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

FORM 10 - Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended March 31, 2014

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	**88-0425691**
(State or other jurisdiction of incorporation)	*(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 x 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 x No ☐

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

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company x
(Do not check if a smaller reporting company)	

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No x

As of May 5, 2014, the Registrant had 9,564,264 shares outstanding of its $.01 par value common stock.

Quarterly Report on FORM 10-Q
For The Quarterly Period Ended
March 31, 2014

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Chembio Diagnostics, Inc.

PART I
Item 1. FINANCIAL STATEMENTS

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

- ASSETS -

	March 31, 2014 (Unaudited)	December 31, 2013
CURRENT ASSETS:		
Cash and cash equivalents	**$ 9,087,016**	$ 9,650,275
Accounts receivable, net of allowance for doubtful accounts of $24,000 and $24,000 at March 31, 2014 and December 31, 2013, respectively	**3,369,812**	4,592,121
Inventories	**3,604,603**	3,188,726
Prepaid expenses and other current assets	**1,118,818**	1,099,379
TOTAL CURRENT ASSETS	**17,180,249**	18,530,501
FIXED ASSETS, net of accumulated depreciation	**1,872,341**	1,978,232
OTHER ASSETS:		
Deferred tax asset, net of valuation allowance	**3,733,103**	3,590,207
License agreements, net of current portion	**300,000**	326,875
Deposits on manufacturing equipment	**43,388**	16,410
Deposits and other assets	**316,015**	44,367
TOTAL ASSETS	**$ 23,445,096**	$ 24,486,592
- LIABILITIES AND STOCKHOLDERS' EQUITY -		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	**$ 3,268,469**	$ 4,309,490
TOTAL LIABILITIES	**3,268,469**	4,309,490
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock – 10,000,000 shares authorized, none outstanding	**-**	-
Common stock - $.01 par value; 100,000,000 shares authorized, 9,472,700 and 9,324,783 shares issued and outstanding for March 31, 2014 and December 31, 2013, respectively	**94,727**	93,248
Additional paid-in capital	**47,097,811**	46,875,026
Accumulated deficit	**(27,015,911)**	(26,791,172)
TOTAL STOCKHOLDERS' EQUITY	**20,176,627**	20,177,102
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 23,445,096**	$ 24,486,592

See accompanying notes to condensed consolidated financial statements

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

	For the three months ended	
	March 31, 2014	March 31, 2013
REVENUES:		
Net product sales	$ 4,904,165	$ 6,313,190
R&D, milestone and grant revenue	908,908	364,963
TOTAL REVENUES	5,813,073	6,678,153
Cost of product sales	3,540,462	3,984,263
GROSS MARGIN	2,272,611	2,693,890
OPERATING EXPENSES:		
Research and development expenses	1,197,622	1,045,259
Selling, general and administrative expenses	1,457,728	1,162,080
	2,655,350	2,207,339
(LOSS) INCOME FROM OPERATIONS	(382,739)	486,551
OTHER INCOME (EXPENSE):		
Interest income	1,830	1,337
Interest expense	-	(335)
	1,830	1,002
(LOSS) INCOME BEFORE INCOME TAXES	(380,909)	487,553
Income tax (benefit) provision	(156,170)	170,430
NET (LOSS) INCOME	$ (224,739)	317,123
Basic (loss) earnings per share	$ (0.02)	0.04
Diluted (loss) earnings per share	$ (0.02)	0.04
Weighted average number of shares outstanding, basic	9,339,181	8,062,984
Weighted average number of shares outstanding, diluted	9,339,181	8,699,209

See accompanying notes to condensed consolidated financial statements

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

	March 31, 2014	March 31, 2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers and grants	**$ 7,035,382**	$ 6,220,808
Cash paid to suppliers and employees	**(7,687,516)**	(6,164,372)
Interest received	**1,830**	1,337
Interest paid	**-**	(335)
Net cash (used in) provided by operating activities	**(650,304)**	57,438
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of and deposits on fixed assets	**(66,789)**	(207,507)
Net cash used in investing activities	**(66,789)**	(207,507)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from option exercises	**153,834**	17,955
Expenses from sale of common stock	**-**	(87,517)
Payment of loan obligation	**-**	(133,483)
Net cash provided by (usec in) financing activities	**153,834**	(203,045)
(DECREASE) IN CASH AND CASH EQUIVALENTS	**(563,259)**	(353,114)
Cash and cash equivalents - beginning of the period	**9,650,275**	2,951,859
Cash and cash equivalents - end of the period	**$ 9,087,016**	$ 2,598,745
RECONCILIATION OF NET (LOSS) INCOME TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES:		
Net (LOSS) Income	**$ (224,739)**	$ 317,123
Adjustments:		
Depreciation and amortization	**172,702**	140,759
Deferred taxes	**(142,896)**	153,387
(Recovery of) doubtful accounts	**-**	(34,000)
Share based compensation	**70,430**	138,379
Changes in assets and liabilities:		
Accounts receivable	**1,222,309**	(423,345)
Inventories	**(415,877)**	(113,418)
Prepaid expenses and other current assets	**(19,439)**	(7,185)
Deposits and other assets	**(271,773)**	-
Accounts payable and accrued liabilities	**(1,041,021)**	(114,262)
Net cash (used in) provided by operating activities	**$ (650,304)**	$ 57,438
Supplemental disclosures for non-cash investing and financing activities:		
Deposits on manufacturing equipment transferred to fixed assets	**$ 16,410**	$ 208,134

See accompanying notes to condensed consolidated financial statements

NOTE 1 — DESCRIPTION OF BUSINESS:

Chembio Diagnostics, Inc. (the "Company" or "Chembio") and its subsidiary, Chembio Diagnostic Systems, Inc., develop, manufacture, and market rapid diagnostic tests that detect infectious diseases. The Company's main 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. Lateral Flow Rapid HIV tests represented 72 % of the Company's product revenues in the first three months of 2014. The Company's products based on its patented Dual Path Platform (DPP®) platform represented approximately 24 % of the Company's product revenues in the first three months of 2014. The Company also has other rapid tests that together represented approximately 4 % of sales in the first three months of 2014. 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® or DPP® registered trademarks, or under the private labels of its marketing partners. For example, the Clearview® label is owned by Alere, Inc. ("Alere"), which is the Company's exclusive marketing partner for its rapid HIV lateral flow test products in the United States. These products employ lateral flow technologies that are proprietary and/or licensed to the Company. 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 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a) Basis of Presentation:

The preceding (a) condensed consolidated balance sheet as of December 31, 2013, which has been derived from audited financial statements, and (b) the unaudited interim condensed consolidated financial statements as of March 31, 2014 and for the three-month periods ended March 31, 2014 and 2013, 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, 2013, previously filed with the SEC.

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, 2014, its condensed consolidated results of operations for the three-month periods ended March 31, 2014 and 2013, respectively, and its condensed consolidated cash flows for the three-month periods ended March 31, 2014 and 2013, 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 contracts and grant revenues when earned. Grants are invoiced after expenses are incurred. Revenues from projects or grants funded in advance are deferred until earned. As of March 31, 2014 and December 31, 2013, respectively, all advanced revenues had been earned.

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:

	March 31, 2014	December 31, 2013
Raw materials	**$ 1,859,948**	$ 1,710,627
Work in process	**642,487**	464,481
Finished goods	**1,102,168**	1,013,618
	$ 3,604,603	$ 3,188,726

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, 2014 and 2013, have been included in the earnings per share computations:

	For the three months ended	
	March 31, 2014	March 31, 2013
Basic	9,339,181	8,062,984
Diluted	9,339,181	8,699,209

The following securities, presented on a common share equivalent basis for the three-month periods ended March 31, 2014 and 2013, have been included in the diluted per share computations as the exercise prices of these securities were less than the stock price as of March 31, 2014 and 2013, respectively:

	For the three months ended	
	March 31, 2014	March 31, 2013
1999 and 2008 Plan Stock Options	-	636,225

There were 675,363 and 86,516 options outstanding as of March 31, 2014 and 2013, respectively, that were not included in the calculation of diluted per common share equivalent for the three months ended March 31, 2014 and 2013, respectively, because the effect would have been anti-dilutive as of March 31, 2014 and 2013, respectively.

e) Employee Stock Option Plan:

The Company had a 1999 Stock Option Plan ("SOP"). The total number of options available under the SOP was 375,000. As of March 31, 2014, there were 46,875 outstanding options under this SOP. No additional options may be issued under the SOP because it is more than 10 years after its adoption.

