the Employee for the Company.

(b) Employee hereby assigns and agrees to assign in the future to the Company all of Employee's right, title and interest in and to any and all Inventions and all Proprietary Rights, whether or not subject to protection under the patent, copyright, trademark or industrial design laws, made or conceived or reduced to practice or learned by Employee (solely or jointly with others) during Employee's employment with the Company (including, without limitation such employment prior to the Effective Date) and for a one-year period after Employee's termination of employment with the Company (collectively "Assigned Intellectual Property"). Employee further agrees that all Assigned Intellectual Property is the sole property of the Company.

(c) Employee agrees to promptly notify and fully disclose to the Company all Assigned Intellectual Property, and will take such steps as are deemed necessary to maintain complete and current records of same. Employee will, at the Company's request and expense, whether during or after employment, take such steps as are reasonably necessary to assist the Company in securing, maintaining, defending or enforcing any title and right to Assigned Intellectual Property.

---

9. Non-Compete. Employee acknowledges and recognizes the highly competitive nature of the Company's business and that Employee's duties hereunder justify restricting Employee's further employment following any termination of employment. Employee further acknowledges and understands that the Company recognizes Employee's importance and value to the Company and thus has provided Employee with the compensation described hereunder in order to induce Employee to enter into this Agreement. Accordingly, Employee agrees that so long as Employee is employed by the Company, and (i) for a period of one (1) year following the termination of this Agreement, Employee shall not induce or attempt to induce any employee of the Company to leave the employ of the Company, or in any way interfere with the relationship between the Company and any other employee; (ii) for a period of one (1) year following the termination of this Agreement, Employee, except when acting at the request of the Company on behalf of or for the benefit of the Company, shall not induce customers, agents or other sources of distribution of the Company's business under contract or doing business with the Company to terminate, reduce, alter or divert business with or from the Company; and (iii) for a period of one (1) year following the termination of this Agreement, Employee shall not, directly or indirectly, either as a principal, agent, employee, employer, consultant, partner, member or manager of a limited liability company, shareholder of a company, corporate officer or director, or in any other individual or representative capacity, engage or otherwise participate in any manner or fashion in any business that directly competes with the business activities of the Company in or about any market in which the Company is, or has publicly announced a plan for doing business. Employee further covenants and agrees that the restrictive covenants set forth in this paragraph are reasonable as to duration, terms, and geographical area and that the same protects the legitimate interests of the Company, imposes no undue hardship on Employee, and is not injurious to the public. The covenant set forth under (iii) above shall not apply if Employee's employment is terminated within twelve (12) months of a Change in Control. Employee acknowledges and understands that, by virtue of his position with the Company, he will have exposure to various entities with which the Company does business or is in discussions to do business. Accordingly, Employee hereby covenants and agrees that, so long as he is employed by the Company, he will not, except with the prior written consent of the Company, solicit or enter into any discussions for a position of employment with any such entities. It is the desire and intent of the Parties that the provisions of this paragraph be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, if any particular portion of this paragraph shall be adjudicated to be invalid or enforceable, this paragraph shall be deemed amended to apply in the broadest allowable manner and to delete therefrom the portion adjudicated to be invalid or unenforceable, such amendment and deletion to apply only with respect to the operation of this paragraph in the particular jurisdiction in which that adjudication is made.

10. Internal Revenue Code Section 409A ("409A") Matters. This Agreement is intended to comply with 409A, and any ambiguous provisions will be construed in a manner that is compliant with or exempt from the application of 409A. If a provision of the Agreement would result in the imposition of an applicable tax under 409A, the parties agree that such provision shall be reformed to avoid imposition of the applicable tax, with such reformation effected in a manner that has the most favorable result to Employee.

(a) For purposes of 409A, each payment or amount due under this Agreement shall be considered a separate payment, and Employee's entitlement to a series of payments under this Agreement is to be treated as an entitlement to a series of separate payments.

---

(b) If (x) Employee is a "specified employee," as such term is defined in 409A and determined as described below in this Paragraph 10(b), and (y) any payment due under this Agreement is subject to 409A and is required to be delayed under 409A because Employee is a specified employee, that payment shall be payable on the earlier of (A) the first business day that is six months after Employee's separation from service, as such term is defined in 409A, (B) the date of Employee's death, or (C) the date that otherwise complies with the requirements of 409A. this Paragraph 10(b) shall be applied by accumulating all payments that otherwise would have been paid within six months of Employee's separation and paying such accumulated amounts on the earliest business day which complies with the requirements of 409A. For purposes of determining the identity of specified employees, the Board may establish procedures as it deems appropriate in accordance with 409A.

11. Termination.

(a) If Employee's employment is terminated by the Company without Cause, or if Employee terminates his employment for Reasonable Basis (as defined below), then the Company shall, in exchange for Employee's execution of a general release and waiver of claims against the Company as of the termination date in a form reasonably acceptable to the Company, continue to pay Employee's Base Salary for the remainder of the Term. Beginning with the payroll date on or immediately following the effective date of such release and waiver, such payments, including any payments withheld pending receipt of the release and waiver, shall be made in accordance with the Company's customary payroll practices, and shall be subject to all applicable Deductions (provided that if the time period for the return of the release begins in one taxable year and ends in a second taxable year, such payments shall not begin until the second taxable year, to the extent necessary to comply with Section 409A of the Internal Revenue Code of 1986, as amended) . In the event of any such termination set forth in this Section 11(a), Employee will not be entitled to any additional cash compensation or benefits beyond what is provided in the first sentence of this Section 12(a).

(i) For purposes of this Agreement, "Cause" shall mean that the Board, acting in good faith based upon the information then known to the Company, determines that Employee has engaged in or committed any of the following: (A) willful misconduct, gross negligence, theft, fraud, or other illegal conduct; (B) refusal or unwillingness to perform Employee's duties; (C) performance by Employee of Employee's duties determined by the Board to be inadequate in a material respect; (D) breach of any applicable non-competition provision, confidentiality provision or other proprietary information or inventions agreement between Employee and the Company; (E) inappropriate conflict of interest; (F) insubordination; (G) failure to follow the directions of the Board or any committee thereof; (H) any other material breach of this Agreement. In addition, an indictment or conviction of any felony, or any entry of a plea of nolo contendere, under the laws of the United States or any State shall be considered "Cause" hereunder. "Cause" shall be specified in a notice of termination to be delivered by the Company to Employee no later than the date as of which termination is effective.

---



(ii) For purposes of this Agreement, "Reasonable Basis" shall mean (A) a material breach of this Agreement by the Company, provided, however, that Employee shall provide written notice to the Company of any alleged material breach, and any alleged material breach will only be considered a material breach if the Company fails to cure such breach within thirty days after receiving notice of such breach; (B) termination of Employee's employment by the Company without Cause during the term hereof; (C) a reduction in Employee's salary; or (D) termination of Employee's employment by Employee within six (6) months after a "Change of Control," which is defined as any of the following:

- (1) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation, other than a merger of the Company in which the holders of the Company's voting common stock immediately prior to the merger own a majority of the voting common stock of the surviving corporation immediately after the merger;
- (2) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of the Company;
- (3) any approval by the stockholders of the Company of any plan or proposal for the liquidation or dissolution of the Company;
- (4) the acquisition by any person or entity, or any group of persons and/or entities of a majority of the stock entitled to elect a majority of the directors of the Company; or
- (5) subject to applicable law, in a Chapter 11 bankruptcy proceeding, the appointment of a trustee or the conversion of a case involving the Company to a case under a Chapter 7 bankruptcy proceeding.

(b) In the event that Employee's employment with the Company is terminated for Cause, by reason of Employee's death or disability, or due to Employee's resignation or voluntary termination (other than for a Reasonable Basis), then all compensation, including, without limitation, any Base Salary, will cease as of the effective date of such termination, and Employee shall receive no severance benefits, or any other compensation; provided that Employee shall be entitled to receive all compensation earned and all benefits and reimbursements due through the effective date of termination.