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, 2014, there were 245,262 options exercised,504,738 options outstanding and 0 options or shares still available to be issued under the 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, 2014 and 2013 was $5.39 and $3.26 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, 2014	March 31, 2013
Expected term (in years)	6.3	4.8
Expected volatility	96.10%	100.91%
Expected dividend yield	0%	0%
Risk-free interest rate	1.52%	0.56%

The Company's results for the three-month periods ended March 31, 2014 and 2013 include share-based compensation expense totaling $70,430 and $138,379, respectively. Such amounts have been included in the Condensed Consolidated Statements of Operations within cost of goods sold ($3,046 and $29,800, respectively), research and development ($18,250 and $39,912, respectively), and selling, general and administrative expenses ($49,134 and $68,666, 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, 2014 and 2013 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, 2014:

Stock Options	Number of Shares	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at December 31, 2013	$ 656,398	$ 2.57	1.65 years	$ 801,888
Granted	250,000	3.42		
Exercised	(147,917)	1.04		
Forfeited/expired/cancelled	-	-		
Outstanding at March 31, 2014	$ 758,481	$ 3.04	3.49 years	$ 552,981
Exercisable at March 31, 2014	$ 374,070	$ 2.37	1.34 years	$ 520,468

As of March 31, 2014, there was $786,188 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 3.44 years. The total fair value of stock options vested during the three-month periods ended March 31, 2014 and 2013 was approximately $40,388 and $90,000, 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". 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, 2014	March 31, 2013
Africa	$ 831,462	$ 847,322
Asia	51,047	19,266
Europe	36,059	7,605
North America	3,763,149	2,819,519
South America	222,448	2,619,478
	$ 4,904,165	$ 6,313,190

g) Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of:

	March 31, 2014	December 31, 2013
Accounts payable – suppliers	$ 1,940,492	$ 1,815,369
Accrued commissions	135,905	371,905
Accrued royalties / license fees	707,656	1,028,286
Accrued payroll	211,765	328,564
Accrued vacation	219,280	203,444
Accrued bonuses	-	317,372
Accrued expenses – other	53,371	244,550
TOTAL	$ 3,268,469	$ 4,309,490

NOTE 3 — COLLABORATIVE RESEARCH AND DEVELOPMENT ARRANGEMENTS:

a) National Institutes of Health (NIH) Grant:

In March 2011, the Company received a $2.9 million, three-year grant from the United States National Institutes of Health to complete development of a test for Tuberculosis. Grants are invoiced after expenses are incurred. The Company earned $157,570 and $192,000 for the three-month periods ended March 31, 2014 and 2013, respectively from this grant. The Company earned $2,624,000 from this grant from inception through March 31, 2014, of which $895,817 was paid to sub-contractors.

b) Battelle/CDC DPP® Influenza Immunity Test:

In April 2013, the Company entered into a follow-on, milestone-based development agreement of up to an additional $472,000, resulting in a total amount of $953,000, based on Chembio's previous successful initial development of a multiplex rapid point-of-care ("POC") influenza immunity test utilizing its patented Dual Path Platform (DPP®) technology. The agreement contemplates an additional period of approximately nine months in which the follow-on development activity is to be completed. The Company earned $13,000 and none for the three-month periods ended March 31, 2014 and 2013, respectively from this agreement. The Company earned $934,000 from this grant from inception through March 31, 2014.

NOTE 4 — LOANS PAYABLE:

On April 30, 2013, the Company entered into a new demand loan agreement ("Demand Note") with HSBC Bank, USA ("HSBC"). The Demand Note allows the Company to draw on the line from time to time an amount up to an aggregate of $2,000,000 outstanding at any one time. The accrued interest on the Demand Note is payable monthly at an interest rate equal to one-quarter percent above prime per annum. The Company can repay any or all of the principal balance outstanding at any time. This is a demand note for which the bank lender can demand repayment of the entire loan, with accrued interest, at any time. The loan is subject to annual reviews, as well as an annual 30-day clean-up, during which there can be no amounts outstanding.

The HSBC Security Agreement, which is related to the Demand Note, contains covenants that place restrictions on the Company's operations, including covenants relating to mergers, debt restrictions, capital expenditures, tangible net worth, leverage, fixed charge coverage, employee loan restrictions, distribution restrictions (common stock and preferred stock), dividend restrictions, restrictions on lease payments to affiliates, restrictions on changes in business, asset sale restrictions, restrictions on acquisitions and intercompany transactions, and restrictions on fundamental changes in the Company and in its business.

The Company currently maintains its operating, payroll, and primary cash accounts at HSBC. As of March 31, 2014, nothing had been drawn down on the Demand Note.

NOTE 5 — RIGHTS AGREEMENT:

In March 2010, the Company entered into a Rights Agreement dated March 8, 2010 (the "Rights Agreement") between the Company and Action Stock Transfer Corp., as Rights Agent. Pursuant to the Rights Agreement, the Company declared a dividend distribution 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, 2010, 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 15 % 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 15 % 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").

NOTE 6 — COMMON STOCK, WARRANTS AND OPTIONS:

The Company entered into an employment agreement effective March 13, 2014 ("Employment Agreement"), with Mr. Sperzel to serve as the Company's Chief Executive Officer, which included issuing incentive and non-incentive stock options to purchase 250,000 shares of the Company's common stock. Of these stock options, options to purchase 50,000 shares vest on each of the first five anniversaries of the effective date of the Employment Agreement. The exercise price for these options was to be equal to the volume-weighted average trading price for the Company's common stock on March 13, 2014, which was $3.4163 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 the employee's employment with the Company or (b) the seventh anniversary of the effective date of the grant.

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, 2014		March 31, 2013		March 31, 2014	March 31, 2013
	Sales	% of Sales	Sales	% of Sales		
Customer 1	$ 2,702,972	55%	$ 2,589,954	41%	$ 682,724	$ 1,160,188
Customer 2	1,001,370	20%	*	*	519,300	*
Customer 3	*	*	1,218,875	19%	*	1,154,160
Customer 4	*	*	1,189,137	19%	*	1,189,147

(*) 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, 2014		March 31, 2013		March 31, 2014	March 31, 2013
	Purchases	% of Purc.	Purchases	% of Purc.		
Vendor 1	$ 280,686	17%	$ *	*	$ 145,950	$ 142,626
Vendor 2	234,894	14%	*	*	*	*

(*) 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. A change in suppliers, however, could cause a delay in manufacturing and a possible loss of sales, 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 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 Agreement:

The Company has employment contracts with three key employees. The contracts call for salaries presently aggregating $929,500 per year. The Sperzel contract expires in March 2017, the Klugewicz contract expires in May 2015, the Esfandiari contract expires in March 2016 . In connection with the contract that expires in March 2017, the Company issued, in March 2014, 250,000 options to purchase common stock, with one-fifth vesting on each of the first five anniversaries of the grant. In connection with the contract that expires in May 2015, the Company issued, in May 2013, 5,000 options to purchase common stock, with one-half vesting on each of the first and second anniversaries of the grant. In connection with the contract that expires in March 2016, the Company issued, in March 2013, 30,000 options to purchase common stock, with one-third vesting on each of the first, second and third anniversaries of the grant.

NOTE 8 — INCOME TAXES:

The Company's interim (benefit) for income taxes is estimated based on our calculated effective tax rate expected to be applied for the full year. This estimate is used to determine the income tax (benefit) on a year-to-date basis and may change in subsequent interim periods. Our effective tax rate for the three-months ended March 31, 2014 was a benefit of 41.0 %. We calculated the current portion to be 8.5% of the (benefit), or $(13,274), which was attributable to income tax (receivable) and the balance of $(142,896) (increased) the carrying value of the deferred tax asset for the three months ended March 31, 2014.

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 subsidiary 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, 2013.

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), or pursuant to private label license or distribution agreements such as those with the Oswaldo Cruz Foundation ("FIOCRUZ"), Labtest, RVR and Bio-Rad.

The Company has an active research and development program, including third-party funding from research and development contracts and grants, which offset increased research and development expenses. There are a number of projects under development that employ the DPP® technology, several of which are described below.

DPP® HIV Multiplex Antigen-Antibody Test - Development work continues on a DPP® HIV multiplex test that is designed to detect acute (early stage) HIV infection by means of detecting P24 antigen, as well as antibodies, to HIV1/2, in whole blood samples. We believe that our development of such a test, combined with our patented DPP® point-of-care platform may better help identify HIV infections that cannot be identified by any of the currently FDA-approved rapid HIV tests. Such a test can better serve an unmet market need, and help to maintain and potentially grow the already strong position Chembio's products have in the U.S. rapid HIV test market.