(c) Employee agrees that the payments contemplated by this Agreement shall constitute the exclusive and sole remedy for any termination of employment, and Employee covenants not to assert or pursue any other remedies, at law or in equity, with respect to any termination of employment.

(d) Any Party terminating this Agreement shall give prompt written notice to the other Party hereto advising such other Party of the termination of this Agreement stating in reasonable detail the basis for such termination (the "Notice of Termination"). The Notice of Termination shall indicate whether termination is being made for Cause (if the Company has terminated the Agreement) or for a Reasonable Basis (if Employee has terminated the Agreement).

---

12. Remedies. If there is a breach or threatened breach of any provision of Section 7, 8, 9, or 11 of this Agreement, the Company will suffer irreparable harm and shall be entitled to an injunction restraining Employee from such breach. Nothing herein shall be construed as prohibiting the Company from pursuing any other remedies for such breach or threatened breach.

13. Severability. It is the clear intention of the Parties to this Agreement that no term, provision or clause of this Agreement shall be deemed to be invalid, illegal or unenforceable in any respect, unless such term, provision or clause cannot be otherwise construed, interpreted, or modified to give effect to the intent of the Parties and to be valid, legal or enforceable. The Parties specifically charge the trier of fact to give effect to the intent of the Parties, even if in doing so, invalidation of a specific provision of this Agreement is required to make the Agreement consistent with the foregoing stated intent. In the event that a term, provision, or clause cannot be so construed, interpreted or modified, the validity, legality and enforceability of the remaining provisions contained herein and other application(s) thereof shall not in any way be affected or impaired thereby and shall remain in full force and effect.

14. Waiver of Breach. The waiver by the Company or Employee of the breach of any provision of this Agreement by the other Party shall not operate or be construed as a waiver of any subsequent breach by that Party.

15. Entire Agreement. this document contains the entire agreement between the Parties and supersedes all prior oral or written agreements, if any, concerning the subject matter hereof or otherwise concerning Employee's employment by the Company (except with respect to shares, and options to purchase shares, of the Company's Common Stock previously granted to Employee). this Agreement may not be changed orally, but only by a written agreement signed by both Parties.

16. Governing Law. this Agreement, its validity, interpretation and enforcement, shall be governed by the laws of the State of New York, USA, excluding conflict of laws principles. Employee hereby expressly consents to personal jurisdiction in the state and federal courts located in Suffolk County, NY for any lawsuit filed there against him by the Company arising from or relating to this Agreement.

17. Notices. Any notice pursuant to this Agreement shall be validly given or served if that notice is made in writing and delivered personally by overnight courier to the following addresses:

If to Company:

RVR Diagnostics Sdn Bhd  
2-1, 2<sup>nd</sup> Floor, N-TATT Building  
Jalan TP5, Taman Perindustrian UEP  
Subang Jaya, 47600  
Selangor Darul Ehsan  
Malaysia  
Attn: Managing Director

With a copy to:

Chembio Diagnostics, Inc.  
  
3661 Horseblock Road, Suite A  
  
Medford, NY 11763  
Attention: Chief Executive Officer

If to Employee:

To the address for Employee  
set forth below his signature.

All notices so given shall be deemed effective upon personal delivery or, if sent by overnight courier, two business days after dispatch. Either Party, by notice so given, may change the address to which his or its future notices shall be sent.

18. Assignment and Binding Effect. this Agreement shall be binding upon Employee and the Company and shall benefit the Company and its successors and assigns. this Agreement shall not be assignable by Employee.

19. Headings. The headings in this Agreement are for convenience only; they form no part of this Agreement and shall not affect its interpretation.

20. Construction. Employee represents he has (a) read and completely understands this Agreement and (b) had an opportunity to consult with such legal and other advisers as he has desired in connection with this Agreement. this Agreement shall not be construed against any one of the Parties.

**IN WITNESS WHEREOF**, the Parties have caused this Agreement to be executed on the respective dates set forth below to be effective as of the Effective Date`.

Employee:

Magentiren Vajuram, Individually  
2-1, 2nd Floor, N-TATT Building  
Jalan TP5, Taman Perindustrian UEP  
Subang Jaya, 47600  
Selangor Darul Ehsan  
Malaysia

Date:

Company:

RVR Diagnostics Sdn Bhd

By:

Printed Name: Magentiren Vajuram

Title: Managing Director

Date:

## EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") is entered into as of the Effective Date, by and between RVR Diagnostics Sdn Bhd (the "Company"), and Dr. Avijit Roy ("Employee"). Employee and the Company are sometimes referred to individually as a "Party" and collectively as the "Parties". As utilized in this Agreement, the term "Company" includes the Company's subsidiaries, and the term "Effective Date" is defined in Section 4 below.

In consideration of the mutual covenants, promises and agreements herein contained, the Company and Employee hereby covenant, promise and agree to and with each other as follows:

1. Employment. The Company shall employ Employee, and Employee shall perform services for and on behalf of the Company upon the terms and conditions set forth in this Agreement.

2. Positions and Duties of Employment. Employee shall be required to devote his full energy, skill and best efforts as required to the furtherance of his managerial duties with the Company as the Company's Vice President. While serving in such capacities, Employee shall have the responsibilities, duties, obligations, rights, benefits and requisite authority as is customary for his position and as may be determined by the Company's Board of Directors (the "Board").

Employee understands that his employment as Vice President of the Company involves a high degree of trust and confidence, that he is employed for the purpose of furthering the Company's reputation and improving the Company's sales, operations and profitability, and that in executing this Agreement he undertakes the obligations set forth herein to accomplish such objectives. Employee agrees that he shall serve the Company fully, diligently, competently and to the best of his ability. Employee certifies that he fully understands his right to discuss this Agreement with his attorney, that he has availed himself of this right to the extent that he desires, that he has carefully read and fully understands this entire Agreement, and that he is voluntarily entering into this Agreement.

3. Duties. Employee shall perform the following services for the Company:

(a) Employee shall serve as Vice President of the Company, or in such other position as determined by the Board, and in those capacities shall work with the Company to pursue the Company's plans as directed by the Board.

(b) Employee shall perform duties with the functions of an officer of the Company, subject to the direction of the Board.

(c) During the Term (as defined in Section 4 below) of this Agreement, Employee shall devote substantially all of Employee's business time to the performance of Employee's duties under this Agreement. Without limiting the foregoing, Employee shall perform services on behalf of the Company for at least forty hours per week, and Employee shall be reasonably available at the request of the Company at other times, including weekends and holidays, to meet the needs and requests of the Company's customers.

(d) During the Term, Employee will not engage in any other activities or undertake any other commitments that conflict with or take priority over Employee's responsibilities and obligations to the Company and the Company's customers, including without limitation those responsibilities and obligations incurred pursuant to this Agreement.

---

4. Term. Unless terminated earlier as provided for in this Agreement, the term of this Agreement shall be for one year, commencing on the Effective Date and ending on the first anniversary of the Effective Date (the "Term"). At such time that the employment relationship terminates, Employee agrees to cooperate with the Company and with the appropriate employees of the Company concerning the transition to other employees of the functions previously performed by Employee. Upon Employee's termination, Employee agrees to return to the Company all Company documents (and all copies thereof), any other Company property in Employee's possession or control, and any materials of any kind that contain or embody any proprietary or confidential material of the Company. The term "Effective Date" shall mean the closing date of the purchase of all the outstanding stock and other equity of the Company by Chembio Diagnostics, Inc. as set forth in the Amended And Restated Stock Purchase Agreement (the "SPA") between and among Magentiren Vajuram, Avijit Roy, RVR Diagnostics Sdn Bhd, and Chembio Diagnostics, Inc. dated on or about December 7, 2016.