DPP® Hepatitis-C (HCV) – Development work on our DPP® HCV point-of-care rapid test continues. Our development activity has been focused on creating a differentiated product that is at least capable of identifying antibody response in a more comprehensive manner than the currently available point-of-care test is able to do, and to also, in parallel, engage in efforts to differentiate those patients that are antibody positive from those that have an active infection, as up to 30% of patients that are HCV antibody-positive don't have an active infection.

In July 2012, the U.S. Centers for Disease Control finalized the recommendations for testing all individuals in the United States born between the years of 1945 and 1965 for HCV, which age cohort represents a substantial portion of the estimated over three million individuals in the United States that are infected with HCV infection, but unaware of their status. With a number of new anti-retroviral therapies approved, and even more anticipated pending approval in the years ahead by the FDA, we believe that over time, these new recommendations will be implemented. In fact, in May the United States Preventive Services Task Force revised its November 2012 recommendations to endorse the CDC recommendations by giving both hepatitis-C (HCV) screening for at-risk individuals and age-cohort screening a 'B' grade; under the Affordable Care Act, preventive services that have received an 'A' or 'B' grade from the USPSTF must be covered by insurance policies without cost-sharing, and be part of the essential health benefits for those individuals eligible for Medicare.

We are on track to complete development activities of the antibody detection assay in 2014, and to begin activities to commercialize product internationally, including U.S. regulatory submission in the U.S., by the end of 2015 or early 2016.

International Distribution & Manufacturing Agreements –

RVR

In February 2014, the Company entered into two agreements with RVR Diagnostics SDN BHD ("RVR"), a privately-held company in Malaysia. The agreements, which support Chembio's strategy of establishing a market presence in Asia, provide for collaboration with RVR as a licensee, distributor, and contract manufacturer. The agreements grant exclusive distribution rights to RVR in certain countries in the region and enable RVR to manufacture Chembio's DPP® HIV 1/2 Assay and Chembio's DPP® HIV-Syphilis Assay, as well as potentially other products developed by Chembio incorporating its patented DPP® technology.

The agreements consist of a technology transfer, license and distribution agreement ("License Agreement") and also a contract manufacturing agreement ("Manufacturing Agreement"). Under the License Agreement, the parties will collaborate to allow RVR to manufacture the licensed products so that distribution activities can begin in 2015. In consideration for this work, Chembio will receive a non-refundable signature fee and, approximately one year later, a contingent fee upon validation of the transfer activity milestones. RVR will distribute the products in the exclusive markets under license from Chembio subject to a royalty and continuing purchase of reagents. RVR is required to manufacture the DPP® HIV 1/2 Assay product in accordance with Chembio's FDA-approved specifications, RVR also plans to register its facility with the FDA.

The Manufacturing Agreement will enable Chembio to source products from RVR's facility for shipment to Chembio's customers that are outside RVR's exclusive territory. This will provide Chembio with a new, strategically located and cost-effective capacity that will be important in serving a number of global markets including the rapidly growing Asian markets.

Labtest

During the second quarter of 2013, Chembio entered into an international assembly and distribution agreement with Labtest Diagnostica SA (Labtest), a leading diagnostics manufacturer and marketing organization based in Brazil, for products based upon Chembio's patented Dual Path Platform (DPP ®) in Brazil and potentially other markets outside the U.S.

Pursuant to the agreement, Chembio will manufacture and sell certain specialized test components to Labtest and also will receive a royalty based on sales by Labtest of DPP ® products. Labtest will produce certain reagents and perform assembly and packaging operations in a dedicated space at Labtest's manufacturing facilities near Belo Horizonte, Brazil. Chembio will provide Labtest with the training necessary to perform the operations specific to the DPP ® products. Labtest will also have responsibility for marketing, promotion and distribution of the products in Brazil.

All products will be marketed under brand names that will include Chembio's DPP ® trademark together with trade names selected by Labtest, and each test kit will state that Chembio Diagnostic Systems, Inc. is the licensor of the DPP ® trademark and technology. The products selected for inclusion in this agreement will address both private as well as public health markets, and will enable Chembio to participate in significant market opportunities in Brazil. This agreement addresses market opportunities that are independent of those addressed by Chembio's ongoing collaboration with the Oswaldo Cruz Foundation.

Labtest is on track with activities to qualify equipment and validate its processes, so that it can begin product registration activities for an initial group of infectious disease products, for commercial sale following regulatory approval.

Sponsored Research & Development

Multiplex Influenza Immunity Test –

During the second quarter of 2013, we reported that the Company had entered into a follow-on, milestone-based development agreement with a private contracting organization that is engaged to enter into, implement and provide technical oversight of agreements relating to pandemic influenza preparedness on behalf of its client, the United States Centers for Disease Control and Prevention (CDC), for a multiplex, rapid, POC influenza immunity test utilizing Chembio's patented Dual Path Platform (DPP ®) technology. The follow-on agreement was for up to approximately $472,000 and activities were completed in January 2014 as anticipated. Discussions are ongoing regarding the provision of additional tests for clinical trials.

DPP® Febrile Illness Multiplex test – During the second quarter of 2013 we entered into a cooperative research project agreement with a U.S. government agency for up to $750,000 for an eight-month development project. The project is to develop a rapid POC diagnostic test for five infectious diseases associated with febrile illness and to multiplex them into one assay. The project also contemplates that the test would be optimized for use with a mobile reader that incorporates cell phone technology to enable the results to be recorded, transmitted and monitored remotely via a cloud system, in real-time. This research project supports our efforts in developing multiplex products using our proprietary DPP ® technology. Our DPP ® technology, when combined with the mobile reader being used in the project, will enable real time data collection and monitoring capabilities. As these infectious diseases can all exhibit similar clinical symptoms, a rapid multiplex test that could distinguish them would be very useful, particularly in field conditions, so that correct diagnosis and treatment could be provided on a timely basis. We have completed R&D activities for this project as anticipated, and we currently are in discussions for the provision of 10,000 devices (5,000 of which have been provided, with an additional 5.000 to be provided in June), which will be used in a multi-center clinical trial in multiple countries, to make an assessment. Chembio also has an opportunity to explore commercial opportunities outside the scope of the government agreement.

DPP® Tuberculosis – In February 2011, we were awarded a three-year, $2.9 million Small Business Innovative Research (SBIR) Phase II grant from the United States National Institutes of Health (NIH) to continue our successful Phase I grant work to develop a simple, rapid, accurate, and cost-effective serological test for active tuberculosis that can be utilized in resource-limited settings. During 2012, several additional antigens were identified to enhance antibody detection by the DPP® test prototype designed in our Phase I studies. Antigen reagents have been finalized, and test prototype evaluation using well-characterized clinical specimens is in progress. Funding for the third and final year of this Phase II grant was confirmed with a reduction of approximately 1%.

Chembio's work to finalize DPP® assay design using various fusion proteins has been completed and production of an evaluation lot is in progress. These tests will be used for verification studies, internal and external evaluations at the selected collaborative sites (see below), QC protocol validation, and accelerated stability study. The target sensitivity is 80% and specificity is 95%. Study sites for external evaluations of DPP® assay include Bangladesh, Brazil, China, Haiti, Peru, Venezuela, and South Africa. The grant is expected to be completed by early July 2014, and is progressing on track.

In addition to the above-mentioned research and development work sponsored by governmental agencies and/or their contractors, we are discussing additional opportunities for sponsored research and development activity. We endeavor to select sponsored research projects where we believe there is an identifiable commercial opportunity and/or where other benefits to the Company are anticipated in connection with these projects.

In general, we are considering certain new DPP® product opportunities, either as OEM development projects and/or as Chembio-branded products. These products are being identified based upon our assessment of opportunities in the market and upon whether they can be addressed with our proprietary technology, along with our development and manufacturing capabilities and experience. We are also identifying and assessing additional technologies that we believe can enhance or expand our current product portfolio, and thereby provide additional revenue streams, although there is no assurance that we will be able to obtain or utilize any of them profitably.

Regulatory Activities

CE Mark for FDA-approved HIV tests – In March 2014, Chembio's HIV 1/2 STAT-PAK® Assay received CE Mark approval from European regulators. The Chembio HIV 1/2 STAT-PAK® Assay is now cleared for commercialization within the European Union for rapid, POC detection of HIV. Chembio is currently working with commercialization partners in Europe.

FDA Approval for DPP® HIV 1/2 Screening Assay for Use with oral fluid or blood samples – We received FDA approval of our Pre-Marketing Application (PMA) for this product on December 19, 2012 as we previously announced. The CLIA waiver was submitted in November 2013, and in February 2014 we received a letter from the FDA on the current status of review of our CLIA waiver application. The FDA determined that additional information is needed to complete its review of the Company's DPP® HIV 1/2 Assay CLIA waiver application. Since that time, we have had multiple discussions with the FDA, and it was determined that no additional clinical studies will be required. Additional in-house laboratory studies will be required for the FDA to complete its review of the application for CLIA waiver, and we anticipate that an update to our CLIA timeline can be provided, pending information from the FDA regarding such studies.