5. Compensation. As compensation for the services to be performed by Employee during the Term, Company shall pay Employee a monthly salary of US\$10,000 per month, subject to periodic review by the Board or the Compensation Committee of the Board (the "Committee"), payable in accordance with the Company's customary payroll practices (the "Base Salary").

6. Certain Additional Provisions Relating to Compensation and Other Employee Benefits.

(a) Employee shall be entitled to four (4) weeks vacation leave for each year of the Term.

(b) During the Term, Employee shall be reimbursed for reasonable expenses that are authorized by the Company and that are incurred by Employee for the benefit of the Company in accordance with the standard reimbursement practices of the Company. Any direct payment or reimbursement of expenses shall be made only upon presentation of an itemized accounting conforming in form and content to standards prescribed by the U.S. Internal Revenue Service relative to the substantiation of the deductibility of business expenses.

(c) Any payments which the Company shall make to Employee pursuant to this Agreement shall be reduced by standard withholding and other applicable payroll deductions, including, without limitation, any applicable Malaysian local income or other taxes, social security taxes, unemployment or disability insurance deductions, and any other applicable tax or deduction (collectively, any withheld taxes and deductions, "Deductions").

7. Confidentiality.

(a) Employee hereby warrants, covenants and agrees that, without the prior express written consent of the Company, and unless required by law, court order or similar process, Employee shall hold in the strictest confidence, and shall not disclose to any person, firm, corporation or other entity, any and all of the Company's information, including, for example, and without limitation, any data related to (i) drawings, sketches, plans, lists or other documents concerning the Company's business or development plans, customers or suppliers, and research and development efforts; (ii) the Company's development, design, construction or sales and marketing methods or techniques; or (iii) the Company's trade secrets and other "know-how" or information not of a public nature, regardless of how such information came to the custody of Employee (collectively, subsections (i), (ii) and (iii) of this Section 7(a), "Information"). For purposes of this Agreement, such Information shall include, but not be limited to, any information regarding a formula, pattern, compilation, program, device, method, technique or process that (A) derives independent economic value, present or potential, not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (B) is the subject of Company efforts.

---

(b) In the event Employee is required by law, court order or similar process to disclose any Information, Employee shall provide immediate notice of such obligatory disclosure prior to such disclosure, so that the Company, at its sole option, may attempt to seek a protective order or other appropriate remedy to preclude such disclosure.

(c) The warranties, covenants and agreements set forth in this Section 8 shall not expire, shall survive this Agreement, and shall be binding upon Employee without regard to the passage of time or any other event.

#### 8. Company's Right To Inventions and Discoveries

(a) "Inventions" means all improvements, discoveries, inventions, works of authorship, mask works, computer programs, source and object codes, writings, formulas, ideas, processes, techniques, know-how and data, made or conceived or reduced to practice or developed by Employee, either alone or jointly with others as a result of employment at the Company. "Proprietary Rights" means all trade secret, patent, copyright, trademark, trade name, service mark, and other intellectual property rights throughout the world. Inventions and Proprietary Rights do not include inventions that the Employee developed entirely on Employee's own time without using the Company's equipment, supplies, facilities, or Information except for those inventions that either relate to the Company's actual or anticipated business, research or development or that result from work performed by the Employee for the Company.

(b) Employee hereby assigns and agrees to assign in the future to the Company all of Employee's right, title and interest in and to any and all Inventions and all Proprietary Rights, whether or not subject to protection under the patent, copyright, trademark or industrial design laws, made or conceived or reduced to practice or learned by Employee (solely or jointly with others) during Employee's employment with the Company (including, without limitation such employment prior to the Effective Date) and for a one-year period after Employee's termination of employment with the Company (collectively "Assigned Intellectual Property"). Employee further agrees that all Assigned Intellectual Property is the sole property of the Company.

(c) Employee agrees to promptly notify and fully disclose to the Company all Assigned Intellectual Property, and will take such steps as are deemed necessary to maintain complete and current records of same. Employee will, at the Company's request and expense, whether during or after employment, take such steps as are reasonably necessary to assist the Company in securing, maintaining, defending or enforcing any title and right to Assigned Intellectual Property.

---

9. Non-Compete. Employee acknowledges and recognizes the highly competitive nature of the Company's business and that Employee's duties hereunder justify restricting Employee's further employment following any termination of employment. Employee further acknowledges and understands that the Company recognizes Employee's importance and value to the Company and thus has provided Employee with the compensation described hereunder in order to induce Employee to enter into this Agreement. Accordingly, Employee agrees that so long as Employee is employed by the Company, and (i) for a period of one (1) year following the termination of this Agreement, Employee shall not induce or attempt to induce any employee of the Company to leave the employ of the Company, or in any way interfere with the relationship between the Company and any other employee; (ii) for a period of one (1) year following the termination of this Agreement, Employee, except when acting at the request of the Company on behalf of or for the benefit of the Company, shall not induce customers, agents or other sources of distribution of the Company's business under contract or doing business with the Company to terminate, reduce, alter or divert business with or from the Company; and (iii) for a period of one (1) year following the termination of this Agreement, Employee shall not, directly or indirectly, either as a principal, agent, employee, employer, consultant, partner, member or manager of a limited liability company, shareholder of a company, corporate officer or director, or in any other individual or representative capacity, engage or otherwise participate in any manner or fashion in any business that directly competes with the business activities of the Company in or about any market in which the Company is, or has publicly announced a plan for doing business. Employee further covenants and agrees that the restrictive covenants set forth in this paragraph are reasonable as to duration, terms, and geographical area and that the same protects the legitimate interests of the Company, imposes no undue hardship on Employee, and is not injurious to the public. The covenant set forth under (iii) above shall not apply if Employee's employment is terminated within twelve (12) months of a Change in Control. Employee acknowledges and understands that, by virtue of his position with the Company, he will have exposure to various entities with which the Company does business or is in discussions to do business. Accordingly, Employee hereby covenants and agrees that, so long as he is employed by the Company, he will not, except with the prior written consent of the Company, solicit or enter into any discussions for a position of employment with any such entities. It is the desire and intent of the Parties that the provisions of this paragraph be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, if any particular portion of this paragraph shall be adjudicated to be invalid or enforceable, this paragraph shall be deemed amended to apply in the broadest allowable manner and to delete therefrom the portion adjudicated to be invalid or unenforceable, such amendment and deletion to apply only with respect to the operation of this paragraph in the particular jurisdiction in which that adjudication is made.

10. Internal Revenue Code Section 409A ("409A") Matters. This Agreement is intended to comply with 409A, and any ambiguous provisions will be construed in a manner that is compliant with or exempt from the application of 409A. If a provision of the Agreement would result in the imposition of an applicable tax under 409A, the parties agree that such provision shall be reformed to avoid imposition of the applicable tax, with such reformation effected in a manner that has the most favorable result to Employee.

(a) For purposes of 409A, each payment or amount due under this Agreement shall be considered a separate payment, and Employee's entitlement to a series of payments under this Agreement is to be treated as an entitlement to a series of separate payments.

---

(b) If (x) Employee is a "specified employee," as such term is defined in 409A and determined as described below in this Paragraph 10(b), and (y) any payment due under this Agreement is subject to 409A and is required to be delayed under 409A because Employee is a specified employee, that payment shall be payable on the earlier of (A) the first business day that is six months after Employee's separation from service, as such term is defined in 409A, (B) the date of Employee's death, or (C) the date that otherwise complies with the requirements of 409A. this Paragraph 10(b) shall be applied by accumulating all payments that otherwise would have been paid within six months of Employee's separation and paying such accumulated amounts on the earliest business day which complies with the requirements of 409A. For purposes of determining the identity of specified employees, the Board may establish procedures as it deems appropriate in accordance with 409A.