DPP® HIV-Syphilis – We have developed this product for international and US marketing. For the international market, the product has been registered in Mexico. We have submitted this product both for evaluation by the CDC, acting on behalf of the United States Agency of International Development, and the WHO, which has accepted this product to be evaluated for pre-qualification in its global procurement scheme.

We are currently in discussions with the FDA re: the clinical studies that will be required for PMA submission, and we anticipate that an update to our timeline can be provided, pending information from FDA regarding the clinical algorithm that will be used to assess the syphilis component performance of the assay.

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 and income taxes. For a summary of our significant accounting policies, which have not changed from December 31, 2013, see our Annual Report on Form 10-K for the twelve months ended December 31, 2013, which was filed with the SEC on March 6, 2014.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2014 AS COMPARED WITH THE THREE MONTHS ENDED MARCH 31, 2013

Income:

For the three months ended March 31, 2014, Loss before income taxes was $(381,000) compared to Income before taxes of $487,000 for the three months ended March 31, 2013. Net Loss for the 2014 period was ($225,000) as compared to a Net Income of $317,000 for 2013. The decrease in net income is primarily attributable to a decrease in product sales. Gross margin decreased in the three months ended March 31, 2014 as compared with the three months ended March 31, 2013, by $421,000, or 15.6%. This decreased gross margin included increased operating expenses, the most significant of which was an increase in wages and related expenses of $310,000, which accounted for most of the change from a net income to a net loss.

Revenues:

Selected Product Categories:	For the three months ended			
	March 31, 2014	March 31, 2013	$ Change	% Change
Lateral Flow HIV Tests and Components	$ 3,536,699	$ 4,934,154	$ (1,397,455)	-28.32%
DPP Tests and Components	1,168,770	1,142,835	25,935	2.27%
Other	198,696	236,201	(37,505)	-15.88%
Net Product Sales	**4,904,165**	**6,313,190**	**(1,409,025)**	**-22.32%**
License and royalty revenue	160	-	160	100.00%
R&D, milestone and grant revenue	908,748	364,963	543,785	149.00%
Total Revenues	**$ 5,813,073**	**$ 6,678,153**	**$ (865,080)**	**-12.95%**

Revenues for our lateral flow HIV tests and related components during the three months ended March 31, 2014 decreased by approximately $1,397,000 from the same period in 2013. This was primarily attributable to decreased sales to South America, of approximately $2,397,000. These decreases were partially offset by increased sales to Mexico of $793,000 and increased sales to Alere from $2,590,000 during the three months ended March 31, 2013 to $2,703,000 during the three months ended March 31, 2014. Revenues for our DPP® products during the three months ended March 31, 2014 increased by approximately $26,000 over the same period in 2013. The increase in R&D, and in milestone and grant revenue, was primarily due to $750,000 in revenue from the license contract we signed in February with RVR Diagnostics. This was partially offset by a reduction in revenue from certain development projects that are nearing completion. R&D revenues include funds, recognized on an "as expenses are incurred" basis, from a Phase II NIH grant for Leptospirosis, which was effective as of June 1, 2009, and from a Phase II grant for Tuberculosis, which was effective March 1, 2011, as well as a development contract with Battelle entered into in the fourth quarter of 2012.

Gross Margin:

Gross Margin related to Net Product Sales:	For the three months ended March 31, 2014	March 31, 2013	$ Change	% Change
Gross Margin per Statement of Operations	$ 2,272,611	$ 2,693,890	$ (421,279)	-15.64%
Less: R&D, milestone, grant, license and royalty revenues	908,908	364,963	543,945	149.04%
Gross Margin from Net Product Sales	**$ 1,363,703**	**$ 2,328,927**	**$ (965,224)**	**-41.44%**
Product Gross Margin %	**27.81%**	**36.89%**		

The gross margin dollar decrease of $421,000 included a $965,000 decrease in gross margin from product sales and was partially offset by a $544,000 increase in non-product revenues. The decrease in product gross margin of $965,000 is primarily attributable to the lower product sales and lower production compared to 2013. The product gross margin decrease is comprised of two components, one is the decrease in product sales of $1,409,000, which at the 27.8% margin percentage contributed $392,000 to the decrease, and second, the decreased change in margin percentage of 9.1% contributed to the balance ($573,000) of the decrease in our product gross margin. The 9.1 % decrease in the percentage, from 36.9% in 2013 to 27.8% in 2014, was primarily due to a larger amount of unapplied overhead, along with an increase of royalty expense of 0.7% of product sales. As a result of the lower volume of products produced in the first quarter of 2014, the Company wasn't able to cover the relatively fixed overhead items, such as rent, supervision, etc., because they were spread over a lesser number of products, thereby increasing their cost.

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 March 31, 2014	March 31, 2013	$ Change	% Change
Clinical and Regulatory Affairs:				
Wages and related costs	$ 106,143	$ 105,491	$ 652	0.62%
Consulting	2,419	17,726	(15,307)	-86.35%
Stock-based compensation	2,425	11,605	(9,180)	-79.10%
Clinical trials	120,783	97,776	23,007	23.53%
Other	18,244	4,349	13,895	319.50%
Total Regulatory	**250,014**	**236,947**	**13,067**	**5.51%**
R&D Other than Regulatory:				
Wages and related costs	567,774	507,795	59,979	11.81%
Consulting	44,550	9,837	34,713	352.88%
Stock-based compensation	15,825	28,307	(12,482)	-44.10%
Materials and supplies	236,158	181,184	54,974	30.34%
Other	83,301	81,189	2,112	2.60%
Total other than Regulatory	**947,608**	**808,312**	**139,296**	**17.23%**
Total Research and Development	**$ 1,197,622**	**$ 1,045,259**	**$ 152,363**	**14.58%**

Expenses for Clinical & Regulatory Affairs for the three months ended March 31, 2014 increased by $13,000 as compared to the same period in 2013. This was primarily due to an increase of $23,000 in clinical trial expenses partially offset by a reduction in consulting.

R&D expenses other than Clinical & Regulatory Affairs increased by $139,000 in the three months ended March 31, 2014, as compared with the same period in 2013. The increases were primarily related to an increase in wages and related costs, and in material and supplies, to support our sponsored research and internal development programs.

Selling, General and Administrative Expenses:

Selected expense lines:	For the three months ended			
	March 31, 2014	March 31, 2013	$ Change	% Change
Wages and related costs	$ 690,502	$ 441,472	$ 249,030	56.41%
Consulting	103,747	6,200	97,547	1573.34%
Commissions	30,435	159,908	(129,473)	-80.97%
Stock-based compensation	49,134	68,666	(19,532)	-28.44%
Marketing materials	23,985	6,963	17,022	244.46%
Investor relations/investment bankers	46,832	74,863	(28,031)	-37.44%
Legal, accounting and compliance	212,980	240,057	(27,077)	-11.28%
Travel, entertainment and trade shows	39,548	27,751	11,797	42.51%
Bad debt allowance (recovery)	-	(33,450)	33,450	-100.00%
Other	260,565	169,650	90,915	53.59%
Total S, G &A	**$ 1,457,728**	**$ 1,162,080**	**$ 295,648**	**25.44%**

Selling, general and administrative expenses for the three months ended March 31, 2014, increased by $296,000 as compared with the same period in 2013, a 25% increase. Significant increases in wages and related costs, which for 2014 included the COO not included in 2013, consulting, and the cost of the CEO search and related expenses (reflected in Other above) were partially offset by a decrease in commissions due to decreased sales to Brazil along with a decrease in investor relations/investment bankers, and a decrease in professional fees.

Other Income and (Expense):

	For the three months ended			
	March 31, 2014	March 31, 2013	$ Change	% Change
Interest income	$ 1,830	$ 1,337	$ 493	36.87%
Interest expense	-	(335)	335	-100.00%
Total Other Income and (Expense)	**$ 1,830**	**$ 1,002**	**$ 828**	**82.63%**

Other income for the three months ended March 31, 2014 increased approximately $1,000, to an income of $2,000 from an income of $1,000 in the same period in 2013, as a result of an increase in interest income and a decrease in interest expense due on the term loan with HSBC.

Income tax (benefit) provision:

For the three months ended March 31, 2014 the Company recognized a $156,000 income tax benefit and increased its deferred tax assets by $143,000. The Company maintains a full valuation allowance on research and development tax credits.

MATERIAL CHANGES IN FINANCIAL CONDITION

Selected Changes in Financial Condition	As of			
	March 31, 2014	December 31, 2013	$ Change	% Change
Cash and cash equivalents	$ 9,087,016	$ 9,650,275	$ (563,259)	-5.84%
Accounts receivable, net of allowance for doubtful accounts of $24,000 and $24,000 at March 31, 2014 and December 31, 2013, respectively	3,369,812	4,592,121	(1,222,309)	-26.62%
Inventories	3,604,603	3,188,726	415,877	13.04%
Fixed assets, net of accumulated depreciation	1,872,341	1,978,232	(105,891)	-5.35%
Deposits and other assets	316,015	44,367	271,648	612.27%
Deferred tax asset, net of valuation allowance	3,733,103	3,590,207	142,896	3.98%
Accounts payable and accrued liabilities	3,268,469	4,309,490	(1,041,021)	-24.16%

Cash decreased by $563,000 from December 31, 2013, primarily due to net cash used in operating activities for the first quarter of 2014. In addition there were decreases in accounts receivable, net of allowance, of $1,222,000, fixed assets of $106,000 and accounts payable and accrued liabilities of $1,041,000. We experienced increases in inventories of $416,000, deposits and other assets of $271,000 and deferred taxes of $143,000.

The decrease in accounts receivable was primarily attributable to the lower amount of credit sales at the end of March 2014 versus December of 2013. The increase in inventories is due to production for orders received to be shipped in the second quarter of 2014. The decrease in fixed assets is primarily due to depreciation. The increase in deposits and other assets is due to additional rental deposits and related capitalized expenses. Deferred tax asset increase is related to the provision for income tax benefit.

LIQUIDITY AND CAPITAL RESOURCES

	For the three months ended			
	March 31, 2014	March 31, 2013	$ Change	% Change
Net cash (used in) provided by operating activities	$ (650,304)	$ 57,438	$ (707,742)	-1232.18%
Net cash used in investing activities	(66,789)	(207,507)	140,718	-67.81%
Net cash provided by (used in) financing activities	153,834	(203,045)	356,879	-175.76%
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**$ (563,259)**	**$ (353,114)**	**$ (210,145)**	**59.51%**

The Company's cash decreased by $563,000 from December 31, 2013, primarily due to net cash used in operating activities for the first quarter of 2014.

The cash used in operations in 2014 was $650,000, primarily due to a reduction in accounts payable and other accrued liabilities of $1,041,000, an increase in inventories of $416,000, an increase in deposits and other assets of $272,000, an increase in prepaid and other current assets of $19,000, and a net loss net of non-cash items of $124,000, which were partially offset by a decrease in accounts receivable of $1,222,000 . Net loss net of non-cash items includes net loss of $225,000, $143,000 in benefit for income taxes, partially offset by $173,000 in depreciation and amortization, and $70,000 in share-based compensation. The use of cash from investing activities is primarily the purchase of fixed assets. The increase in cash from financing activities was proceeds from option exercises.

The decrease in cash from operations in 2013 was $353,000, primarily due to net cash used in investing and financing activities and was partially offset by net income net of non-cash items of $716,000 which was partially offset by an increase in accounts receivable of $423,000 along with an increase of $113,000 in inventory, a decrease of $114,000 in accounts payable and accrued liabilities, and other items aggregating $7,000. Net income net of non-cash items includes net income of $317,000, $141,000 in depreciation and amortization, $138,000 in share-based compensation, and $153,000 in provision for deferred taxes, partially offset by $34,000 in recovery of doubtful accounts. The use of cash from investing activities is primarily the purchase of fixed assets. The decrease in cash from financing activities was due primarily to the payment of a loan obligation along with expenses from the sale of common stock partially offset by proceeds from option exercises.

Fixed Asset Commitments

As of March 31, 2014, the Company had paid deposits on various pieces of equipment aggregating $43,388, which is reflected in deposits on manufacturing equipment on the balance sheet. The Company has commitments for $71,530 in additional equipment purchase obligations.

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

2014 will be a pivotal year for Chembio, at every level of the organization. In March 2014, we named John J. Sperzel III as the Company's new Chief Executive Officer and President. Mr. Sperzel comes to Chembio with an impressive track record in building point-of-care (POC) diagnostic companies and he has created successful commercialization teams for a number of prominent companies in our industry. His leadership, energy level and experience in the POC diagnostics market will drive Chembio's new business strategy and future growth.

With a new focus on commercialization, Chembio is building an internal sales and marketing organization to serve end-user customers and distribution partners. We are on track with this important investment, having hired a number of experienced professionals to lead this directive, including a director of sales and a senior director of marketing. Due to the variability in purchasing levels that we often see in this sector, our first quarter sales fell short of expectations. Our commercial investments are aligned with our objective to improve sales performance and predictability. We believe the strategy to build a Chembio brand in the U.S. will be successful.

The Chembio DPP® HIV 1/2 Assay, which received FDA approval in December 2012 for use with oral fluid or blood samples, will be a cornerstone of our Chembio branding efforts in the United States. We have had productive communications with the FDA regarding the CLIA waiver application for our DPP® HIV 1/2 Assay. While prior feedback from the FDA indicated that additional clinical studies may be required, the FDA recently agreed to complete the review of the CLIA waiver application based upon data from additional laboratory studies, which will be conducted at Chembio. We believe this development will accelerate our time to market with this product from what we had anticipated based on the original FDA feedback.

Another key development during the first quarter was Chembio's decision to terminate the STAT-PAK® U.S. distribution agreement with Alere. We are confident in this decision.

On the international front, we continue to pursue and develop successful private label license and distribution agreements in a number of markets, such as we have done in Latin America (FIOCRUZ , Labtest, SAVI) and Asia (RVR).

We believe 2014 will be a transformative year under the leadership of our new Chief Executive. We are committed to building the Chembio brand in the U.S. and to providing customers with high-quality, reliable products. We are investing in our commercial organization, new product development, manufacturing, and regulatory initiatives in order to realize our long-term strategic plan. We believe these investments will significantly increase shareholder value.

ITEM 4. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures. Under the supervision and with the participation of our senior management, consisting of our chief executive officer and our chief 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 (the "Evaluation Date"). Based on that evaluation, the Company's management, including our chief executive officer and chief financial officer, concluded that as of the Evaluation Date 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 Company's first three months of fiscal 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

At the time of John J. Sperzel III's joining the Company as Chief Executive Officer on March 13, 2014, the Company granted to Mr. Sperzel options to purchase 250,000 shares of the Company's common stock. 43,132 of the Options were intended to be incentive stock options under the Company's 2008 Stock Incentive Plan (the "Plan") and within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended, and 206,868 of the Options were intended to be non-qualified stock options not covered by the Plan because there were no unissued options available for grant under the Plan. Resales of shares of common stock underlying the incentive stock options will be covered by the Company's registration statement on Form S-3; resales of shares of common stock underlying the non-qualified stock options will not be covered by the S-3 registration statement. The Company relied on Section 4(2) of the Securities Act of 1933 as the basis for its exemption from registration of this issuance. No cash was exchanged in this issuance; the options were issued as consideration for Mr. Sperzel's employment. Subject to the terms and conditions of the employment agreement, 50,000 of the options will become exercisable on each of the first five anniversaries of the date the options were granted, and all the options will expire on the seventh anniversary of the date the options were granted unless exercised prior to that date. Mr. Sperzel is an accredited investor as defined in the regulations promulgated under the Securities Act of 1933.

ITEM 6. EXHIBITS

EXHIBITS INDEX

Number	Description
3.1	Articles of Incorporation, as amended. (1)
3.2	Amended and Restated Bylaws. (2)
4.1*	Form of Employee Option Agreement. (3)
4.2	1999 Equity Incentive Plan. (4)
4.3	2008 Stock Incentive Plan. (5)
4.4	Form of Option, for 2008 Stock Incentive Plan.
4.5	Rights Agreement, dated March 8, 2010 (6)
4.6	Form of Warrant (to be filed by amendment) [to be revised]
10.1*	Employment Agreement dated March 13, 2014 with John J. Sperzel III
10.2*	Employment Agreement dated March 5, 2013 with Javan Esfandiari (10).
10.3*	Employment Agreement dated May 22, 2013 with Sharon Klugewicz (12)
10.3	HIV Barrel License, Marketing and Distribution Agreement, dated as of September 29, 2006, by and among the Registrant, Alere and StatSure. (8)
10.4	HIV Cassette License, Marketing and Distribution Agreement, dated as of September 29, 2006, between the Registrant and Alere. (8)
10.5	Non-Exclusive License, Marketing and Distribution Agreement, dated as of September 29, 2006, between the Registrant and Alere. (8)
10.6	Joint HIV Barrel Product Commercialization Agreement, dated as of September 29, 2006, between the Registrant and StatSure. (8)
10.8	Secured Revolving Demand Note, dated as of April 30, 2013, by and among the Registrant, Chembio Diagnostics Systems, Inc. and HSBC Bank, NA (12)
10.9	Loan and Security Agreement, dated as of April 30, 2013, by and among the Registrant, Chembio Diagnostics Systems, Inc. and HSBC Bank, NA (12)
14.1	Ethics Policy (9)
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
1	Incorporated by reference to the Registrant's annual report on Form 10-KSB filed with the Commission on March 31, 2005.
2	Incorporated by reference to the Registrant's registration statement on Form SB-2 (File No. 333-85787) filed with the Commission on August 23, 1999 and the Registrant's Forms 8-K filed on May 14, 2004, December 20, 2007 and April 18, 2008.
3	Incorporated by reference to the Registrant's annual report on Form 10-KSB filed with the Commission on March 12, 2008.
4	Incorporated by reference to the Registrant's definitive proxy statement on Schedule 14A filed with the Commission on May 11, 2005.
5	Incorporated by reference to the Registrant's definitive proxy statement on Schedule 14A filed with the Commission on April 14, 2008.
6	Incorporated by reference to the Registrant's registration statement on Form 8-A filed with the Commission on March 11, 2010.
7	Incorporated by reference to the Registrant's Current Report on Form 8-K filed with the Commission on June 21, 2006.
8	Incorporated by reference to the Registrant's Current Report on Form 8-K filed with the Commission on October 5, 2006.
9	Incorporated by reference to the Registrant's Annual Report on Form 10-KSB filed with the Commission on March 30, 2006.
10	Incorporated by reference to the Registrant's Annual Report on Form 10-K filed with the Commission on March 7, 2013.
11	Incorporated by reference to the Registrant's Current Report on Form 8-K filed with the Commission on April 25, 2013.
12	Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on August 8, 2013.
(*)	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 8, 2014 By: /s/ John J. Sperzel III
John J. Sperzel III
Chief Executive Officer
(Principal Executive Officer)

Date: May 8, 2014 By: /s / Richard J. Larkin
Richard J. Larkin
Chief Financial Officer
(Principal Financial and Accounting Officer)

CHEMBIO DIAGNOSTICS, INC.

2008 STOCK INCENTIVE PLAN

FORM OF STOCK OPTION AGREEMENT

Chembio Diagnostics, Inc. (the "Company"), pursuant to its 2008 Stock Incentive Plan (the "Plan"), hereby grants to the Optionee listed below ("Optionee"), an option to purchase the number of shares of the Company's Common Stock set forth below, subject to the terms and conditions of the Plan and this Stock Option Agreement. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Stock Option Agreement.

I. NOTICE OF STOCK OPTION GRANT

Optionee:
Date of Stock Option Agreement:
Date of Grant:
Vesting Commencement Date:
Exercise Price per Share:
Total Number of Shares Granted:
Term/Expiration Date:

Type of Option: T Incentive Stock Option or Non-Incentive Stock Option

Vesting Schedule: The Option Shares subject to this Option shall vest according to the following schedule:

_____
_____

Termination Period: This Option may be exercised, to the extent vested, for thirty days after Optionee ceases to be an Eligible Person, or such longer period as may be applicable upon the death or disability of Optionee as provided herein (or, if not provided herein, then as provided in the Plan), but in no event later than the Term/Expiration Date as provided above.

II. AGREEMENT

1.Grant of Option. The Company hereby grants to Optionee an Option to purchase the number of shares of Common Stock (the "Option Shares") set forth in the Notice of Grant, at the exercise price per share set forth in the Notice of Grant (the "Exercise Price"). Notwithstanding anything to the contrary anywhere else in this Option Agreement, this grant of an Option is subject to the terms, definitions and provisions of the Plan adopted by the Company, which is incorporated herein by reference.

If designated in the Notice of Grant as an Incentive Stock Option, this Option is intended to qualify as an Incentive Stock Option as defined in Section 422 of the Code; *provided, however*, that to the extent that the aggregate Fair Market Value of stock with respect to which Incentive Stock Options (within the meaning of Code Section 422, but without regard to Code Section 422(d)), including this Option, exercisable for the first time by Optionee during any calendar year (under the Plan and all other incentive stock option plans of the Company, if any) exceeds $100,000, such options shall be treated as not qualifying under Code Section 422, but rather shall be treated as Non-Incentive Stock Options to the extent required by Code Section 422. The rule set forth in the preceding sentence shall be applied by taking options into account in the order in which they were granted. For purposes of these rules, the Fair Market Value of stock shall be determined as of the time the option with respect to such stock is granted.

2. Exercise of Option. This Option is exercisable as follows:

(a) Right to Exercise.

(i) This Option shall be exercisable cumulatively according to the vesting schedule set out in the Notice of Grant. For purposes of this Stock Option Agreement, Option Shares subject to this Option shall vest based on Optionee's continued status as an Eligible Person.

(ii) This Option may not be exercised for a fraction of a Share.

(iii) In the event of Optionee's death, disability or other termination of Optionee's status as an Eligible Person, the exercisability of the Option is governed by Sections 7, 8 and 9 below.

(iv) In no event may this Option be exercised after the date of expiration of the term of this Option as set forth in the Notice of Grant.

(b) Method of Exercise. This Option shall be exercisable by written Notice (in the form attached as Exhibit A). The Notice must state the number of Option Shares for which the Option is being exercised, and such other representations and agreements with respect to such Option Shares as may be required by the Company pursuant to the provisions of the Plan. The Notice must be signed by Optionee and shall be delivered in person or by certified mail to the Secretary of the Company. The Notice must be accompanied by payment of the Exercise Price plus payment of any applicable withholding tax. This Option shall

be deemed to be exercised upon receipt by the Company of such written Notice accompanied by the Exercise Price and payment of any applicable withholding tax.

No Option Shares shall be issued pursuant to the exercise of an Option unless such issuance and such exercise comply with all relevant provisions of law and the requirements of any stock exchange upon which the Option Shares may then be listed. Assuming such compliance, for income tax purposes the Option Shares shall be considered transferred to Optionee on the date on which the Option is exercised with respect to such Option Shares.

3. Optionee's Representations. If the Option Shares purchasable pursuant to the exercise of this Option have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), at the time this Option is exercised, Optionee shall, if required by the Company, concurrently with the exercise of all or any portion of this Option, deliver to the Company his or her Investment Representation Statement in the form attached hereto as Exhibit B.

4. Method of Payment. Payment of the Exercise Price shall be by any of the following, or a combination thereof:

(a) cash;

(b) check;

(c) if the aggregate purchase price of the Option Shares purchased by any Optionee at one time exceeds $5,000, the Compensation Committee, solely in its discretion, may permit all or part of the Exercise Price for the Option Shares to be paid by delivery to the Company of cancelled shares of the Company's Common Stock owned by the Optionee pursuant to Section 8 of the Plan; or

(d) with the consent of the Compensation Committee, any method of payment, or combination thereof that is permitted in the Plan.

5. Restrictions on Exercise. If the issuance of Option Shares upon such exercise or if the method of payment for such shares would constitute a violation of any applicable federal or state securities or other law or regulation, then the Option may also not be exercised. The Company may require Optionee to make any representation and warranty to the Company as may be required by any applicable law or regulation before allowing the Option to be exercised.

6. Termination of Relationship. If Optionee ceases to be an Eligible Person (other than by reason of Optionee's death or the total and permanent disability of Optionee as defined in Code Section 22(e)(3)), Optionee may exercise this Option, to the extent the Option was vested at the date on which Optionee ceases to be an Eligible Person, but only within thirty days from such date (and in no event later than the expiration date of the term of this Option set forth in the Notice of Grant). To the extent that the Option is not vested at the date on which Optionee ceases to be an Eligible Person, or if Optionee does not exercise this Option within the time specified herein, the Option shall terminate.

7. Disability of Optionee. If Optionee ceases to be an Eligible Person as a result of his or her total and permanent disability as defined in Code Section 22(e)(3), Optionee may exercise the Option to the extent the Option was vested at the date on which Optionee ceases to be an Eligible Person, but only within thirty days from such date (and in no event later than the expiration date of the term of this Option as set forth in the Notice of Grant). To the extent that the Option is not vested at the date on which Optionee ceases to be an Eligible Person, or if Optionee does not exercise such Option within the time specified herein, the Option shall terminate.

8. Death of Optionee. If Optionee ceases to be an Eligible Person as a result of the death of Optionee, the vested portion of the Option may be exercised at any time within thirty days following the date of death (and in no event later than the expiration date of the term of this Option as set forth in the Notice of Grant) by Optionee's estate or by a person who acquires the right to exercise the Option by bequest or inheritance. To the extent that the Option is not vested at the date of death, or if the Option is not exercised within the time specified herein, the Option shall terminate.

9. Non-Transferability of Option. This Option may not be transferred in any manner by the Optionee, either voluntarily or involuntarily, except by will or the laws of descent and distribution. The terms of this Option shall be binding upon the executors, administrators, heirs, successors and assigns of Optionee.

10. Term of Option. This Option may be exercised only within the term set out in the Notice of Grant.

11. Restrictions on Option Shares. Optionee hereby agrees that Option Shares purchased upon the exercise of the Option shall be subject to such terms and conditions as the Compensation Committee shall determine in its sole discretion. Such terms and conditions may, in the Compensation Committee's sole discretion, be contained in the Exercise Notice with respect to the Option or in such other agreement as the Compensation Committee shall determine and which the Optionee hereby agrees to enter into at the request of the Company.

(Signature Page Follows)

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which shall constitute one document.

CHEMBIO DIAGNOSTICS, INC.

By:_____

Name:

Title:

OPTIONEE ACKNOWLEDGES AND AGREES THAT THE VESTING OF OPTION SHARES PURSUANT TO THE OPTION HEREOF IS EARNED ONLY BY CONTINUING CONSULTANCY OR EMPLOYMENT AT THE WILL OF THE COMPANY (NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS OPTION OR ACQUIRING SHARES HEREUNDER). OPTIONEE FURTHER ACKNOWLEDGES AND AGREES THAT NOTHING IN THIS AGREEMENT, NOR IN THE COMPANY'S 2008 STOCK INCENTIVE PLAN, WHICH IS INCORPORATED HEREIN BY REFERENCE, SHALL CONFER UPON OPTIONEE ANY RIGHT WITH RESPECT TO CONTINUATION OF EMPLOYMENT OR CONSULTANCY BY THE COMPANY, NOR SHALL IT INTERFERE IN ANY WAY WITH OPTIONEE'S RIGHT OR THE COMPANY'S RIGHT TO TERMINATE OPTIONEE'S EMPLOYMENT OR CONSULTANCY AT ANY TIME, WITH OR WITHOUT CAUSE AND WITH OR WITHOUT PRIOR NOTICE, UNLESS THE COMPANY AND THE OPTIONEE HAVE AGREED OTHERWISE IN WRITING.

Optionee acknowledges receipt of a copy of the Plan and represents that he or she is familiar with the terms and provisions thereof. Optionee hereby accepts this Option subject to all of the terms and provisions hereof. Optionee has reviewed the Plan and this Option in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Option, and fully understands all provisions of the Option. Optionee hereby agrees to accept as binding, conclusive, and final all decisions or interpretations of the Compensation Committee upon any questions arising under the Plan or this Option. Optionee further agrees to notify the Company upon any change in the residence address indicated below.

Dated: _____

Name: _____

Address: _____

Address: _____

EXHIBIT A

CHEMBIO DIAGNOSTICS, INC.
2008 STOCK INCENTIVE PLAN
EXERCISE NOTICE

Chembio Diagnostics, Inc.
Attention:

1. Exercise of Option. Effective as of today, _____, _____, the undersigned ("Optionee") hereby elects to exercise Optionee's option to purchase _____ shares of the Common Stock (the "Option Shares") of Chembio Diagnostics, Inc. (the "Company") under and pursuant to the Company's 2008 Stock Incentive Plan (the "Plan") and the Stock Option Agreement dated _____ (the "Option Agreement"). Capitalized terms used herein without definition shall have the meanings given in the Option Agreement.

Date of Grant:		
Number of Option Shares as to which Option is Exercised:		
Exercise Price per Share:		$
Total Exercise Price:		$
Certificate to be Issued in Name of:		
Payment Delivered Herewith:	☐	$_____

Type of Option: ☐ Incentive Stock Option ☐ Non-Qualified Stock Option

2. Representations of Optionee. Optionee acknowledges that Optionee has received, read, and understood the Plan and the Option Agreement. Optionee agrees to abide by and be bound by their terms and conditions.

3. Rights as Shareholder. Until the stock certificate evidencing such Option Shares is issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to Option Shares subject to the Option, notwithstanding the exercise of the Option. The Company shall issue (or cause to be issued) such stock certificate promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued. Optionee shall enjoy rights as a shareholder until such time as Optionee disposes of the Option Shares of the Company. Upon such exercise, Optionee shall have no further rights as a holder of the Option Shares.

4. Tax Consultation. Optionee understands that Optionee may suffer adverse tax consequences as a result of Optionee's purchase of the Option Shares. Optionee represents that Optionee has consulted with any tax consultants Optionee deems advisable in connection with the purchase of the Option Shares and that Optionee is not relying on the Company for any tax advice.

5. Restrictive Legends and StopTransfer Orders.

(a) Legends. Optionee understands and agrees that the Company shall cause the legends set forth below or legends substantially equivalent thereto, to be placed upon any certificate(s) evidencing ownership of the Option Shares together with any other legends that may be required by state or federal securities laws:

> "THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "1933 ACT"), AND ARE 'RESTRICTED SECURITIES' AS THAT TERM IS DEFINED IN RULE 144 UNDER THE 1933 ACT. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE 1933 ACT, OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE 1933 ACT, THE AVAILABILITY OF WHICH IS TO BE ESTABLISHED TO THE SATISFACTION OF THE COMPANY THROUGH REASONABLE MEANS AS DETERMINED BY THE COMPANY, INCLUDING AN OPINION OF SELLER'S COUNSEL REASONABLY ACCEPTABLE TO THE COMPANY."

(b) StopTransfer Notices. Optionee agrees that, in order to ensure compliance with the restrictions referred to herein, the Company may issue appropriate "stop transfer" instructions to its transfer agent, if any, and that, if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records.

(c) Refusal to Transfer. The Company shall not be required (i) to transfer on its books any Option Shares that have been sold or otherwise transferred in violation of any of the provisions of this Agreement or (ii) to treat as owner of such Option Shares or to accord the right to vote or pay dividends to any purchaser or other transferee to whom such Option Shares shall have been so transferred.

6. Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Agreement shall be binding upon Optionee and his or her heirs, executors, representatives, administrators, successors and assigns.

7. Interpretation. Any dispute regarding the interpretation of this Agreement shall be submitted by Optionee or by the Company forthwith to the Company's Board of Directors or committee thereof that is responsible for the administration of the Plan

(the "Compensation Committee"), which shall review such dispute at its next regular meeting. The resolution of such a dispute by the Compensation Committee shall be final and binding on the Company and on the Optionee.

8. Governing Law; Severability. This Agreement shall be governed by and construed in accordance with the laws of the State of Nevada excluding that body of law pertaining to conflicts of law. Should any provision of this Agreement be determined by a court of law to be illegal or unenforceable, the other provisions shall nevertheless remain effective and shall remain enforceable.

9. Notices. All notices, requests, demands, directions and other communications ("Notices") concerning this Agreement shall be in writing and shall be mailed, delivered personally, sent by telecopier or facsimile, or emailed to the applicable party at the address of such party. When mailed, each such Notice shall be sent by first class, certified mail, return receipt requested, enclosed in a postage prepaid wrapper, and shall be effective on the fifth business day after it has been deposited in the mail. When delivered personally, each such Notice shall be effective when delivered to the address for the respective party, provided that it is delivered on a business day and further provided that it is delivered prior to 5:00 p.m., local time of the party to whom the notice is being delivered, on that business day; otherwise, each such Notice shall be effective on the first business day occurring after the date on which the Notice is delivered. When sent by email, telecopier or facsimile, each such Notice shall be effective on the day on which it is sent provided that it is sent on a business day and further provided that it is sent prior to 5:00 p.m., local time of the party to whom the Notice is being sent, on that business day; otherwise, each such Notice shall be effective on the first business day occurring after the date on which the Notice is sent. Each Notice shall be addressed to the other party at its address as shown below beneath its signature, or to such other address as such party may designate in writing from time to time to the other party.

10. Further Instruments. The parties agree to execute such further instruments and to take such further action as may be reasonably necessary to carry out the purposes and intent of this Agreement.

11. Delivery of Payment. Optionee herewith delivers to the Company the full Exercise Price for the Option Shares as set forth above in Section 1, as well as any applicable withholding tax.

12. Entire Agreement. The Plan and Option Agreement are incorporated herein by reference. This Agreement, the Plan, the Option Agreement and the Investment Representation Statement constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Optionee with respect to the subject matter hereof.

Accepted by:	Submitted by:
CHEMBIO DIAGNOSTICS, INC.	**OPTIONEE**
By:	
Name:	Name:
Its:	Address:

EXHIBIT B

INVESTMENT REPRESENTATION STATEMENT

OPTIONEE : _____
COMPANY : Chembio Diagnostics, Inc.
SECURITY : Common Stock
AMOUNT : _____
DATE : _____

In connection with the purchase of the above-listed shares of Common Stock (the "Securities") of Chembio Diagnostics, Inc. (the "Company"), the undersigned (the "Optionee") represents to the Company the following:

(a) Optionee represents, warrants and agrees as follows: (a) that all Option Shares are being acquired solely for investment for his own account and not on behalf of any other person or entity; (b) that no Option Shares will be sold or otherwise distributed in violation of the Securities Act of 1933, as amended, or any other applicable federal or state securities laws; (c) that he or she will report all sales of Option Shares to the Company in writing on a form prescribed by the Company; and (d) that if he or she is subject to reporting requirements under Section 16(a) of the Exchange Act, (i) he or she will not violate Section 16(b) of the Exchange Act, (ii) he or she will furnish the Company with a copy of each Form 4 and Form 5 filed by him or her, and (iii) he or she will timely file all reports required under the federal securities laws.

(b) Optionee is aware of the Company's business affairs and financial condition and has acquired sufficient information about the Company to reach an informed and knowledgeable decision to acquire the Securities. Optionee is acquiring these Securities for investment for Optionee's own account only and not with a view to, or for resale in connection with, any "distribution" thereof within the meaning of the Securities Act of 1933, as amended (the "Securities Act").

(c) Optionee acknowledges and understands that the Securities constitute "restricted securities" under the Securities Act and have not been registered under the Securities Act in reliance upon a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of Optionee's investment intent as expressed herein. Optionee understands that the Securities must be held indefinitely unless they are subsequently registered under the Securities Act or an exemption from such registration is available. Optionee further acknowledges and understands that the Company is under no obligation to register the Securities. Optionee understands that the certificate evidencing the Securities will be imprinted with a legend that prohibits the transfer of the Securities unless they are registered or such registration is not required in the opinion of counsel satisfactory to the Company and any other legend required under applicable state securities laws.

(d) Optionee is familiar with the provisions of Rule 144 promulgated under the Securities Act, which, in substance, permit limited public resale of "restricted securities" acquired, directly or indirectly from the issuer thereof, in a non-public offering subject to the satisfaction of certain conditions.

(e) Optionee further understands that in the event all of the applicable requirements of Rule 144 are not satisfied, registration under the Securities Act, compliance with Regulation A, or some other registration exemption will be required; and that, notwithstanding the fact that Rule 144 is not exclusive, the Staff of the Securities and Exchange Commission has expressed its opinion that persons proposing to sell private placement securities other than in a registered offering and otherwise than pursuant to Rules 144 will have a substantial burden of proof in establishing that an exemption from registration is available for such offers or sales, and that such persons and their respective brokers who participate in such transactions do so at their own risk. Optionee understands that no assurances can be given that any such other registration exemption will be available in such event.

(f) Optionee shall immediately notify the Company in writing of any sale, transfer, assignment or other disposition (or action constituting a disqualifying disposition within the meaning of Section 421 of the Code) of any Securities acquired through exercise of an incentive stock option, within two years after the grant of such incentive stock option or within one year after the acquisition of such Securities, setting forth the date and manner of disposition, the number of Securities disposed of and the price at which such Securities were disposed.

Signature of Optionee:

Optionee

Date: _____, ____

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") is entered into as of this 13th day of March 2014 by and between Chembio Diagnostics, Inc., a Nevada corporation (the "Company"), and John Sperzel ("Employee"), to be effective as of March 13, 2014 (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 promptly after the Effective Date of this Agreement.

(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.

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) At least ninety (90) days prior to the expiration of the term of this Agreement, the Company shall give Employee a written notice stating either that (i) the Company desires to attempt to negotiate a new employment contract with Employee to continue as an employee of the Company after the expiration of the term of this Agreement (a "Notice To Negotiate"), or (ii) the Company does not desire for Employee's employment with the Company to continue after the expiration of the term of this Agreement (a "Notice Of Non-Continuation"). If the Company does not deliver either a Notice To Negotiate or a Notice Of Non-Continuation at least ninety (90) days prior to the expiration of the term of this Agreement, then the Company shall be deemed to have delivered a Notice Of Non-Continuation. Prior to the Company's delivering either a Notice To Negotiate or a Notice of Non-Continuance, according to the time requirements in this paragraph, the Company or the Employee may commence negotiations for a new employment contract to continue after the expiration of this Agreement, provided that the 90-day notice provisions of the foregoing sentences of this paragraph will still be in effect beginning 90 days before expiration of this Agreement.

(c) 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 $375,000, 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 40% 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. 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) In addition to the Base Salary, during the first four months of the Term, the Company shall reimburse Employee, for reasonable transportation (for train, bus, or gasoline) for traveling from Massachusetts to, and lodging expenses for hotel rooms near, the Company's offices on Long Island, New York. The Company and the Employee will adhere to the terms of subparagraph 5(e) above in accordance with the matters in this subparagraph.

(g) 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 2008 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 250,000 shares (the "Options") of the Company's common stock, $0.01 par value per share (the "Common Stock"), 43,132 of the Options are intended 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 206,868 of the Options are intended to be non-qualified stock options under the Plan. Resales of shares of common stock underlying the incentive stock options will be covered by the Company's registration statement on Form S-3; resales of shares of common stock underlying the non-qualified stock options will not be covered by the S-3 registration statement. 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, 50,000 of the Options shall become exercisable on each of the first five anniversaries 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. The Company hereby designates as incentive stock options 25,000 of the Options that become exercisable on the first anniversary of the Option Grant Date and also 18,132 of the Options that become exercisable on the second anniversary of the Option Grant 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 between the vesting dates (or between the dates on which they become exercisable) 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. The provisions of this Section 6(c) shall cease to apply to an individual Option on the date on which that Option becomes exercisable.

(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.

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 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 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 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 this Agreement 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.

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, anytime after the first anniversary of the date of this Agreement, 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) continue to pay as severance Employee's Base Salary for a period of six months following the date such general release and waiver of claims is executed by Employee and delivered to the Company; and (ii) continue to pay the Company share of health insurance premium payments, as in effect for other executive officers of the Company, during the period when Employee is paid severance. 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 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 provides a Notice Of Non-Continuation as described in Paragraph 4 above, 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) continue to pay as severance Employee's Base Salary for a period of six months following the date such general release and waiver of claims is executed; and (ii) continue to pay the Company share of health insurance premium payments, as in effect for other executive officers of the Company, during the period when Employee is paid severance. 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 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 provides a Notice To Negotiate as described in Paragraph 4 above, and the Employee and the Company have not entered into a new employment agreement at the time of expiration of the term of this Agreement, then the same terms and conditions 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 to be paid to Employee will be nine (9) 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 to be paid to Employee will be nine (9) 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 (15th) 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 contendre, 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 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.

Notwithstanding any other provision of this Agreement, to the extent that Employee recommends or requests that the Company establish and/or maintain a corporate or personal office in Massachusetts, and the Board, in its sole discretion, does not undertake to establish and/or maintain a corporate or personal office in Massachusetts, then any such failure of the Board to respond favorably to Employee's recommendation or request shall not constitute a rationale or other ground for a claim by Employee that Employee has a Reasonable Basis to terminate Employee's employment with the Company.

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 Restricted 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 15th 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 _____ ____, 2014.

EMPLOYEE: COMPANY:

JOHN SPERZEL CHEMBIO DIAGNOSTICS, INC.

_____ By:_____

John Sperzel
Address:_____
_____

Date:_____

Richard Larkin
Chief Financial Officer

Date:_____

* * * * *

EXHIBIT 31.1

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 8, 2014 /s/ John J. Sperzel III

John J. Sperzel III, Chief Executive Officer

EXHIBIT 31.2

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 8, 2014 /s/ Richard J. Larkin

Richard J. Larkin, Chief Financial Officer

EXHIBIT 32

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, 2014, each of the undersigned Lawrence A. Siebert, 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, 2014 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, 2014 fairly presents, in all material respects, the financial condition and results of operations of Chembio Diagnostics, Inc. for the periods presented therein.

Dated: May 8, 2014 /s/ John J. Sperzel III
John J. Sperzel III
Chief Executive Officer

Dated: May 8, 2014 /s/ Richard J. Larkin
Richard J. Larkin
Chief Financial Officer