11. Termination.

(a) If Employee's employment is terminated by the Company without Cause, or if Employee terminates his employment for Reasonable Basis (as defined below), then the Company shall, in exchange for Employee's execution of a general release and waiver of claims against the Company as of the termination date in a form reasonably acceptable to the Company, continue to pay Employee's Base Salary for the remainder of the Term. Beginning with the payroll date on or immediately following the effective date of such release and waiver, such payments, including any payments withheld pending receipt of the release and waiver, shall be made in accordance with the Company's customary payroll practices, and shall be subject to all applicable Deductions (provided that if the time period for the return of the release begins in one taxable year and ends in a second taxable year, such payments shall not begin until the second taxable year, to the extent necessary to comply with Section 409A of the Internal Revenue Code of 1986, as amended) . In the event of any such termination set forth in this Section 11(a), Employee will not be entitled to any additional cash compensation or benefits beyond what is provided in the first sentence of this Section 12(a).

(i) For purposes of this Agreement, "Cause" shall mean that the Board, acting in good faith based upon the information then known to the Company, determines that Employee has engaged in or committed any of the following: (A) willful misconduct, gross negligence, theft, fraud, or other illegal conduct; (B) refusal or unwillingness to perform Employee's duties; (C) performance by Employee of Employee's duties determined by the Board to be inadequate in a material respect; (D) breach of any applicable non-competition provision, confidentiality provision or other proprietary information or inventions agreement between Employee and the Company; (E) inappropriate conflict of interest; (F) insubordination; (G) failure to follow the directions of the Board or any committee thereof; (H) any other material breach of this Agreement. In addition, an indictment or conviction of any felony, or any entry of a plea of nolo contendere, under the laws of the United States or any State shall be considered "Cause" hereunder. "Cause" shall be specified in a notice of termination to be delivered by the Company to Employee no later than the date as of which termination is effective.

---



(ii) For purposes of this Agreement, "Reasonable Basis" shall mean (A) a material breach of this Agreement by the Company, provided, however, that Employee shall provide written notice to the Company of any alleged material breach, and any alleged material breach will only be considered a material breach if the Company fails to cure such breach within thirty days after receiving notice of such breach; (B) termination of Employee's employment by the Company without Cause during the term hereof; (C) a reduction in Employee's salary; or (D) termination of Employee's employment by Employee within six (6) months after a "Change of Control," which is defined as any of the following:

- (1) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation, other than a merger of the Company in which the holders of the Company's voting common stock immediately prior to the merger own a majority of the voting common stock of the surviving corporation immediately after the merger;
- (2) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of the Company;
- (3) any approval by the stockholders of the Company of any plan or proposal for the liquidation or dissolution of the Company;
- (4) the acquisition by any person or entity, or any group of persons and/or entities of a majority of the stock entitled to elect a majority of the directors of the Company; or
- (5) subject to applicable law, in a Chapter 11 bankruptcy proceeding, the appointment of a trustee or the conversion of a case involving the Company to a case under a Chapter 7 bankruptcy proceeding.

(b) In the event that Employee's employment with the Company is terminated for Cause, by reason of Employee's death or disability, or due to Employee's resignation or voluntary termination (other than for a Reasonable Basis), then all compensation, including, without limitation, any Base Salary, will cease as of the effective date of such termination, and Employee shall receive no severance benefits, or any other compensation; provided that Employee shall be entitled to receive all compensation earned and all benefits and reimbursements due through the effective date of termination.

(c) Employee agrees that the payments contemplated by this Agreement shall constitute the exclusive and sole remedy for any termination of employment, and Employee covenants not to assert or pursue any other remedies, at law or in equity, with respect to any termination of employment.

(d) Any Party terminating this Agreement shall give prompt written notice to the other Party hereto advising such other Party of the termination of this Agreement stating in reasonable detail the basis for such termination (the "Notice of Termination"). The Notice of Termination shall indicate whether termination is being made for Cause (if the Company has terminated the Agreement) or for a Reasonable Basis (if Employee has terminated the Agreement).

---

12. Remedies. If there is a breach or threatened breach of any provision of Section 7, 8, 9, or 11 of this Agreement, the Company will suffer irreparable harm and shall be entitled to an injunction restraining Employee from such breach. Nothing herein shall be construed as prohibiting the Company from pursuing any other remedies for such breach or threatened breach.

13. Severability. It is the clear intention of the Parties to this Agreement that no term, provision or clause of this Agreement shall be deemed to be invalid, illegal or unenforceable in any respect, unless such term, provision or clause cannot be otherwise construed, interpreted, or modified to give effect to the intent of the Parties and to be valid, legal or enforceable. The Parties specifically charge the trier of fact to give effect to the intent of the Parties, even if in doing so, invalidation of a specific provision of this Agreement is required to make the Agreement consistent with the foregoing stated intent. In the event that a term, provision, or clause cannot be so construed, interpreted or modified, the validity, legality and enforceability of the remaining provisions contained herein and other application(s) thereof shall not in any way be affected or impaired thereby and shall remain in full force and effect.

14. Waiver of Breach. The waiver by the Company or Employee of the breach of any provision of this Agreement by the other Party shall not operate or be construed as a waiver of any subsequent breach by that Party.

15. Entire Agreement. this document contains the entire agreement between the Parties and supersedes all prior oral or written agreements, if any, concerning the subject matter hereof or otherwise concerning Employee's employment by the Company (except with respect to shares, and options to purchase shares, of the Company's Common Stock previously granted to Employee). this Agreement may not be changed orally, but only by a written agreement signed by both Parties.

16. Governing Law. this Agreement, its validity, interpretation and enforcement, shall be governed by the laws of the State of New York, USA, excluding conflict of laws principles. Employee hereby expressly consents to personal jurisdiction in the state and federal courts located in Suffolk County, NY for any lawsuit filed there against him by the Company arising from or relating to this Agreement.

17. Notices. Any notice pursuant to this Agreement shall be validly given or served if that notice is made in writing and delivered personally by overnight courier to the following addresses:

If to Company:

RVR Diagnostics Sdn Bhd  
2-1, 2<sup>nd</sup> Floor, N-TATT Building  
Jalan TP5, Taman Perindustrian UEP  
Subang Jaya, 47600  
Selangor Darul Ehsan  
Malaysia  
Attn: Managing Director

With a copy to:

Chembio Diagnostics, Inc.  
  
3661 Horseblock Road, Suite A  
  
Medford, NY 11763  
Attention: Chief Executive Officer

If to Employee:

To the address for Employee  
set forth below his signature.

All notices so given shall be deemed effective upon personal delivery or, if sent by overnight courier, two business days after dispatch. Either Party, by notice so given, may change the address to which his or its future notices shall be sent.

18. Assignment and Binding Effect. this Agreement shall be binding upon Employee and the Company and shall benefit the Company and its successors and assigns. this Agreement shall not be assignable by Employee.

19. Headings. The headings in this Agreement are for convenience only; they form no part of this Agreement and shall not affect its interpretation.

20. Construction. Employee represents he has (a) read and completely understands this Agreement and (b) had an opportunity to consult with such legal and other advisers as he has desired in connection with this Agreement. this Agreement shall not be construed against any one of the Parties.

**IN WITNESS WHEREOF**, the Parties have caused this Agreement to be executed on the respective dates set forth below to be effective as of the Effective Date`.

Employee:

Dr. Avijit Roy, Individually  
2-1, 2nd Floor, N-TATT Building  
Jalan TP5, Taman Perindustrian UEP  
Subang Jaya, 47600  
Selangor Darul Ehsan  
Malaysia

Date:

Company:

RVR Diagnostics Sdn Bhd

By:

Printed Name: Magentiren Vajuram

Title: Managing Director

Date: