SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (date of earliest event reported): May 5, 2004

CHEMBIO DIAGNOSTICS INC.
(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of incorporation)

333-85787
(Commission File Number)

88-0425691
(IRS Employer Identification Number)

3661 Horseblock Road, Medford, NY 11763
(Address of principal executive offices, including zip code)

(631) 924-1135
(Registrant's telephone Number, including area code)

Not applicable
(Former name or former address, if changed since last report)

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Item 2. Acquisition or Disposition of Assets.

Description of the Merger

The description of the principal terms of the Merger Agreement are subject to and qualified in their entirety by reference to the Merger Agreement, a copy of which is attached to this Form 8-K and which is incorporated herein by reference.

You are strongly urged to read and carefully consider the Merger Agreement for a complete description of the terms of the Merger.

On May 5, 2004 (the "Closing" or the "Effective Time"), Chembio Diagnostics Inc., f/k/a Trading Solutions.com, Inc. (the "Registrant" or "Chembio"), acquired Chembio Diagnostics Systems, Inc. ("CDS") pursuant to an Agreement and Plan of Merger (the "Merger Agreement") dated as of March 3, 2004, as amended as of May 1, 2004, by and among the Registrant, New Trading Solutions Inc., a wholly owned subsidiary of the Registrant ("Merger Sub"), and CDS. Pursuant to the terms of the Merger Agreement, the Registrant acquired CDS through a merger (the "Merger") of Merger Sub with and into CDS, and the stockholders of CDS received a total of 4,000,000 restricted shares (the "Merger Shares") of the Registrant's Common Stock. Upon consummation of the Merger, the separate corporate existence of Merger Sub ceased, and CDS survived the Merger as a wholly owned subsidiary of the Registrant.

The Registrant has agreed to prepare and file, at its expense, a registration statement (the "Registration Statement") with the Securities and Exchange Commission ("SEC") covering the resale of the shares of the Registrant's Common Stock issued in connection with the Merger. The Registration Statement also will cover the resale of any other shares of the Registrant's Common Stock issued, or underlying Series A Stock or Warrants or options issued, in the transactions described below under "Other Securities Issuances and Exchanges Related to the Merger." The Registration Statement also will cover resale of the Common Stock underlying the Assumed Options and the Assumed Warrants described below. For additional information concerning the Registration Statement and the related rights and obligations of the Registrant and other parties, see "Registration Rights" below.

In connection with the Closing, the Registrant assumed the CDS 1999 Stock Option Plan and all outstanding CDS stock options (the "Assumed Options"). Each Assumed Option continues to have, and be subject to, the same terms and conditions under the Plan as set forth in the Plan as in effect immediately prior to the Closing, except that, in accordance with the ratio of shares of the Registrant's Common Stock being granted to CDS stockholders in exchange for their CDS common stock, (i) each Assumed Option is exercisable for 100 shares of the Registrant's Common Stock and (ii) the per share exercise price for the shares of the Registrant's Common Stock issuable upon exercise of each Assumed Option is equal to $1/100^{th}$ of the exercise price per share of CDS Common Stock at which that Assumed Option was exercisable immediately prior to the Closing.

Also in connection with the Merger, the Registrant assumed all outstanding CDS warrants (the "Assumed Warrants"). Each Assumed Warrant continues to have, and be subject to, the same terms and conditions as in effect immediately prior to the Closing, except that, in accordance with the ratio of shares of Registrant's Common Stock being granted to CDS stockholders in exchange for their CDS common stock, (i) each Assumed Warrant is exercisable for 100 shares of the Registrant's Common Stock and (ii) the per share exercise price for the shares of the Registrant's Common Stock issuable upon exercise of each Assumed Warrant is equal to $1/100^{th}$ of the exercise price per share of CDS Common Stock at which that Assumed Warrant was exercisable immediately prior to the Closing of the Merger.

The Registrant and CDS agreed to allow a maximum of $750,000 of the debt existing on the CDS balance sheet as of December 31, 2003 to remain outstanding after the conversion of the Existing Debt, which at the Registrant's option then must be retired or converted into shares of the Registrant's Series A Stock (at a conversion price of $30,000 per share) on or before December 31, 2004. This requirement of the Merger Agreement, together with a condition of the Cash Offering of Series A Stock described below, was a primary reason for the Existing Debt Exchange Offer described below.

Other Securities Issuances and Exchanges Related to the Merger

Concurrently with the Closing of the Merger, the Registrant consummated three separate private placements of its 8% Series A Convertible Preferred Stock (the "Series A Stock"): (i) shares of Series A Stock and warrants were sold for cash (the "Cash Offering"); (ii) shares of Series A Stock and warrants were exchanged, as described herein, for conversion of the Bridge Notes (the "Bridge Conversion Offering"), and (iii) shares of Series A Stock and warrants were exchanged, as described herein, for conversion of the Existing Debt (as defined below) of CDS (the "Existing Debt Exchange Offering"). The consideration paid by the investors in the Bridge Conversion Offering consisted of 150% of the face amount of the Bridge Notes converted. The consideration paid by the investors in the Existing Debt Exchange Offering consisted of 100% of the face amount of the Existing Debt converted. In each of these placements or exchanges, each $.60 of consideration received (a) $.60 of face amount of Series A Stock, which is convertible into one share of the Registrant's common stock, and (b) a five-year warrant to acquire one share of the Registrant's Common Stock for each $.50 of consideration. Each full share of the Series A Stock was purchased for $30,000, with fractional shares of Series A Stock being purchased in the case of smaller amounts of consideration.

The Cash Offering. As of May 7, 2004, 73.333 shares of Series A Stock and warrants to acquire 4,399,980 shares of Common Stock at $.90 per share, had been issued pursuant to the Cash Offering for total consideration of $2,200,000. The proceeds from the Cash Offering will be used primarily to continue the process of seeking US FDA Pre-Marketing Approval ("PMA") for CDS's two formats of HIV rapid tests to obtain USDA registration of CDS's manufacturing facility for veterinary applications in Tuberculosis and Mad Cow Disease, to increase CDS's marketing budget, and for working capital.

The Bridge Conversion Offering. On March 22, 2004, CDS completed a private placement (the "Bridge Financing") of $1,000,000 in face amount of Convertible Notes (the "Bridge Notes"). The Bridge Financing provided for the Bridge Note holders to elect whether to convert the Bridge Notes into shares of the Registrant's Series A Stock (together with warrants (the "Bridge Warrants") to

acquire shares of the Registrant's Common Stock) or into shares of the Registrant's Common Stock at the Effective Time. As a result, $672,000 in principal amount of the Bridge Notes, together with accrued and unpaid interest, was converted into 33.837 shares of the Registrant's Series A Preferred Stock (together with warrants to acquire an additional 2,030,220 shares of the Registrant's Common Stock at $.90 per share). The bala nce of the Bridge Financing, or $328,000, together with accrued and unpaid interest, was converted into 826,741 shares of the Registrant's Common Stock.

The Existing Debt Exchange Offering. Pursuant to the Existing Debt Exchange Offering, the Registrant issued 44.410 shares of Series A Preferred and warrants to acquire 2,664,584 shares of Common Stock at $.90 per share in exchange for the conversion of $1,332,292 of CDS's debt existing on its balance sheet as of December 31, 2003 (the "Existing Debt"). Accrued interest on the Existing Debt was not exchanged into Series A Stock. The amount of the Existing Debt that was not so exchanged will continue to accrue interest and either shall be repaid by the Registrant on or before December 31, 2004 or converted into shares of the Registrant's Series A Stock as of December 31, 2004. Lawrence Siebert, President and Chairman of CDS and the new President and a director of the Registrant immediately upon the Closing, held approximately $1,134,062 of the Existing Debt. Mr. Siebert tendered $900,000 of the Existing Debt that he held and received 30 shares of Series A Stock and warrants to acquire 1,800,000 shares of Common Stock at $.90 per share in exchange therefor.

Baum Employment Agreement. Pursuant to a nine-month Employment Agreement between the Registrant and Mark L. Baum entered into as of the Effective Time, Mr. Baum received 400,000 shares of the Registrant's Common Stock as well as a warrant to acquire 425,000 shares of common stock at $.60 per share and a warrant to acquire an additional 425,000 shares of common stock at $.90 per share. The warrants expire five years after the date of grant. (The 400,000 shares of common stock and the warrants described in this paragraph are referred to collectively as the "Baum Registrable Securities.") Pursuant to the Employment Agreement, Mr. Baum will advise the Registrant concerning management, marketing, strategic planning, corporate structure, business operations, expansion of services, acquisitions and business opportunities, matters related to its publ ic reporting obligations, and its overall needs. Mr. Baum is a director of the Registrant and owns 700,000 shares of its Common Stock in addition to the warrants described above. Prior to the Merger, Mr. Baum was the sole director and officer of the Registrant.

Compensation of Placement Agent

H.C. Wainwright & Co., Inc. ("HCW") acted as the placement agent for the offering of the Series A Stock. As compensation for services rendered to the Registrant by HCW, the Registrant agreed to the following:

* to pay HCW a cash fee equal to $176,000, or 8% of the amount of cash proceeds the Registrant received in the Cash Offering from investors that were introduced to the Registrant by HCW;
* to pay HCW a cash fee equal to $44,000, or 2% of the amount of cash proceeds the Registrant received in the Cash Offering from investors that were introduced to the Registrant by HCW, which fee shall be paid to J.P. Turner & Company, L.L.C./WellFleet Partners, Inc. ("JP") as a finder's fee for introducing the Registrant to HCW; and
* to issue to HCW and JP warrants to purchase 366,665 and 91,666 shares of the Registrant's Common Stock, respectively (the "Placement Warrants"). The Placement Warrants are exercisable for a period of five years from their issuance and have an exercise price of $.72 per share. The Registrant has agreed to include the shares of Common Stock underlying the Placement Warrants in the Registration Statement.

Terms of the Series A Stock

Dividends. Holders of Series A Stock are entitled to an 8% per annum dividend per share. The dividend accrues and is payable semi-annually in cash, in shares of Series A Stock or shares of Common Stock (at the option of the Registrant). Accrued but unpaid dividends are also payable upon the conversion or redemption of the shares of Series A Stock and upon a liquidation event.

Voting Rights. As long as any shares of Series A Stock are outstanding, the Registrant cannot take any of the following actions without the separate class vote or written consent of at least three-fourths (¾) of the then outstanding shares of Series A Stock:

* amend, alter or repeal the provisions of the Series A Stock so as to adversely affect any right, preference, privilege or voting power of the Series A Stock;
* repurchase, redeem or pay dividends on, shares of Common Stock or any other shares of the Registrant's equity securities that by its terms does not rank senior to the Series A Stock ("Junior Stock") (other than de minimus repurchases from employees of the Registrant in certain circumstances);
* amend the Articles of Incorporation or By-Laws of the Registrant so as to affect materially and adversely any right, preference, privilege or voting power of the Series A Stock;
* effect any distribution with respect to Junior Stock;
* reclassify the Registrant's outstanding securities;
* voluntarily file for bankruptcy, liquidate the Registrant's assets or make an assignment for the benefit of the Registrant's creditors; or
* change the nature of the Registrant's business.

Additionally, as long as at least $1,000,000 of Series A Stock is outstanding, the Registrant shall not, without the affirmative vote or consent of the holders of at least three-fourths (3/4) of the shares of the Series A Stock outstanding at the time, authorize, create, issue or increase the authorized or issued amount of any class or series of stock, including but not limited to the issuance of any more shares of previously authorized Common Stock or Preferred Stock, ranking pari passu or senior to the Series A Stock (except for the issuance of shares of Series A Stock with respect to the payment of dividends on such shares of Series A Stock).

Except with respect to items set forth above upon which the Series A Stock shall be entitled to vote separately as a class and except as otherwise required by Nevada law, the Series A Stock does not have any voting rights. The Common Stock into which the Series A Stock is convertible will have, upon issuance, all of the same voting rights as other issued and outstanding shares of Common Stock of the Registrant.

Conversion. The Series A Stock is convertible, at the option of the holders, into shares of Common Stock at an initial conversion price of $.60 per share. Based on the original purchase price of $30,000.00 per share, each share of Series A Stock is initially convertible into 50,000 shares of Common Stock. The Series A Stock is issuable in fractional shares. The Series A Stock contains adjustment provisions upon the occurrence of stock splits, stock dividends, combinations, reclassifications or similar events of our capital stock.

A holder of Series A Stock cannot convert more than twenty percent (20%) of the shares of Series A Stock that the holder owns into shares of Common Stock until the earlier to occur of (i) six (6) months following the effective date of the Registration Statement or (ii) March 5, 2005.

Each share of the Series A Stock will automatically convert into Common Stock on the date that the closing bid price for the Registrant's Common Stock exceeds $1.50 for a period of ten (10) consecutive trading days, if the following conditions are satisfied: (i) such date is at least one hundred eighty (180) days following the effective date of the Registration Statement, and (ii) the Registration Statement has been effective, without lapse or suspension of any kind, for a period of sixty (60) days (or the Common Stock into which the Series A Stock is convertible can be freely traded pursuant to Rule 144 under the Securities Act of 1933, as amended).

Redemption. In the event of (i) a consolidation, merger, or other business combination involving the Registrant, (ii) the sale of more than 50% of the Registrant's assets, or (iii) the closing of a purchase, tender or exchange offer made to holders of more than 50% of the outstanding shares of the Registrant's Common Stock, each holder of Series A Stock has the right to require the Registrant to redeem all or a portion of such holder's shares of Series A Stock at a price per share of Series A Stock equal to 100% of the then current liquidation preference amount for the Series A Stock, plus any accrued but unpaid dividends; provided that the Registrant will have the sole option to pay the redemption price in cash or shares of Common Stock. If the Registrant elects to pay the redemption price in shares of Common Stock, the price per share shall be based u pon the lesser of (i) the conversion price for the Series A Stock or (ii) the closing bid price for the Common Stock, in each case measured on the day preceding the date of delivery of the notice of redemption by such holder. The holder of such shares of Common Stock shall have demand registration rights with respect to such shares.

In the event of certain specified triggering events (involving (i) the lapse or unavailability of the Registration Statement, (ii) the suspension from listing of the Common Stock for a period of seven (7) consecutive days, (iii) the Registrant's failure or inability to comply with an conversion request from a holder of Series A Stock or (iii) the breach by the Registrant of any of its representations or warranties contained in the Series A Stock documentation (except to the extent that such breach would not have a material adverse effect) that continues uncured for a period of ten (10) days), each holder of Series A Stock has the right to require the Registrant to redeem all or a portion of such holder's shares of Series A Stock at a price per share of Series A Stock equal to 120% of the then current liquidation preference amount for the Series A Stock, plus any accrued but unpaid d ividends; provided that with respect to certain of the triggering events referenced above, the Registrant will have the sole option to pay the redemption price in cash or shares of Common Stock. If the Registrant elects to pay the redemption price in shares of Common Stock, the price per share shall be based upon the lesser of (i) the conversion price for the Series A Stock or (ii) the closing bid price for the Common Stock, in each case measured on the day preceding the date of delivery of the notice of redemption by such holder. The holder of such shares of Common Stock shall have demand registration rights with respect to such shares.

Rank; Liquidation Preference. The holders of Series A Stock rank prior to the holders of the Registrant's Common Stock and, unless otherwise consented to by the holders of Series A Stock, prior to all other classes of capital stock that the Registrant may establish, with respect to the distribution of its assets upon a bankruptcy, liquidation or other similar event. The liquidation preference for the Series A Stock is an amount equal to $30,000.00 per share plus any accrued and unpaid dividends.

Preemptive Rights

Pursuant to the terms of the offering of the Series A Stock, the Registrant granted each investor the right to purchase a pro rata portion of any future sales of Common Stock, or securities convertible into Common Stock, (a "Subsequent Financing"), by the Registrant within the twelve (12) months following the Closing, based on the ratio of the number of shares of Series A Stock held by that investor, to the total number of shares of Series A Stock purchased by all of the investors in the offering of the Series A Stock. As a result, the investors will have the right to purchase 100% of the securities that the Registrant offers to sell in a Subsequent Financing. The Registrant also agreed that during the four (4) month period after the Closing it would not enter into any Subsequent Financing without the consent or approval from the holders of three-fourths (¾) of the outstanding Series A Stock.

Registration Rights

In connection with the offering of the Series A Stock, the Registrant entered into a Registration Rights Agreement pursuant to which it is required to file the Registration Statement by June 4, 2004, to register (i) all the shares of Common Stock issuable upon the conversion of the Series A Stock, (ii) all the shares of Common Stock issuable upon the exercise of the warrants issued to the investors in the Cash Offering, (iii) all the shares of Common Stock issuable upon exercise of the Placement Warrants and (iv) all the shares of Common Stock issuable pursuant to the Baum Registrable

Securities. If the Registration Statement is not filed by June 4, 2005 or declared effective by the SEC by November 1, 2004, then, only with respect to investors purchasing in the Cash Offering, the Registrant will be subject to the payment of liquidated damages equal to .5% of the aggregate pur chase price paid to it in the Cash Offering for each of the first two calendar months, pro rated for any shorter period, that the filing or effectiveness of the Registration Statement is delayed and 2.0% of the aggregate purchase price paid to it in the offering of the Series A Stock for each of the three calendar months thereafter, pro rated for any shorter period, that the filing or effectiveness of the Registration Statement is delayed.

As a condition to the consummation of the offering of the Series A Stock, each of the Registrant's executive officers and directors has agreed not to sell any shares of the Registrant's Common Stock owned by that individual until six (6) months after the Registration Statement is declared effective. At that point, during the subsequent six (6) month period, each executive officer and director will be able to sell up to twenty percent (20%) of the shares of Common Stock owned by that individual. After twelve (12) months following the effectiveness of the Registration Statement, the executive officers and directors will be not be subject to any contractual restrictions on the transfer of their shares.

The Registrant must keep the Registration Statement effective until the earliest to occur of (i) the date when all the securities covered by the Registration Statement may be sold without restriction pursuant to Rule 144 and (ii) the date on which all securities covered by the registration statement have been sold.

The foregoing descriptions do not purport to be complete and are qualified in their entirety by reference to the Certificate of Designation of the Series A Stock, the form of warrant issued to the investors, the warrant issued to HCW, each of the warrants issued to Mark L. Baum, the form of Lock-Up Agreement the Registrant executed with each of its executive officers and directors, the Registration Rights Agreement and the Series A Convertible Preferred Stock and Warrant Purchase Agreement, copies of which are included as Exhibits 3.1, 4.3, 4.4, 4.5, 4.2, 4.1 and 10.1, respectively, to this Current Report on Form 8-K.

Description of Chembio Business

Chembio's near term focus is its rapid HIV tests, and in completing the development of the Mad Cow, Dental bacteria and TB tests that are under product development agreements and/or research grants. Chembio's Sure Check™ HIV rapid test eliminates the need for a separate sample collection system which improves ease of use and safety. The HIV Stat-Pak product, while not as simple as the Sure-Check®, is value priced, flexible and yet is still as easy to use as the competitive HIV rapid tests (see Competition below) that are FDA approved. Both of Chembio's HIV tests use a standardized test strip which Chembio developed using patented materials licensed by Chembio from third parties and proprietary know-how and trade secrets. We believe that this product offering will position Chembio in the US market and internationally with a superior produ ct and one that is competitively priced. Rapid HIV tests address the time response problem: according to the CDC, a large percentage of individuals aged 16-24 tested in public health settings do not return after one week for test results from laboratory tests, and this group comprises approximately 50% of all new infections. We expect that FDA approval should occur during 2005 if the various FDA requirements for a Pre-Marketing Approval ("PMA") are met on a timely basis.

Chembio's TB tests are being designed to significantly increase the accuracy of existing TB testing protocols and procedures. Studies of Chembio's serological test for active pulmonary TB in humans have shown that sensitivity can increase from 45% to 82% when used in combination with the initial standard, sputum smear method, and from 82% to 91% when used with the two- step confirmatory combination of sputum smear and culture testing. Chembio's strategy is to, at least initially, forego US FDA approval and to instead have the product evaluated in developing countries, by the CDC, and by the World Health Organization "WHO". Nearer term, Chembio is moving forward with a serological test for non-human primates that is the result of a Phase II NIH SBIRR grant that is funding this product development, and plans are to have a product in the market for this niche market within one year.

Our other products include the only FDA cleared rapid Lyme disease test, and other niche products. Current revenues also include pregnancy tests sold under private label for the OTC market, although we are exiting this commodity market due to its highly competitive nature.

Product development and manufacturing agreements are in place with leading companies in the fields of BSE (mad cow disease) and dental disease, and these agreements now represent a significant pipeline of new revenues.

Proprietary Technology

We possess a number of proprietary technologies in the area of test formulation and manufacture, and in the reagents, which we have licensed for use in our products. This intellectual property is summarized as follows:

IP Class	IP Items
Lateral Flow Technology	Colored latex technology that enables development of multi-parameter and semi-quantitative tests.
	Latex conjugate and buffer systems have been developed that permit high levels of test sensitivity and specificity.
	This capability has resulted in our having entered into development and manufacturing contracts with major companies.
Proprietary Device Formats	Experience with a variety of lateral flow housings including the barrel device used in Sure Check™ HIV rapid test which is easier to use than other whole blood point of care devices.
	Additional modifications to barrel device will create additional user features and greater applicability to other tests.
Reagent Licenses	Licenses (exclusive and non-exclusive) to patented reagents used in the following tests: HIV, TB, Lyme Disease, Mad Cow, Dental Bacteria, Chagas, among others.

We develop our rapid tests using colloidal gold or colored latex and we can produce tests that are used in qualitative (yes/no) and semi-quantitative applications. We have developed proprietary techniques that enable us to achieve high levels of sensitivity and specificity in our diagnostic tests. These techniques include the methods we employ in manufacturing and fusing the reagents with the colored latex or colloidal gold, blocking procedures used to reduce false positives, and methods used in treating the materials used in our tests to obtain maximum stability and resulting longer shelf life.

Target Market

We believe that the point of care diagnostic testing market is growing at a faster pace than the overall diagnostics market. Market growth is driven by the need to control health care costs, advances in technology, and consumer awareness of personal health issues. Our market is global, although our primary target market for our HIV rapid test will be developing countries.

Distribution Channels

We are seeking to participate in national and international public health markets by partnering with organizations such as the CDC, WHO and other public health agencies in order to build direct product development relationships. For example, the CDS has just signed an agreement with Bio Manguinhos, which is the largest Brazilian manufacturer of vaccines and is an affiliated entity of the Brazilian Ministry of Health. This collaboration will provide Bio Manguinhos with our support to have a Brazilian made product to serve our population, which is what the Brazilian Health Ministry and National Aids Control Organization in Brazil requested of Bio Manguinhos. Chembio's participation over the last few years in several of the rapid testing evaluations that have been conducted by the CDC in countries now beginning to receive funding from the Bush administration's PE PFAR (Presidential Emergency Program for Aids Relief) has been crucial to the opportunities that are now beginning to unfold.

Competition

Higher standards involved in FDA PMA applications, and technical skill to develop HIV, TB, and other tests significantly reduces the number of competitors and improves pricing. The main competitors in the US market to our Sure Check and Stat Pak products are or will be Orasure Technologies, Inc., Trinity Biotech and Efoora.

Description of Chembio's Facilities

CDS leases office space at three locations in buildings located at 3661 Horseback Road, Medford, New York. The following is a schedule of future minimum rental commitments as of December 31, 2003:

Year ending December 31,	2004	$	89,792
	2005		28,896
	Total	$	118,688

Management and Employees of CDS

CDS has an experienced and dynamic management team that is capable of building relationships with leading companies and organizations. There is a core professional staff of 10 employees leading the R&D, Production, Sales, QA/QC and Accounting/Administration departments. The number of indirect and direct production employees has averaged approximately 40 over the last year.

The executive management team is composed of:

Lawrence A. Siebert. President and Chairman. Since becoming President of CDS in May 2002, Mr. Siebert has focused on improving operations, developing the HIV product line, including other collaborative agreements, and raising additional capital. He has been Chairman for 10 years, and has provided a substantial portion of CDS's financial support. Mr. Siebert's background is in private equity and venture capital investing. From 1982-1991, Mr. Siebert was associated with Stanwich Partners, Inc, which invests in middle market manufacturing and distribution companies. From 1992-1999, Mr. Siebert was an investment consultant and business broker with Siebert Capital and Siebert Associates, and a principal investor in a recently sold test and measurement company. Mr. Siebert received a JD from Case Western Reserve University School of La w in 1981 and a BA with Distinction in Economics from the University of Connecticut in 1978.

Upon the Closing of the Merger, Mr. Siebert owns 1,406,967 shares of the Registrant's Common Stock and 30.942 shares of the Registrant's Series A Stock, and holds warrants to acquire 1,856,520 shares of Common Stock at $.90 per share. This amount of Series A Stock and warrants includes amounts of such securities Mr. Siebert received by converting $18,700 pursuant to the Bridge Financing and the $900,000 of Existing Debt as described above. Mr. Siebert also holds options to purchase 120,000 shares of common stock at exercise prices between $.75 and $4.00 (average weighted exercise price of $1.98) and an additional 274,435 warrants to purchase common stock at exercise prices between $.45 and $1.80 (average weighted exercise price of $1.01).

Richard J. Larkin. Chief Financial Officer. Mr. Larkin oversees the Registrant's financial activities and its information systems. A CPA since 1982, Mr. Larkin started with Chembio in the fall of 2003. Prior to joining Chembio, Mr. Larkin spent several years in both public accounting and manufacturing companies. Most recently, he served as CFO at Visual Technology Group, and also led their consultancy program that provided hands-on expertise in all aspects of financial service, including the initial assessment of client financial reporting requirements within an ERP (Manufacturing) environment through training and implementation. Prior to joining VTG, he served as CFO at Protex International Corporation with additional responsibility for the company's day-to-day operations. Mr. Larkin holds a BBA in Accounting from Dowling Colleg e and is a member of the American Institute of Certified Public Accountants (AICPA).

Avi Pelossof. VP Sales & Marketing. Mr. Pelossof joined Chembio in 1996 and has been responsible for developing CDS's marketing strategy and collaborations. Mr. Pelossof's background is in business development and international sales. From 1991 to 1996, he was Managing Director and co-founder of The IMS Group, Inc., which provided strategic marketing advisory services to companies involved in Latin American markets including Chembio. Prior to IMS he was a Citibank Vice President in the International Corporate Finance Group focused on Latin America. Mr. Pelossof received his MBA in finance and international business from New York University in 1986 and a BA with Distinction in economics from the University of Michigan in 1984.

Javan Esfandiari. Director of Research & Development. Mr. Esfandiari owned Sinovus Biotech AB which Chembio acquired in 2000. He has developed and sold lateral flow rapid diagnostic tests since the early 1990s, and has expertise in latex based tests and veterinary applications. Mr. Esfandiari is both a scientific expert in lateral flow diagnostics and an experienced entrepreneur who brings strong industry relationships to Chembio. Prior to co-founding Sinovus Biotech, Mr. Esfandiari was a Senior Research Scientist with On-Site Biotech/National Veterinary Institute, Uppsala, Sweden. Mr. Esfandiari received his B.Sc. in Clinical Chemistry and his M. Sc. in Molecular Biology from Lund University, Sweden. He has published articles in various veterinary journals and has co-authored articles on TB serology with Dr. Lyashchenko.

Rick Bruce. Director of Operations. Mr. Bruce directs the production, maintenance, shipping and receiving, and warehouse operations. He has implemented operational improvements, cost reductions, equipment validations, and training programs. Mr. Bruce has over 25 years of operations management experience with Fortune 500 companies in the field of in-vitro diagnostics and blood fractionation. Prior to joining Chembio he held director level positions at American Home Products and management positions at V.I. Technologies and Biomerieux. Rick received his BS in Management from St. Louis University in 1997.

Board of Directors

We did not have a Directors and Officers Liability Insurance Policy ("D&O" policy) for the calendar year 2003. This severely limits our ability to attract new Board members. In April 2004, an application for a D&O policy was submitted and quotations are now being reviewed. We currently have two directors and intend to add one or more in the near future.

On May 1, 2004 and April 28, 2004 respectively, Messrs. Bruce Ide and Daniel Gressel resigned their positions as members of the CDS Board of Directors.

The current members of the Board of Directors of the Registrant are as follows:

Lawrence A. Siebert - Chairman and President (see above). Mr. Siebert is also a director of CDS.

Mark L. Baum - Director. Mr. Baum was elected to the Registrant's Board of Directors on December 11, 2003. Mr. Baum has more than 10 years experience in creating, financing and growing development stage enterprises in a variety of industries. Mr. Baum has participated in numerous public spin-offs, venture fundings, private-to-public mergers, and various asset acquisitions and divestitures. Mr. Baum is a licensed attorney in the State of California and the principal attorney for The Baum Law Firm. Mr. Baum's law practice focuses on Securities Laws and related issues for SmallCap and MicroCap publicly reporting companies.

Upon the Closing of the Merger, Mr. Baum owns 700,000 shares of the Registrant's Common Stock and holds warrants to acquire 425,000 shares of Common Stock at $.60 per share and warrants to acquire an additional 425,000 shares of Common Stock at $.90 per share.

Our Board of Directors intends to elect or propose the election of Tomas Haendler as a director in the near future. Mr. Haendler has served as a Director of CDS since 1987. From 1995 through April, 2002 he served as CDS's President. From 1984 through 1994 he served as President of Fintra, an investment consulting and banking company specializing in small business start-ups. Mr. Haendler received his B.A. in Economics in 1977 from Hebrew University in Jerusalem and his Masters in Economics from the University of Chicago in 1980. Mr. Haendler is also a director of CDS.

Upon the Closing of the Merger, Mr. Haendler owns 402,957 shares of the Registrant's Common Stock and .889 share of the Registrant's Series A Stock, and holds warrants to acquire 53,334 shares of Common Stock at $.90 per share. This amount of Series A Stock and warrants includes amounts of such securities Mr. Haendler received by converting $26,667 of Existing Debt as described above. Mr. Haendler also holds options to purchase 160,000 shares of common stock at exercise prices between $.75and $4.00 (average weighted exercise price of $1.95) and 52,039 warrants to purchase common stock at exercise prices between $.45 and $1.80 (average weighted exercise price of $1.01).

As is discussed above, it is anticipated that when the Registrant acquires a current and effective D&O insurance policy, the Registrant will add additional board members.

Capitalization

After giving effect to the Closing of the Merger, the Cash Offering of $2.2 million, the Bridge Conversion Offering, and the Existing Debt Exchange Offering, we have outstanding a total of 6,289,888 shares of Common Stock, and 151.58 shares of Series A Stock (convertible into 7,579,000 shares of Common Stock). We also have outstanding options and warrants as described in the two following paragraphs. Of these amounts, (i) the former stockholders of CDS hold 4,000,000 shares of the Registrant's Common Stock, including 1,406,967 shares held by Larry Siebert; (ii) the pre-Merger shareholders of the Registrant hold 1,463,147 shares of the Registrant's Common Stock, including 700,000 shares held by Mark Baum; (iii) the prior investors in the CDS Bridge Financing hold 826,741shares of the Registrant's Common Stock and 33.837 shares of the Registrant's Series A S tock (convertible into 1,691,850 shares of Common Stock); and the former holders of CDS Existing Debt hold 44.41 shares of the Registrant's Series A Stock (convertible into 2,220,500 shares of Common Stock).

Options to acquire an aggregate of 704,000 shares of the Registrant's Common Stock are currently outstanding. The exercise prices on the options range from a low of $.45 per share to a high of $4.00 per share. Each of the options expires seven years from the date of grant.

Warrants to acquire an aggregate of 11,083,115 shares of the Registrant's Common Stock currently are outstanding. These warrants include 4,399,980 issued in the Cash Offering, 2,664,584 from the Existing Debt Conversion Offering, 2,030,220 from the Bridge Conversion Offering, 850,000 to Mark Baum, 680,000 assumed from Chembio through the Merger, and 458,331 issued to investment bankers. The exercise prices on the Warrants range from a low of $.45 per share to a high of $1.80 per share. 140,000 warrants to purchase Common Stock at an exercise price of $1.80 per share expire on July 31, 2006. Each of the remaining warrants, all issued in 2004, expires five years from the date of grant.

Executive and Consultant Compensation

In connection with the closing of the Merger, the Registrant has entered into employment agreements with Lawrence Siebert, President and Chairman, Avi Pelossof, VP Sales & Marketing, and Javan Esfandiari, Director of R&D. The Registrant also entered into an employment agreement with Mark L. Baum, Special Outside Counsel and Director.

Discussion of Legal Proceedings and other Intellectual Property Issues

Reliance on Patents and Other Proprietary Rights

The diagnostics industry places considerable importance on obtaining patent, trademark, and trade secret protection, as well as other intellectual property rights, for new technologies, products and processes. CDS's success depends, in part, on its ability to develop and maintain a strong intellectual property portfolio or obtain licensing to patents and other technology for products and technologies both in the United States and in other countries. CDS will also rely on trade secrets, know-how, and continuing technological advancements to protect its proprietary technology.

CDS may incur substantial costs and be required to expend substantial resources in asserting or protecting its intellectual property rights, or in defending suits against it related to intellectual property rights. Disputes regarding intellectual property rights could substantially delay product development or commercialization activities. Disputes regarding intellectual property rights might include state, federal or foreign court litigation as well as patent interference, patent reexamination, patent reissue, or trademark opposition proceedings in the United States Patent and Trademark Office. Opposition or revocation proceedings could be instituted in a foreign patent office. An adverse decision in any proceeding regarding intellectual property rights could result in the loss of CDS's rights to a patent, an invention, or trademark.

To facilitate development and commercialization of a proprietary technology base, CDS may need to obtain licenses to patents or other proprietary rights from other parties. Obtaining and maintaining such licenses may require the payment by CDS of substantial costs. In addition, if CDS is unable to obtain these types of licenses, CDS's product development and commercialization efforts may be delayed or precluded.

Patent Issues Affecting HIV Tests

An important factor that will affect the specific countries in which CDS will be able to sell its rapid HIV tests and therefore the overall sales potential of the test is whether CDS can arrange a license to patents for detection of the HIV-2 virus. Although the current licensor of the peptides used in CDS's HIV tests claims an HIV-2 patent, other companies have also claimed such patents. Even though HIV-2 is a type of the HIV virus estimated to represent a small fraction of the known HIV cases worldwide, it is still considered to be an important component in the testing regimen for HIV in many markets. HIV-2 patents are in force in most of the countries of North America and Western Europe, as well as in Japan, Korea, South Africa, and Australia. Access to a license for one or more HIV-2 patents may be necessary to sell HIV-2 tests in countries where such pat ents are in force, or to manufacture in countries where such patents are in force and then sell into non-patent markets. Since HIV-2 patents are in force in the United States, CDS may be restricted from manufacturing a rapid HIV-2 test in the United States and selling into other countries, even if there were no HIV-2 patents in those other countries. The license agreement that CDS has in effect for the use and sale of the Adaltis HIV 1 and 2 peptides that are used in CDS's HIV rapid test does not necessarily insulate CDS from claims by other parties that CDS needs to obtain a license to other HIV-1 and/or HIV-2 patents. Although CDS has discussed additional HIV-2 licenses that would be advantageous for certain markets, there can be no assurance that these discussions will continue or will be successful.

Beyond further developing the body of intellectual property it has with the area of lateral flow technology, CDS's IP strategy is to acquire proprietary positions in reagents and hardware platforms which provide CDS with exclusive, co-exclusive or non-exclusive rights to manufacture and/or market rapid diagnostic tests utilizing these materials. The peptides used in HIV rapid tests are patented by Adaltis Inc. under US patent #5,241,047 and related patents worldwide. This IP is licensed to CDS under a 10-year license agreement dated August 30, 2002. CDS has licenses to other patented antigens used in its TB, Chagas, Lyme, H. Pylori, and also certain veterinary products.

All other aspects of the HIV test strips used in both HIV products manufactured by CDS were developed by CDS using trade secrets, know-how, and technological innovations. CDS has in fact developed a substantial body of trade secrets and know-how relating to the development of lateral flow diagnostic tests, including but not limited to the sourcing and optimization of materials for such tests, including how to maximize speed to result and sensitivity while minimizing the impact on specificity.

An integral part of CDS's Business Plan is the manufacture and sale of its Sure Check™ HIV rapid test product which incorporates a sample collection technology that provides certain conveniences in terms of ease of use and safety. Until May 2003, Sure Check was known as Hema Strip, which was manufactured by CDS pursuant to an agreement between CDS and Saliva Diagnostic Systems, Inc. ("SDS"). The contract was based upon a patent that SDS owns (#5,935,864) that was presumed to cover the product and which patent CDS presumed to be valid. After SDS unilaterally terminated the contract and threatened CDS with patent infringement, CDS received an opinion from its patent counsel that Sure Check™ in fact does not infringe US patent number 5,935,864 and that the patent is not enforceable.

Unipath, Carter Wallace, Becton Dickinson, and Abbott Laboratories, among others, have patents for lateral flow technology, which was developed in the 1980s, initially as a system for detecting pregnancy based on the HCG hormone. Generally speaking, lateral flow patents attempt to broadly describe various lateral flow test designs. In certain cases, the patent holders have cross-licensed their patents with one another.

Litigation provides precedent for CDS's patent counsel to understand how these patents are being interpreted and limited by the courts. CDS's patent counsel has advised CDS that in many instances its lateral flow tests are distinguishable from each of these patents.

Inverness Medical (Waltham, MA), the world's largest private label manufacturer of pregnancy tests, is using patent rights it acquired through the purchase of the Unipath and Carter Wallace lateral flow pregnancy testing businesses to strengthen its competitive position in this large but very price-competitive market. Inverness recently won a temporary injunction against Pfizer, producer of EPT which is the largest selling pregnancy test brand in the US. The case was settled in June 2003, and Inverness acquired the manufacturing rights to the EPT business. In February 2004, Quidel filed suit against Inverness attempting, among other things, to invalidate Inverness' lateral flow patents.

As a result of extensive research and analysis, CDS's patent counsel believes that CDS's HIV tests are outside the claims of most of these patents. However, there was a new patent issued quite recently that, if valid, represents a very broad extension of the earlier Carter Wallace patent, which is now part of the Inverness portfolio.

While CDS's strategy involves transitioning out of the pregnancy test business, Inverness's broadened claims in this latest patent may present a potential problem for CDS and all other manufacturers of lateral flow tests if they are upheld as valid and enforceable and if Inverness, as it has, refuses to grant licenses. Wampole/Inverness has announced that it will be the distributor of Efoora's HIV rapid test if and when it becomes FDA approved. CDS has discussed with counsel and other interested parties non-infringement and invalidity arguments. CDS also believes that cross-licensing or other business strategies, of which there is no assurance of availability, could minimize the possibility of any adverse developments in this regard.

FTC Matter

CDS entered into a settlement agreement with the Federal Trade Commission on January 16, 2001 in connection with a matter that arose from an HIV diluent recall that CDS initiated in 1999. The settlement agreement provides that CDS must provide all of its principals, officers, directors, managers and all other employees of CDS having responsibilities related to CDS's business with a copy of the settlement agreement and must have them acknowledge the receipt of the settlement agreement. The settlement specifically states that CDS does not admit that it made any statements or took any other action that was a violation of law.

Forward Looking Statements

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than historical or current facts, including, without limitation, statements about our business, financial condition, business strategy, plans and objectives of management and our future prospects, are forward-looking statements. Such forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from these expectations.

Investment Considerations

An investment in our common stock involves certain risks. You should consider carefully the following risks and other information in this report, including our financial information and related notes, before investing in our common stock.

Our Common Stock has extremely limited liquidity, and this should be expected to impair your ability to transfer your stock or use it as collateral.

Our Common Stock trades on the over-the-counter market. The average daily trading volume of our Common Stock on the over-the-counter market was less than 1,000 shares per day over the three months ended March 31, 2004. The closing price of our Common Stock ranged from a low of $0.11 per share to a high of $3.00 per share during the 12 months ended March 31, 2004, after giving effect to the 1:17 reverse stock split on March 12, 2004. Holders of our Common Stock may not be able to liquidate their investments in a short time period or at the market prices that currently exist at the time a holder decides to sell. Because of this limited liquidity, it is unlikely that shares of our Common Stock will be accepted by lenders as collateral for loans.

There are fewer than 200,000 shares of our Common Stock currently eligible for trading in the open market, and this could result in an extremely volatile market for our stock.

As of May 12, 2004, there are fewer than 200,000 shares of our Common Stock eligible for trading in the open market. The balance of our outstanding shares are subject to lock-up agreements or are restricted securities that have not been held long enough to allow resale in the open market. The availability of so few shares for trading could result in an extremely volatile and illiquid market for the shares. We intend to file a registration statement covering resale of the restricted securities, but it is not expected to be effective for at least a few months. In the absence of an effective registration statement, none of the restricted securities become eligible for resale until May 2005.

We will be restricted from paying dividends on our Common Stock pursuant to the terms of the Certificate of Designation filed in connection with the offering of our Series A Convertible Preferred Stock, which will impact the return on your investment.

The Certificate of Designation creating our Series A Convertible Preferred Stock that was filed in connection with the offering of our Series A Convertible Preferred Stock contains restrictions on our ability to declare and pay dividends on our Common Stock at any time that shares of our Series A Convertible Preferred Stock are issued and outstanding. Thus, there can be no assurance that the holders of our Common Stock will ever receive any dividends on the shares of Common Stock that they hold.

Our Common Stock is an unsecured equity interest in Chembio and there can be no assurance that we will be able to make a distribution to the holders of our Common Stock in the event of our liquidation.

As an equity interest, our Common Stock will not be secured by any of the assets of Chembio or CDS. Therefore, in the event of the liquidation of Chembio, the holders of our Common Stock will receive a distribution only after all of our secured and unsecured creditors have been paid in full and the holders of the Series A Convertible Preferred Stock have been paid their liquidation preference. There can be no assurance that we will have sufficient assets after paying our secured and unsecured creditors and the holders of the Series A Preferred Stock to make any distribution to the holders of the Common Stock.

The percentage ownership of Chembio evidenced by our Common Stock is subject to dilution.

We are not prohibited from issuing additional shares of capital stock, or other securities, that rank junior to the Series A Convertible Preferred Stock, including additional shares of our Common Stock. Moreover, to the extent that any additional capital stock is issued by us, a holder of our Common Stock is not entitled to purchase any part of such issuance of stock. The holders of our Common Stock do not have statutory "preemptive rights" and therefore are not entitled to maintain a proportionate share of ownership in Chembio by buying additional shares of any new issuance of equity by Chembio before others are given the opportunity to purchase the same. Accordingly, you must be willing to assume the risk that your percentage ownership of Chembio, as a holder of our Common Stock, is subject to change as a result of the sale of any additional equity interests in Chembio subsequent to the date that you purchase or acquire your shares of Common Stock.

Our management will control a significant percentage of our outstanding Common Stock and their interests may conflict with those of our other stockholders.

As of the closing of the Merger, our directors and executive officers and their affiliates will beneficially own approximately 44% of our outstanding Common Stock. This concentration of ownership could also have the effect of delaying or preventing a change in control of or otherwise discouraging a potential acquiror from attempting to obtain control of Chembio. This could have a material adverse effect on the market price of our Common Stock or prevent our stockholders from realizing a premium over the then prevailing market prices for their shares of our Common Stock.

Provisions in our corporate documents and Nevada law could delay or prevent a change in control of Chembio, even if that change would be beneficial to our stockholders.

Certain provisions of Chembio's articles of incorporation and bylaws, as amended, together with certain provisions of Nevada law, may delay, discourage, prevent or render more difficult an attempt to obtain control of Chembio, whether through a tender offer, business combination, proxy contest or otherwise.

The point-of-care diagnostics industry is subject to certain risks and uncertainties, any of which could materially harm the results of our business or our prospects.

The point-of-care diagnostics industry is subject to certain risks and uncertainties, including, but not limited to, the following:

The markets we serve are highly competitive and many of our competitors have much greater resources which may make it difficult for us to reach and maintain profitability.

* Competition in the approval or clearance process for a new product can be complex and lengthy, and there can be no assurance that we will continue to have the resources to seek such approvals and clearances;
* Our industry is rapidly evolving and Chembio may not be able to keep pace with technological changes;
* We may experience fluctuations in its future operating results;
* Worldwide economic conditions may affect our operating results;
* Our proprietary technology is difficult to protect and Chembio's products may infringe on the intellectual property rights of third parties; and
* We may not be able to effectively manage its internal growth.

Competition in the markets in which we participates is intense, and we expect competition to increase. This could mean lower prices for our products, reduced demand for our products and a corresponding reduction in our ability to recover development and engineering costs. Many of our competitors have substantially greater resources than we do.

We are dependent upon key personnel, the loss of whom could have an adverse effect on our business.

Our success depends to a significant extent upon the performance of certain key employees, the loss of whom could have an adverse effect on our business. Although we have entered into employment agreements with certain employees, we cannot assure you that we will be successful in retaining key employees.

We compete in an industry that continually experiences technological change, and we may have fewer resources than many of our competitors to continue to invest in technological improvements.

The point-of-care diagnostics industry is undergoing rapid technological changes, with frequent introductions of new technology-driven products and services. Our future success will depend, in part, upon our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in our operations. Many of our competitors have substantially greater resources to invest in technological improvements. We may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to our customers.

Item 5. Other Events and Required FD Disclosure

1. Change in Address

The Registrant's principal address is now:

3661 Horseblock Road
Medford, New York 11763

The Registrant's phone number is:

(631) 924-1135

Item 7. Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired

Report of Independent Accountants

Financial Statements

Consolidated Balance Sheets of Chembio Diagnostic Systems, Inc. as of December 31, 2002 and 2003

Consolidated Statements of Operations of Chembio Diagnostic Systems, Inc. for the years ended December 31, 2002 and 2003

Consolidated Statements of Changes in Stockholders' Equity of Chembio Diagnostic Systems, Inc. for the years ended December 31, 2002 and 2003

Consolidated Statements of Cash Flows of Chembio Diagnostic Systems, Inc. for the years ended December 31, 2002 and 2003

Notes to Financial Statements

(b) Pro Forma Financial Information

Unaudited pro forma condensed consolidated balance sheet as of December 31, 2003

Unaudited pro forma condensed consolidated income statement for the year ended December 31, 2003

Notes to unaudited pro forma condensed consolidated financial statements

(c) Exhibits

2.1 Agreement and Plan of Merger dated as March 3, 2004 (the "Merger Agreement"), by and among the Registrant, New Trading Solutions, Inc. ("Merger Sub") and Chembio Diagnostic Systems, Inc. ("CDS")

2.2 Amendment No. 1 to the Merger Agreement dated as May 1, 2004, by and among the Registrant, Merger Sub and CDS

3.1 Certificate of Designation of the Relative Rights and Preferences of the Series A Convertible Preferred Stock of the Registrant

3.2 Amendment to Bylaws dated May 3, 2004

4.1 Registration Rights Agreement, dated as of May 5, 2004, by and among the Registrant and the Purchasers listed therein

4.2 Lock-Up Agreement, dated as of May 5, 2004, by and among the Registrant and the shareholders of the Registrant listed therein

4.3 Form of Common Stock Warrant issued pursuant to the Stock and Warrant Purchase Agreement

4.4 Form of $.90 Warrant issued to Mark L. Baum pursuant to the Consulting Agreement dated as of May 5, 2004 between the Registrant and Mark L. Baum

4.5 Form of $.60 Warrant issued to Mark L. Baum pursuant to the Consulting Agreement dated as of May 5, 2004 between the Registrant and Mark L. Baum

10.1 Series A Convertible Preferred Stock and Warrant Purchase Agreement (the "Stock and Warrant Purchase Agreement"), dated as of May 5, 2004, by and among the Registrant and the Purchasers listed therein

10.2 Employment Agreement between the Registrant and Mark L. Baum dated as of May 5, 2004

21 List of Subsidiaries

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

TRADING SOLUTIONS.COM INC.

Date: May 13, 2004 By:/s/ Mark L. Baum
Mark L. Baum
Director

Date: May 13, 2004 By:/s/ Lawrence A. Siebert
Lawrence A. Siebert
Director

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CHEMBIO DIAGNOSTIC SYSTEMS, INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS **AND**

INDEPENDENT ACCOUNTANTS' REPORT

DECEMBER 31, 2003 AND 2002

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CHEMBIO DIAGNOSTIC SYSTEMS, INC. AND SUBSIDIARY

DECEMBER 31, 2003 AND 2002

- INDEX -

INDEPENDENT ACCOUNTANTS' REPORT

To The Board of Directors
Chembio Diagnostic Systems, Inc. and Subsidiary
Medford, New York

We have audited the consolidated balance sheets of Chembio Diagnostic Systems, Inc. and Subsidiary (the "Company") as of December 31, 2003 and 2002 and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Chembio Diagnostic Systems, Inc. and Subsidiary as of December 31, 2003 and 2002, and the consolidated results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Lazar Levine & Felix LLP
LAZAR LEVINE & FELIX LLP

New York, New York

February 27, 2004, except

for Note 12, the date of

which is March 19, 2004

CHEMBIO DIAGNOSTIC SYSTEMS, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2003 AND 2002

- ASSETS (Note 5) –

	2003	2002
CURRENT ASSETS:		
Cash	**$ -**	$ 28,171
Accounts receivable, net of allowance for doubtful accounts of $15,231 and $8,767 for 2003 and 2002, respectively (Note 11)	**282,734**	152,699
Inventories (Note 3)	**466,498**	593,939
Prepaid expenses and other current assets	**23,448**	6,130
TOTAL CURRENT ASSETS	**772,680**	780,939
FIXED ASSETS - (Notes 4 and 6)	**249,247**	313,001
OTHER ASSETS:		
Deposits	**55,723**	52,818
Other assets	**9,095**	9,095
	$ 1,086,745	$ 1,155,853

- LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY) -

CURRENT LIABILITIES:		
Bank overdraft	**$ 67,434**	$ -
Accounts payable and accrued liabilities (Note 11)	**1,361,547**	1,017,552
Current portion of obligations under capital leases (Note 6)	**61,789**	53,144
Other current liabilities	**12,648**	12,099
TOTAL CURRENT LIABILITIES	**1,503,418**	1,082,795
OTHER LIABILITIES:		
Notes payable - net of current portion (Note 5)	**1,693,851**	1,328,578
Obligations under capital leases - net of current portion (Note 6)	**107,885**	82,858
Accrued interest (Note 5)	**239,032**	59,359
TOTAL LIABILITIES	**3,544,186**	2,553,590
COMMITMENTS AND CONTINGENCIES (NOTES 2(n) AND 11)		
STOCKHOLDERS' EQUITY (DEFICIENCY) (NOTES 9 AND 10):		
Common stock - $.001 par value; 40,000 shares authorized: 38,395 and 38,395 shares issued and outstanding in 2003 and 2002, respectively	**39**	39
Additional paid-in capital	**4,599,962**	4,599,962
Accumulated deficit	**(7,057,442)**	(5,997,738)
	(2,457,441)	(1,397,737)
	$ 1,086,745	$ 1,155,853

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

CHEMBIO DIAGNOSTIC SYSTEMS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003	2002
REVENUES:		
Net sales (Notes 2(n) and 11)	**$ 2,542,621**	$ 2,810,852
Research grants and development income (Note 7)	**275,730**	324,287
	2,818,351	3,135,139
Cost of sales (Note 11)	**2,153,454**	2,458,596
GROSS PROFIT	**664,897**	676,543
OVERHEAD COSTS:		
Research and development expenses	**313,891**	378,089
Selling, general and administrative expenses	**1,202,185**	1,154,799
LOSS FROM OPERATIONS	**(851,179)**	(856,345)
OTHER INCOME (EXPENSES):		
Interest income (expense) – net	**(208,525)**	(132,626)
LOSS BEFORE INCOME TAXES	**(1,059,704)**	(988,971)
Income taxes (Note 8)	**-**	-

NET LOSS	**$ (1,059,704)**	$ (988,971)

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

CHEMBIO DIAGNOSTIC SYSTEMS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	Common Stock		Additional Paid In	Treasury Stock		Accumulated	
	Shares	**Amount**	**Capital**	**Shares**	**Amount**	**Deficit**	**Total**
Balance at January 1, 2001	28,766	$ 29	$4,296,971	(2,221)	$ (232,000)	$ (5,008,767)	$ (943,767)
Common stock issued	178	-	100,000	-	-	-	100,000
Common stock issued as a result of a private placement	11,672	12	434,989	-	-	-	435,001
Retirement of treasury stock	(2,221)	(2)	(231,998)	2,221	232,000	-	-
Net loss	-	-	-	-	-	(988,971)	(988,971)
Balance at December 31, 2002	**38,395**	**39**	**4,599,962**	-	-	**(5,997,738)**	**(1,397,737)**
Net loss	-	-	-	-	-	**(1,059,704)**	**(1,059,704)**
Balance at December 31, 2003	**38,395**	**$ 39**	**$ 4,599,962**	-	**$ -**	**$(7,057,442)**	**$(2,457,441)**

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

CHEMBIO DIAGNOSTIC SYSTEMS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	**$ (1,059,704)**	$ (988,971)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	**134,357**	80,475
Provision for doubtful accounts	**20,953**	25,440
Changes in:		
Accounts receivable	**(150,988)**	187,259
Inventories	**127,441**	95,238
Prepaid expenses and other current assets	**(17,318)**	12,817
Other assets and deposits	**(2,905)**	(30,625)
Accounts payable and accrued expenses	**523,668**	(44,199)
Grant and other current liabilities	**549**	(142,628)
Net cash used in operating activities	**(423,947)**	(805,194)
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Acquisition of fixed assets	-	(60,527)
Net cash used in investing activities	-	(60,527)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from sale of common stock	-	535,125
Bank overdraft	**67,434**	-
Repayment of capital lease obligation	**(36,931)**	(37,834)
Proceeds from shareholder loans	**365,273**	385,603
Net cash provided by financing activities	**395,776**	882,894
NET DECREASE IN CASH	**(28,171)**	17,173
Cash - beginning of the year	**28,171**	10,998
CASH - end of the year	**$ -**	$ 28,171
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	**$ -**	$ 63,491
Supplemental disclosures for non-cash investing and financing activities:		
Fixed assets acquired under capital leases	**$ 107,020**	$ 90,455

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

NOTE 1 - DESCRIPTION OF BUSINESS/OPERATIONS:

The Company, which was originally incorporated in New York on December 15, 1985 and re-incorporated in Delaware on November 5, 1991, develops, manufactures, and markets rapid point of care medical diagnostic tests. These tests are ultimately sold in the U.S. and/or internationally to medical laboratories and hospitals, governmental and public health entities, non-governmental organizations, medical professionals and/or retail establishments. Sales are primarily through distributors and are made under Chembio's and/or the private labels of its distributors or their customers. The products aid in the diagnosis of infectious diseases and other conditions in humans and animals.

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. The Company has sustained significant operating losses in past years and at December 31, 2003 has a negative shareholders' equity of $2,457,441. The Company has completed a reverse merger with a public shell and has entered into other bridge financing transactions (see Note 12).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

(a) Principles of Consolidation:

The consolidated financial statements include the accounts of the Company, Chembio Diagnostic Systems, Inc. and its wholly owned subsidiary, Sinovus Biotech, Inc. All material intercompany transactions and balances have been eliminated in consolidation.

(b) Inventories:

Inventories are stated at the lower of cost or market. Cost is determined on the first-in, first-out method.

(c) Fixed Assets:

Fixed assets are stated at cost less accumulated depreciation. Depreciation is computed using the double declining balance method over the estimated useful lives of the respective assets, which range from three to seven years. Leasehold improvements are amortized over the useful life of the asset or the lease term, whichever is shorter.

(d) Use of Estimates:

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

CHEMBIO DIAGNOSTIC SYSTEMS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued):

(e) Income Taxes:

The Company accounts for income taxes under the provisions of Statement of Financial Accounting Standards No. 109, "*Accounting for Income Taxes*" (SFAS 109). Under SFAS 109, deferred tax assets and liabilities are determined based on the difference between the financial statement carrying amounts and the tax bases of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse.

(f) Research and Development:

Research and development costs are charged to expense as incurred.

(g) Stock Based Compensation:

The Company accounts for stock-based employee compensation under Accounting Principles Board Opinion No. 25, "*Accounting for Stock Issued to Employees*", and related interpretations. The Company has adopted the disclosure-only provisions of SFAS No. 123, as amended, "*Accounting for Stock-Based Compensation*".

(h) Statement of Cash Flows:

For purposes of the statements of cash flows the Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

(a) Revenue Recognition:

The Company recognizes revenue at the point of passage of title, which is generally at the time of shipment.

(b) Comprehensive Income:

In 1998, the Company adopted Financial Accounting Standards Boards No. 130 *"Reporting Comprehensive Income"*, which prescribes standards for reporting other comprehensive income and its components. The Company currently does not have any items of other comprehensive income and accordingly no separate statements are required.

(c) Concentrations of Credit Risk:

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments and trade receivables. The Company places its temporary cash instruments with quality financial institutions and, at times, may maintain balances in excess of the $100,000 FDIC Insurance limit. The Company monitors the credit ratings of its financial institutions to mitigate this risk. Concentrations of credit risk with respect to trade receivables are principally mitigated by the Company's large customer base and their customers national and international locations.

(d) Fair Value:

Fair values of cash, accounts receivable, accounts payable and notes payable reflected in these financial statements approximate carrying value.

CHEMBIO DIAGNOSTIC SYSTEMS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued):

(e) Recent Accounting Pronouncements:

On May 1, 2002, the FASB issued SFAS No. 145, "*Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections*. The Company anticipates no impact from this standard on the Company's financial statements.

On July 30, 2002, the FASB issued Statement of Financial Accounting Standards No. 146, "*Accounting for Costs Associated with Exit or Disposal Activities*: ("SFAS 146"), that is applicable to exit or disposal activities initiated after December 31, 2002. This standard requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan.

On December 31, 2002, the FASB issued Statement of Financial Accounting Standards No. 148, "*Accounting for Stock-Based Compensation-Transition and Disclosure*" ("SFAS 148"), that is applicable to financial statements issued for fiscal years ending after December 15, 2002. In addition, interim disclosure provisions are applicable for financial statements issued for interim periods beginning after December 15, 2002. This standard amends SFAS 123 and provides guidance to companies electing to voluntarily change to the fair value method of accounting for stock-based compensation. In addition, this standard amends SFAS 123 to require more prominent and more frequent disclosures in financial statements regarding the effects of stock-based compensation.

In January 2003, FASB Interpretation No. 46 ("FIN No. 46"), "*Consolidation of Variable Interest Entities, an interpretation of Accounting Research Bulletin No. 51*," was issued. In general, a variable interest entity is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. FIN No. 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or is entitled to receive a majority of the entity's residual returns or both. Currently this standard has not had an impact on Chembio's consolidated financia l statements.

In April 2003, FASB issued Statement of Financial Accounting Standards No. 149, "*Amendment of Statement 133 on Derivative Instruments and Hedging Activities*" ("SFAS 149"). SFAS 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under FASB Statement No. 133 "*Accounting for Derivative Instruments and Hedging Activities*". SFAS 149 is generally effective for contracts entered into or modified after June 30, 2003. Currently this standard has not had an impact on Chembio's consolidated financial statements.

In May 2003, FASB issued Statement of Financial Accounting Standards No. 150 "*Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*" ("SFAS 150"). SFAS 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003. Currently this standard has not had an impact on Chembio's consolidated financial statements.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued):

(a) Geographic Information:

In June 1997, FASB issued SFAS No. 131, "*Disclosures about Segments of an Enterprise and Related Information*". SFAS 131 establishes standards for the way that business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information. It also establishes standards for related disclosures about product and services, geographic areas, and major customers. SFAS 131 was effective for financial statements for fiscal years beginning after December 15, 1997.

Chembio Diagnostics Systems, Inc. believes that they operate in a single business segment, however, attributes revenues to different geographic areas on the basis of the location of the customer. Net sales by geographic area are as follows:

	Year Ended December 31,	
	2003	2002
USA	**$ 655,964**	$ 832,341
Canada	**445,412**	383,109
Italy	**294,676**	138,981
Mexico	**186,130**	1,887
Costa Rica	**126,063**	95,653
Japan	**116,111**	277,637
Korea	**104,434**	111,453
India	**79,052**	84,692
Austria	**72,684**	82,634
Venezuela	**55,424**	147,552
Saudi Arabia	**50,577**	56,978
Others	**356,094**	597,935
	$ 2,542,621	$ 2,810,852

NOTE 3 - INVENTORY:

Inventory consists of the following at December 31:

	2003	2002
Raw materials	**$ 379,079**	$ 442,994
Work-in-progress	**73,319**	80,540
Finished goods	**14,100**	70,405
	$ 466,498	$ 593,939

CHEMBIO DIAGNOSTIC SYSTEMS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

NOTE 4 - FIXED ASSETS:

Fixed assets consist of the following at December 31:

	2003	2002
Machinery and equipment	**$ 637,969**	$ 548,194
Furniture and fixtures	**53,329**	54,001
Computer and telephone equipment	**81,678**	93,143
Leasehold improvements	**34,566**	34,566
Tooling	**41,900**	83,141
	849,442	813,045
Less accumulated depreciation and amortization	**(600,195)**	(500,044)
	$ 249,247	$ 313,001

Included in the above fixed assets are $308,615 and $201,595 of assets under capital leases for 2003 and 2002, respectively.

NOTE 5 - LONG-TERM DEBT:

Long-term debt is comprised of the following:

$707,914 of Senior Notes bearing interest at 11% were issued in 1999 in connection with a debt restructuring. The Senior Notes are collateralized by a first lien on all of the assets of the Company. Holders of these Notes were also granted warrants to purchase an aggregate of 1,410 shares of common stock at $180 per share. The aggregate fair value of the warrants was $10,000, of which $7,000 was related to the debt refinancing and is being amortized over the term of the loan. $3,000 of the fair value of the warrants are related to the conversion of debt to equity. As of December 31, 2003 and 2002, the outstanding principal balance of the Senior Notes was $707,914 with accrued unpaid interest of $92,379 and $14,508, respectively.

Per a waiver agreement dated July 10, 2002, the senior note holders agreed to extend the Company's required first principal payment until July 31, 2003 provided that the Company pay the balance of accrued and unpaid interest on or before August 31, 2002 and remain current on interest payments due during the period from September 1, 2002 through July 31, 2003. Current interest payments were not maintained nor was the first principal payment made when it became due on July 31, 2003. However, no acceleration or event of default has been claimed on these Notes and, as described in Note 12, this debt will be converted to equity unless the Board of Directors chooses to refinance or otherwise retire this debt. Accordingly the entire amount of this debt has been classified as Long Term.

Per a line of credit agreement dated April 2001, a major shareholder agreed to advance the Company up to a maximum principal amount of $350,000. This amount was later increased to $1,200,000. The line of credit is collateralized by a subordinated security interest in all of the assets of the Company. In consideration for the above, the Company agreed to repay such borrowed funds on a quarterly basis with accrued interest at 12% per annum, starting September 30, 2003, with a final payment due March 31, 2005, at a maximum quarterly payment of $43,750. As of December 31, 2003 and 2002, the principal amount of the advance was $985,937 and $620,663, respectively with additional accrued interest of $146,653 and $44,434, respectively. Current payments were not being made however, no acceleration or event of default has been claimed on these Notes and as described above and in Note 12, the en tire amount of this debt has been classified as long term.

NOTE 6 - OBLIGATIONS UNDER CAPITAL LEASES:

The Company is obligated under capitalized leases for certain computer and telephone equipment.

Future minimum lease payments under these capitalized lease obligations, including interest as of December 31, 2003 were as follows:

Year ending December 31,

2004	$ 79,431
2005	58,093
2006	38,272
2007	32,984
2008	4,470
	213,250
Less: imputed interest	43,576
Present value of future minimum lease payments	169,674
Less: current maturities	61,789
	$ 107,885

These leases have interest rates ranging from 7% - 21%.

NOTE 7 - RESEARCH GRANTS AND DEVELOPMENT CONTRACTS:

In 2002 and 2003 the Company received funding from third parties in connection with research and development activities as follows:

* In 2002, $215,118 was received from the US National Institute of Health and $50,000 was received from a diversified Japanese health care company, both in connection with efforts to develop a rapid test for the detection of antibodies to tuberculosis in human whole blood, serum and plasma. Also in 2002, $20,000 was received from a major university dental school to conduct a feasibility study on certain reagents related to dental bacteria in order to evaluate a possible future test. Additional amounts received in 2002 for various grant projects totaled $39,170.
* In 2003 the Company received the following new research and development grants and contracts that are still ongoing for additional amounts in 2004.
  * $40,000 from a leading multinational dental products company in connection with additional product development efforts begun through the above-mentioned university partner in 2002.
  * $60,000 from a leading multinational company in the field of bovine spongeform encephalitis (BSE or Mad Cow Disease) for development of a rapid test for BSE.
  * $50,000 for additional development work from the above-mentioned diversified Japanese health care company for further development work on the tuberculosis product for the Japanese market.
  * $89,000 from a research foundation focused on tuberculosis vaccines and diagnostics in connection with the commencement of a Phase II NIH grant sub-contract awarded in September 2003 for development of a whole blood rapid test for detection of tuberculosis in monkeys primarily for use in pharmaceutical research facilities.
  * Approximately $36,000 in various other funded development for the rapid detection of tuberculosis in humans and animals.

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CHEMBIO DIAGNOSTIC SYSTEMS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

NOTE 7 - RESEARCH GRANTS AND DEVELOPMENT CONTRACTS (Continued):

Additionally, in November 2003, the Company received notice of a $100,000 grant award from the World Health Organization to develop a tuberculosis antigen detection test. However no funds were received for this award in 2003.

NOTE 8 - INCOME TAXES:

At December 31, 2003, the Company has net operating loss carryforwards of approximately $6,800,000 available to offset future federal taxable income, which expires at various dates through 2023 and a research and development credit carryforward of approximately $214,000, which have created net deferred tax assets. A full valuation allowance, which increased by $404,600 during 2002 and $490,600 during 2003, has been provided due to management's uncertainty as to the realizability of these deferred tax assets.

Deferred tax assets consist of the following at December 31:

	2003	2002
Net operating loss carryforwards	**$ 2,791,000**	$ 2,341,000
Research and development credit	**214,000**	176,000
Bad debt reserve	**6,200**	3,600
Gross deferred tax assets	**3,011,200**	2,520,600
Valuation allowance	**(3,011,200)**	(2,520,600)
Net deferred tax assets	**$ -**	$ -

NOTE 9 - STOCKHOLDERS' EQUITY:

At December 31, 2003 and 2002, the Company had 1,410 warrants outstanding at an exercise price of $180 per share, which were issued in connection with the restructuring of debt (see Note 5).

During 2002, the Company sold 11,850 shares of common stock at an average price of $45.14 per share and raised approximately $535,000. $435,000 of this amount was in a rights offering to shareholders of record as of June 30, 2002 in which shares were sold at a price of $37.27 per share.

During 2002, the Company retired 2,221 shares of common stock that had been previously repurchased for $232,000.

NOTE 10 - EMPLOYEE STOCK OPTION PLAN:

In November 1999, the Company's Board of Directors and stockholders adopted the 1999 Stock Option Plan (the "Plan"). Under the terms of this plan, the Option Committee is authorized to grant Incentive Options to Key Employees and to grant Non-Qualified Options to Key Employees and Key Individuals. The Option Committee has been authorized to grant options to purchase up to 2,500 shares of common stock, exercisable at no amount less than fair market value on the date of grant. The options become exercisable at such times and under such conditions as determined by the Option Committee. On April 18, 2002, the Plan was amended to increase to a maximum of 5,000 options to be granted under the Plan.

NOTE 10 - EMPLOYEE STOCK OPTION PLAN (Continued):

The Company has elected to account for its stock-based compensation plans using APB 25.

The fair value of option grants to date was estimated on the date of grant using a Black-Scholes option-pricing model with weighted average assumptions for the years ended December 31, 2003: risk free interest rate of 3.23% volatility of 0.01%; and expected life of 3½ years, respectively. No options were issued during the year ended December 31, 2002.

Proforma information for the years ended December 31, 2003 and 2002 is not presented since compensation expenses calculated using the Black-Scholes option pricing model are immaterial.

Stock incentive plan activity is summarized as follows:

	Number of shares	Weighted Average Exercise Price
Options outstanding at December 31, 2001	3,150	$ 312
Granted	-	-
Canceled	-	-
Exercised	-	-
Options outstanding at December 31, 2002	3,150	312
Granted	**500**	**45**
Canceled	-	-
Exercised	-	-
Options outstanding at December 31, 2003	**3,650**	**$ 275**
Options exercisable at December 31, 2002	200	-
Options exercisable at December 31, 2003	1,975	

Range of Exercise Prices	Options Outstanding at 12/31/03	Weighted Average Remaining Life	Weighted Average Exercise Price	Options Exercisable at 9/30/03	Weighted Average Exercise Price
$217 – 300	1,925	2.8	$281	1,925	$275
$300 – 400	1,225	3.6	$349	50	$400
$45	500	6.9	$45	-	-

Of the 3,650 options outstanding at December 31, 2003 pursuant to the 1999 stock option plan, 3,450 are exercisable three years from the grant date and all have a seven-year life.

CHEMBIO DIAGNOSTIC SYSTEMS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

NOTE 11 - COMMITMENTS AND CONTINGENCIES:

Obligations Under Operating Leases:

The Company leases office space at three locations in buildings located at 3661 Horseback Road, Medford, New York. The following is a schedule of future minimum rental commitments as of December 31, 2003:

Year ending December 31,

2004	$ 89,792
2005	28,896
	$ 118,688

Economic Dependency:

The Company had sales to two customers in excess of 10% of total sales in the year ended December 31, 2003. Sales to these customers aggregated approximately $397,000 and $292,000, respectively. Accounts receivable from these customers were $38,334 and $13,101, respectively at December 31, 2003.

The Company had sales to one customer in excess of 10% of total sales in the year ended December 31, 2002. Sales to this customer aggregated approximately $305,000. Accounts receivable from this customer at December 31, 2002 was $0.

The Company had purchases from one vendor in excess of 10% of total purchases for the year ended December 31, 2003. Purchases from this vendor aggregated approximately $91,000. The corresponding accounts payable at December 31, 2003 to this vendor was $5,890.

The Company had purchases from one vendor in excess of 10% of total purchases for the year ended December 31, 2002. Purchases from this vendor aggregated approximately $200,000. The corresponding accounts payable at December 31, 2002 to this vendor was $11,700.

NOTE 12 - SUBSEQUENT EVENTS:

Merger:

On March 3, 2004, subsequent to the balance sheet date, the Company entered into a merger agreement with Trading Solutions.com ("TSCO") a fully reporting non operating entity under SEC regulations. TSLU is traded on the OTC Bulletin Board. As conditions to the closing, the Company must complete a Convertible Notes financing of $1.0 million, complete a Convertible Preferred Stock financing for at least $1.5 million, complete its audited financial statements for the two years ended December 31, 2003, and have converted at least $1.3 million of its secured debt into the same securities as are being issued in the aforementioned Convertible Preferred Stock financing that is being finalized. As a result of the contemplated transaction, the Company shareholders will own a

minimum of 50.6% of the public company (including the conversion of at least $1.3 million of existi ng secured debt into the Convertible Preferred Stock on an as-converted basis). This percentage would increase to the extent existing Company shareholders participate in either of the two financings mentioned above and as a result of the conversion of at least $1.3 million of debt.

CHEMBIO DIAGNOSTIC SYSTEMS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

NOTE 12 - SUBSEQUENT EVENTS (Continued):

Convertible Notes Financing:

A $1.0 million Convertible Notes financing was completed as of March 19, 2004, subsequent to the balance sheet date. The investors paid $800 per debenture for a convertible note which matures in twelve months and accrues interest at the rate of 10% per annum. Upon the closing of the reverse merger summarized above, the notes will automatically convert into either: (1) such number of shares of common stock equal to the outstanding principal amount of the Convertible Notes (plus, at the holders option, all accrued and unpaid interest) divided by the conversion price which was set at $0.40; or (2) 150% of the amount of securities that the outstanding principal amount of the Convertible Notes (plus, at the holders option, all accrued and unpaid interest) would purchase in the $1.5 million Convertible Preferred Stock financing that is being finalized and that is the principal remaining con dition to the closing of the merger. The Convertible Notes are unsecured. Holders of the Convertible Notes have a right of first refusal to participate in any equity or equity linked private financing consummated within 12 months of the closing of the Convertible note Financing.

As a result of the completion of the Convertible Notes financing and the completion of the audited financial statements for 2002 and 2003, the only remaining conditions to the closing of the merger are the (1) completion of at least an additional $1.5 million of financing; and, (2) existing note holders representing at least $1.3 million of the approximately $2.0 million of outstanding secured obligations (at December 31, 2003) must have agreed to convert their debt into the Convertible Preferred Stock being issued in connection with the $1.5 million financing. Since the Company has now completed the Convertible Note Financing and the Company and an investor has executed a term sheet for the $1.5 million Convertible Preferred stock financing, this $1.3 million of debt was classified as long-term on the accompanying balance sheet. Since the remaining $700,000 of secured debt is to be convert ed on the same basis if it is not retired by December 31, 2004, it has also been reflected as long-term (see Note 5).

Placement Agent Agreement:

On February 9, 2004 and then amended on February 27, 2004, both subsequent to the balance sheet date, the Company engaged a placement agent for the period through April 30, 2004 in connection with the $1.5 million financing to be completed as a condition to the merger agreement detailed above. If the placement agent is successful in the $1.5 million financing the Company agrees to enter into an exclusive six month agreement whereby the placement agent will participate in an additional private placement for up to $4.0 million in securities. The placement agent will receive as fees for the initial private placement: (a) 8% of the amount of cash received by the Investors introduced to the Company by the placement agent. (b) a non accountable 2% cash allowance of the amount of cash received by the Company from Investors introduced by the placement agent. (c) Warrants to purchase such a number o f shares of common stock of the Company equal to 12.5% of the aggregate number of fully diluted and/or converted shares as are purchased by the Investors in the $1.5 million dollar offering. The warrants will have a five year life and be exercisable at 120% of the effective share price paid by the Investors in the offering. The placement fees for the $4.0 million dollar offering would be the same as described above.

Amendment of Articles of Incorporation:

On February 19, 2004, subsequent to the balance sheet date, the Board of Directors of the Company voted to amend its certificate of Incorporation to increase the authorized shares to 55,000. In addition, the Board also authorized an increase in the amount of shares authorized for issuance under the 1999 stock option plan to 15,000. Shareholder approval was obtained for each of the above effective February 19, 2004.

CHEMBIO DIAGNOSTIC SYSTEMS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

NOTE 12 - SUBSEQUENT EVENTS (Continued):

Litigation:

Subsequent to the balance sheet date, the Company filed a complaint in the United States District Court for the Eastern District of New York against Saliva Diagnostic Systems, Inc. (“SDS”). SDS is the assignee of patent #5,935,864 (“the '864 patent”) that describes a method for collecting samples. The complaint asks the court for declaratory and other relief that the Company's Sure Check™ HIV test does not infringe the '864 patent, that the '864 patent is invalid, and that the '864 patent is unenforceable due to inequitable procurement. In 2001 and 2002, pursuant to various agreements it had entered into with SDS, the Company developed, manufactured and sold an HIV rapid test that SDS had represented incorporates the sample collection method described in the '864 patent. SDS also represented that the ‘864 patent is valid. During 2001-2003, the Company paid royalties to SDS and took several other actions based upon SDS’ representations. In 2003, SDS sought to abrogate the agreements between the companies and alleged that the Company was infringing the '864 patent. The Company has received opinions from its patent counsel that the product manufactured by the Company is in fact not covered by this patent, that the patent is invalid, and that the patent was obtained through inequitable procurement. On March 17, 2004, allegations of patent infringement were made against the company with which the Company has signed a merger agreement, Trading Solutions.com. The Company filed the complaint on March 18, 2004.

INTRODUCTION TO CONDENSED CONSOLIDATED PROFORMA FINANCIAL STATEMENTS
(Unaudited)

The following unaudited pro forma consolidated balance sheet as of December 31, 2003 and the unaudited pro forma consolidated statement of operations for the twelve months then ended are based on the historical financial statements of Trading Solutions.Com, Inc. (“TSLU”) and Chembio Diagnostic Systems Inc. and Subsidiary (“CDS”) after giving effect to the merger of CDS into a subsidiary of TSLU formed exclusively for the merger. The result of the combination will have CDS as the continuing operating entity in a reverse merger transaction. See notes to pro forma financial statements for a detailed description of the events as a result of this reverse merger.

The unaudited pro forma consolidated financial statements should be read with the accompanying unaudited pro forma footnotes as well as the historical financial statements and accompanying notes of CDS included in this form 8-K as well as the historical financial statements and accompanying footnotes of TSLU as filed with the Securities & Exchange Commission. The unaudited pro forma consolidated financial statements are not intended to represent or be indicative of the consolidated results of operations or financial condition that would have been reported had the merger been completed as of the dates presented and should not be taken as representative of future consolidated results of operations and financial condition of the merged entity.

REV040513.1

CHEMBIO DIAGNOSTICS , INC.
(formerly Trading Solutions.com)
CONDENSED CONSOLIDATED PROFORMA BALANCE SHEET
AS OF DECEMBER 31, 2003
(Unaudited)

	HISTORICAL		PROFORMA ADJUSTMENTS		
	Trading Solutions.Com, Inc.	Chembio Diagnostic Systems, Inc.	Debit	Credit	Consolidated Proforma
CURRENT ASSETS:					
Cash	$ -	$ -	$ 1,000,000 (d)	367,434 (f) 119,110 (e)	$ 2,411,480

			2,200,000 (g)	300,000 (h)	
				1,976 (j)	
Accounts receivable	-	**282,734**			282,734
Inventories	-	**466,498**			466,498
Prepaid expenses and other current assets	-	**23,448**	226,667(n)		250,115
TOTAL CURRENT ASSETS	-	**772,680**			3,410,827
FIXED ASSETS	-	**249,247**			249,247
OTHER ASSETS	-	**64,818**	113,333 (n)		178,151
	$ -	**$ 1,086,745**			$ 3,838,225
CURRENT LIABILITIES:					
Overdraft	**$ -**	**$ 67,434**	67,434 (f)		
Accounts payable and accrued liabilities	-	**1,600,579**	300,000 (f)		$ 1,300,579
Current portion of obligations under capital leases	-	**61,789**			61,789
Other current liabilities	-	**12,648**	11,781 (j)	11,781 (j)	12,648
TOTAL CURRENT LIABILITIES	-	**1,742,450**			1,375,016
OTHER LIABILITIES:					
Notes payable	-	**1,693,851**	1,332,292 (k)		361,559
Convertible notes			1,000,000 (j)	1,000,000 (d)	
Obligations under capital leases - net of current portion	-	**107,885**			107,885
TOTAL LIABILITIES	-	**3,544,186**			1,844,460
STOCKHOLDERS' EQUITY (DEFICIENCY):					
Series A Preferred Stock				2,200,000 (g)	4,211,399
				679,107 (j)	
				1,332,292 (k)	
Common stock	**180,735**	**39**	170,104 (a)	1(b)	62,898
			40 (c)	40,000 (c)	
				8,267 (j)	
				4,000 (m)	
Additional paid-in capital	**188,957**	**4,599,962**	39,960 (c)	170,104 (a)	5,012,891
			119,110 (e)	64,199 (b)	
			300,000 (h)	322,431 (j)	
			369,692 (l)	156,000(m)	
				340,000 (n)	
Accumulated deficit	**(369,692)**	**(7,057,442)**	64,200 (b)	369,692 (l)	(7,293,423)
			160,000 (m)		
			11,781 (j)	-	
Total Equity (Deficit)	-	**(2,457,441)**			1,993,765
	$ -	**$ 1,086,745**	7,486,394	7,486,394	$ 3,838,225

REV040513.1

CHEMBIO DIAGNOSTICS , INC.
(formerly Trading Solutions.com)
CONDENSED CONSOLIDATED PROFORMA STATEMENTS OF OPERATIONS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2003
(Unaudited)

	HISTORICAL		**PROFORMA ADJUSTMENTS**		
	Trading Solutions.Com, Inc.	**Chembio Diagnostic Systems, Inc.**	**Debit**	**Credit**	**Consolidated Proforma**
REVENUES:					
Net sales	**$ -**	**$ 2,542,621**			$2,542,621
Grant income	-	**275,730**			275,730
	-	**2,818,351**			2,818,351
Cost of sales	-	**2,153,454**			2,153,454
GROSS PROFIT	-	**664,897**			664,897
OVERHEAD COSTS:					
Research and development expenses	-	**313,891**			313,891
			200,000 (f)		
Clinical Trials			400,000 (i)		600,000
			64,200 (b)		
Selling, general and administrative expenses			160,000 (m)		
			226,667 (n)		
	7,123	**1,202,185**	170,000 (q)		1,830,175
LOSS FROM OPERATIONS	**(7,123)**	**(851,179)**			(2,079,169)
OTHER INCOME (EXPENSES):					
Gain from debt settlement	**8,513**				8,513
Interest (expense)	-	**(208,525)**		154,070 (o)	(54,455)

LOSS BEFORE INCOME TAXES	**1,390**	**(1,059,704)**	(2,125,111)
Income taxes	-	-	-
NET LOSS	**$ 1,390**	**$ (1,059,704)**	$ (2,125,111)
PRO FORMA DIVIDEND PAYABLE			$ (363,792) (p)
NET LOSS AVAILABLE TO COMMON SHAREHOLDERS			**$ (2,488,903)**
Basic and Diluted Loss per share (Shares used for calculation 6,289,888)			**$ (.40)**

CHEMBIO DIAGNOSTICS , INC.
(formerly Trading Solutions.com)
NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2003
(Unaudited)

On May 5, 2004, TSLU and CDS closed on a merger agreement, which will result in CDS being a wholly owned subsidiary of TSLU, with CDS as the operating Company. The pro forma Balance Sheet assumes the transaction occurred as of 12/31/03 and the pro forma Statement of Operations assumes the transaction occurred as of 1/1/03. The pro forma adjustments reflecting this transaction are described below:

(a) Reflects the 1:17 reverse stock split of the existing outstanding pre merger shares of common stock of TSLU. 18,000,000 pre split shares resulting in approximately 1,063,147 post split shares. The split was actually consummated as of March 12, 2004.

(b) Issuance of 1,605 shares of common stock of CDS to employees as compensation prior to the completion of the merger at a price of $40 per share.

(c) Share exchange of 100 shares of TSLU common stock for each share of issued and outstanding stock of CDS. (4,000,000 shares issued in TSLU in exchange for 40,000 shares of CDS). Existing shareholders of CDS also received an aggregate of 400,000 options as part of this share exchange transaction.

(d) Receipt of $1,000,000 by CDS associated with a Convertible Debt offering. The debt is convertible into either (i) such number of shares of common stock of TSLU equal to the principal amount of the convertible debentures plus, if elected, all accrued and unpaid interest divided by the conversion price of $0.40 or (ii) into the Series A Convertible Preferred Stock (see g below) at an effective 33% discount, such that the amount of Series A received would be equivalent to the amount converted times 1.5.

(e) Fees associated with the offering above (d) including $48,640 of investment banking fees and $70,470 of legal and accounting expenses. These fees are considered deferred financing costs, but subsequently charged to Equity. (See (j) below)

(f) Use of proceeds from Convertible debt offering to pay $300,000 of selected accounts payable and accrued expenses, fund an outstanding overdraft of $67,434 and $200,000 to fund the start of Clinical trials.

(g) Expected receipt of $2,200,000 ($1,720,000 received at closing) as a result of the sale of Series A Convertible Preferred Stock with warrants. This Preferred Stock has a $30,000 per share stated value and an 8% dividend per annum, payable semi-annually in cash, common stock or in kind at the option of the Company. The Preferred Stock shall be convertible at $0.60 per share and has a mandatory conversion if beginning 180 days after closing, the closing bid price of the Company's common stock exceeds $1.50 for a period of 10 consecutive trading days. The associated warrants (60,000 for each share of Preferred Stock) have a five-year term and an exercise price of $0.90. The agreement includes several other provisions regarding lock-up periods, registration etc.

CHEMBIO DIAGNOSTICS , INC.
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NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2003
(Unaudited)

(h) Investment banking and legal fees associated with the Preferred Stock A offering are anticipated at $300,000. In addition warrants were issued to the investment bankers totaling 12.5% of the fully diluted and/or converted shares as purchased in the preferred stock transaction.

(i) Expected use of proceeds from the Series A Preferred Stock of $400,000 to fund Clinical trials.

(j) Reflects the conversion of $672,000 of the convertible debt (see (d) above) along with $7,107 of accrued unpaid interest into Series A Convertible Preferred stock. The debt would be convertible into 33.837 shares of Preferred Stock. The remaining $328,000 of the convertible debt along with $2,698 of accrued unpaid interest was converted into Common stock. This remaining debt was converted into 826,741 shares of Common Stock. The total accrued and unpaid interest on the convertible debt was $11,781. The balance of the interest ($1,976) that was not converted to Common or Preferred Stock was paid in cash.

(k) Reflects the conversion of $1,332,292 of pre-merger debt into Series A Convertible Preferred Stock. The conversion results in an additional 44.41 shares of Series A Preferred Stock being issued and outstanding.

(l) Elimination of TSLU accumulated deficit.

(m) Issuance of 400,000 shares of common stock, with restrictions as payment of salary to a former Officer of TSLU. Salary costs reflected equaled $160,000.

(n) Issuances of warrants to purchase 850,000 shares of Common Stock were issued to the individual in (l) above, with restrictions as payment for future services. The total value of the warrants is $340,000. The contract is for eighteen months therefore 12 months or $226,667 was expensed in the pro forma Statement of Operations. In the pro forma Balance Sheet the 226,667 is reflected as other current assets and the balance ($113,333) is reflected in Other Assets.

(o) Elimination of historical interest expense on converted debt reflected in note (k) above.

(p) The preferred stock pays an 8% dividend. The total number of outstanding preferred stock is 151.580 shares at $30,000 per share. Dividends therefore would be $363,792.

(q) In connection with the closing of the Merger employment agreements were entered into. The expected additional salary expense is $170,000.

AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (the "Agreement") entered into as of this 3rd day of March 2004, by and among Trading Solutions.com, Inc., a Nevada corporation ("TSLU"), New Trading Solutions, Inc., a Nevada corporation and a wholly-owned subsidiary of TSLU ("Merger Sub"), and Chembio Diagnostic Systems, Inc., a Delaware corporation ("Chembio"). TSLU, Merger Sub and Chembio are referred to collectively herein as the "Parties".

RECITALS

A. The respective Boards of Directors of each of TSLU, Merger Sub and Chembio believe it is in the best interests of TSLU, Merger Sub and Chembio and their respective stockholders that TSLU acquire Chembio through the merger of Merger Sub with and into Chembio pursuant to a Tax-free reorganization pursuant to Section 368(a)(2)(E) of the Internal Revenue Code (the "Merger").

B. The Boards of Directors of each of TSLU, Merger Sub and Chembio have approved the Merger, this Agreement and the transactions contemplated hereby.

C. Pursuant to the Merger, among other things, and subject to the terms and conditions of this Agreement, all of the issued and outstanding shares of common stock of Chembio (collectively, "Chembio Common Stock"), shall be converted into the right to receive shares of Common Stock of TSLU, with a par value of $0.01 per share ("TSLU Common Stock"), as specified herein.

D. Chembio, TSLU and Merger Sub desire to make certain representations, warranties, covenants and agreements in connection with the Merger.

NOW, THEREFORE, in consideration of the covenants, promises, representations and warranties set forth herein, and for other good and valuable consideration, intending to be legally bound hereby the parties agree as follows:

1. DEFINITIONS. As used in this Agreement, the following words and phrases have the definitions stated in Exhibit A.

2. BASIC TRANSACTION.

2.01 The Merger. At the Effective Time (as defined below) and subject to and upon the terms and conditions of this Agreement and the applicable provisions of the Nevada Revised Statutes (the "Nevada Code") and the Delaware General Corporation Law (the "DGCL"), Merger Sub shall be merged with and into Chembio, the separate corporate existence of Merger Sub shall cease, and Chembio shall continue as the surviving corporation and a wholly-owned subsidiary of TSLU. Chembio, following the Merger, is sometimes referred to herein as the "Surviving Corporation."

2.02 The Closing. Unless this Agreement is earlier terminated pursuant to Section 10.01, the closing of the Merger (the "Closing") will take place as promptly as practicable, but no later than five (5) Business Days following satisfaction or waiver of the conditions set forth in Articles 7 and 8, at the offices of [TBD], unless another place or time is agreed to by TSLU and Chembio. The date upon which the Closing actually occurs is herein referred to as the "Closing Date." On or immediately after the Closing Date, the parties hereto shall cause the Merger to be consummated by filing a Certificate of Merger (or like instrument) in substantially the form attached hereto as Exhibit B (the "Certificate of Merger") with the Secretary of State of Delaware in accordance with the relevant provisions of applicable Law and Articles of Merger (or like instrument) in substantially the form attached hereto as Exhibit C (the "Articles of Merger") with the Secretary of State of Nevada in accordance with the relevant provisions of Law (the time of acceptance by the later to accept of the Secretary of State of the State of Delaware or the Secretary of State of the State of Nevada or such later time agreed to in writing by the parties being referred to herein as the "Effective Time").

2.03 Effect of the Merger on Constituent Corporations. At the Effective Time, the effect of the Merger shall be as provided in the applicable provisions of the Nevada Code and the DGCL, this Agreement and the Certificate of Merger and the Articles of Merger. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time, all the property, rights, privileges, powers and franchises of Merger Sub and Chembio shall vest in the Surviving Corporation, and all debts, liabilities, obligations, restrictions, disabilities and duties of Merger Sub and Chembio shall become the debts, liabilities, obligations, restrictions, disabilities and duties of the Surviving Corporation.

2.04 Certificate of Incorporation of Surviving Corporation. At the Effective Time, the certificate of incorporation of Chembio, as in effect immediately prior to the Effective Time, shall be the certificate of incorporation of the Surviving Corporation until thereafter amended as provided by law.

2.05 Maximum Number of Shares of TSLU Common Stock to be Issued; Effect on Outstanding Securities of Chembio, Merger Sub

. The consideration to be paid by TSLU in connection with the Merger shall be the Merger Consideration. On the terms and subject to the conditions of this Agreement, as of the Effective Time, by virtue of the Merger and without any action on the part of TSLU or Merger Sub, Chembio or the holder of any shares of Chembio Common Stock or Chembio Options, the following shall occur:

(a) Conversion of Chembio Common Stock. At the Effective Time, each share of Chembio Common Stock issued and outstanding immediately prior to the Effective Time (other than any shares of Chembio Common Stock to be canceled pursuant to Section 2.05(c) and any Dissenting Shares (as defined and provided in Section 2.06)) will be canceled and extinguished and be converted automatically into the right to receive that number of shares of TSLU Common Stock equal to the Exchange Ratio.

(b) Fractional Shares. No fractional shares of TSLU Common Stock shall be issued pursuant to the Merger, but in lieu thereof, the number shares of TSLU Common Stock to be received by each holder of Chembio Common Stock who would otherwise be entitled to a fraction of a share of TSLU Common Stock (after aggregating all fractional shares of TSLU Common Stock to be received by such holder) shall be rounded up or down to the nearest whole share.

(c) Cancellation of TSLU-Owned and Chembio-Owned Stock. Each share of Chembio Common Stock owned by TSLU or Chembio or any Subsidiary of TSLU or Chembio immediately prior to the Effective Time shall be automatically canceled and extinguished without any conversion thereof and without any further action on the part of TSLU, Merger Sub or Chembio.

(d) Capital Stock of Merger Sub. Each share of Merger Sub Common Stock, par value $0.001 per share, that is issued and outstanding immediately prior to the Effective Time shall be converted into and exchanged for one validly issued, fully paid and nonassessable share of Common Stock, par value $0.001 per share of the Surviving Corporation. From and after the Effective Time, each share certificate of Merger Sub theretofore evidencing ownership of any such shares shall continue to evidence ownership of such shares of Common Stock of the Surviving Corporation.

(e) Chembio Stock Options. At the Effective Time, Chembio's 1999 Stock Option Plan (the "Chembio Stock Option Plan") and all Chembio Options then outstanding under Chembio Stock Option Plan shall be assumed by TSLU (each such Chembio Option an "Assumed Option" and collectively the "Assumed Options"). At the Effective Time, the Chembio Stock Option Plan shall be renamed the TSLU Stock Option Plan. Each Assumed Option shall continue to have, and be subject to, the same terms and conditions under the TSLU Stock Option Plan as set forth in the Chembio Stock Option Plan as in effect immediately prior to the Effective Time, except that (i) each Assumed Option will be exercisable for TSLU Common Stock based on the Option Exchange Amount; and (ii) the per share exercise price for the shares of TSLU C ommon Stock issuable upon exercise of each Assumed Option will be equal to the quotient obtained by dividing (x) the exercise price per share of Chembio Common Stock at which such Assumed Option was exercisable immediately prior to the Effective Time, by (y) the Exchange Ratio, rounded up to the nearest whole cent. It is the intention of the parties that the Assumed Options continue to qualify, to the maximum extent possible, following the Effective Time as incentive stock options as defined in Section 422 of the Internal Revenue Code to the extent such options qualified as incentive options prior to the Effective Time. To evidence the assumption of the Assumed Options by TSLU, TSLU will issue to each holder of an Assumed Option a replacement TSLU Stock Option Plan stock award agreement.

(f) Chembio Warrants. At the Effective Time, all Chembio warrants (the "Warrants") then outstanding shall be assumed by TSLU (each such Warrant an "Assumed Warrant" and collectively the "Assumed Warrants"). Each Assumed Warrant shall continue to have, and be subject to, the same terms and conditions as in effect immediately prior to the Effective Time, except that (i) each Assumed Warrant will be exercisable for TSLU Common Stock based on the Warrant Exchange Amount; and (ii) the per share exercise price for the shares of TSLU Common Stock issuable upon exercise of each Assumed Warrant will be equal to the quotient obtained by dividing (x) the exercise price per share of Chembio Common Stock at which such Assumed Warrant was exercisable immediately prior to the Effective Time, by (y) the Exchange Ratio, rounded up to the nearest whole cent.

(g) Adjustments to Exchange Ratio and Option Exchange Amounts. The Exchange Ratio and the Option Exchange Amounts shall be equitably adjusted to reflect fully the effect of any stock split, reverse split, stock combination, stock dividend (including any dividend or distribution of securities convertible into TSLU Common Stock or Chembio Common Stock), reorganization, reclassification, recapitalization or other like change with respect to TSLU Common Stock or Chembio Common Stock occurring after the date hereof and prior to the Effective Time.

2.06 Dissenting Shares.

(a) Notwithstanding anything in this Agreement to the contrary, shares of Chembio Common Stock that are issued and outstanding immediately prior to the Effective Time and the holders of which demand and perfect their Appraisal Rights for such shares in the time and manner provided under DGCL and, as of the time provided under DGCL, have neither effectively withdrawn nor lost their rights to such appraisal and payment under DGCL (the "Dissenting Shares") shall not be converted into or represent a right to receive the Merger Consideration, but shall, by virtue of the Merger, be entitled to only such rights as are granted by the DGCL; provided, however, that if such holder shall have failed to perfect or shall have effectively withdrawn or lost his Appraisal Rights under the DGCL, such holder's shares of Chembio Common Stock shall thereupon be deemed to have been converted, at the Effective Time, as described in Section 2.05(a), into the right to receive the applicable Merger Consideration set forth in such provisions, without any interest thereon.

(b) Chembio shall give TSLU (1) prompt notice of any demands for appraisal pursuant to DGCL received by Chembio, withdrawals of such demands, and any other instruments served pursuant to the DGCL and received by Chembio and (2) the opportunity to direct all negotiations and proceedings with respect to demands for appraisal under the DGCL. Chembio shall not, except with the

prior written consent of TSLU or as otherwise required by applicable law, make any payment with respect to any such demands for appraisal or offer to settle or settle any such demands.

(c) Mailing of Notices. Promptly following the Effective Time, Chembio shall mail to each holder of record of Chembio Shares, as of the record date fixed by Chembio's board of directors who did not execute a Stockholders' Consent, the notices of the Merger and of the Appraisal Rights available to such Chembio stockholders as provided by the DGCL.

2.07 Exchange Procedures.

(a) TSLU Common Stock. On the Closing Date, TSLU shall deposit with the Exchange Agent, for exchange in accordance with this Article 2, the Merger Consideration.

(b) Exchange Procedures. As soon as practicable after the Effective Time, the Surviving Corporation shall cause to be mailed to each holder of record of a certificate or certificates which immediately prior to the Effective Time represented outstanding shares of Chembio Common Stock (the "Certificates") and which shares were converted into shares of TSLU Common Stock, (i) a letter of transmittal in customary form (which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates to the Exchange Agent and shall be in such form and have such other provisions as TSLU may reasonably specify) and (ii) instructions for use in effecting the surrender of the Certificates in exchange for certificates representing shares of TSLU Common Stock. Upon surrender of a Certificate for cancellation to the Exchange Agent or to such other agent or agents as may be appointed by TSLU, together with such letter of transmittal, duly completed and validly executed in accordance with the instructions thereto, the holder of such Certificate shall be entitled to receive in exchange therefor a certificate representing the number of whole shares of TSLU Common Stock, and the Certificate so surrendered shall be canceled. Until surrendered, each outstanding Certificate that, prior to the Effective Time, represented shares of Chembio Common Stock will be deemed from and after the Effective Time, for all corporate purposes, other than the payment of dividends, to evidence the ownership of the amount of cash and the number of full shares of TSLU Common Stock into which such shares of Chembio Common Stock shall have been so converted.

(c) Distributions With Respect to Unexchanged Shares of Chembio Common Stock. No dividends or other distributions with respect to TSLU Common Stock declared or made after the Effective Time and with a record date after the Effective Time will be paid to the holder of any unsurrendered Certificate with respect to the shares of TSLU Common Stock represented thereby until the holder of record of such Certificate shall surrender such Certificate to the Exchange Agent in accordance with Section 2.07(b). Subject to applicable Law, following surrender of any such Certificate, there shall be paid to the record holder of the certificates representing whole shares of TSLU Common Stock issued in exchange therefor, without interest, at the time of such surrender, the amount of dividends or other distributions with a record date after the Effective Time theretofore payable with res pect to such whole shares of TSLU Common Stock.

(e) Transfers of Ownership. If any certificate for shares of TSLU Common Stock is to be issued pursuant to the Merger in a name other than that in which the Certificate surrendered in exchange therefor is registered, it will be a condition of the issuance thereof that the Certificate so surrendered will be properly endorsed and otherwise in proper form for transfer and that the person requesting such exchange will have paid to TSLU or any agent designated by it any transfer or other taxes required by reason of the issuance of a certificate for shares of TSLU Common Stock in any name other than that of the registered holder of the Certificate surrendered, or established to the satisfaction of TSLU or any agent designated by it that such tax has been paid or is not payable.

2.08 No Further Ownership Rights in Chembio Common Stock

. All shares of TSLU Common Stock issued upon the surrender for exchange of shares of Chembio Common Stock in accordance with the terms hereof (including any cash paid in respect of fractional shares thereof) shall be deemed to have been issued in full satisfaction of all rights pertaining to such shares of Chembio Common Stock, and there shall be no further registration of transfers on the records of Chembio of shares of Chembio Common Stock which were outstanding immediately prior to the Effective Time. If, after the Effective Time, Certificates are presented to the Surviving Corporation for any reason, they shall be canceled and exchanged as provided in this Article 2.

2.09 Lost, Stolen or Destroyed Certificates

. In the event any Certificates shall have been lost, stolen or destroyed, the Exchange Agent shall issue certificates representing such shares of TSLU Common Stock in exchange for such lost, stolen or destroyed Certificates, upon the making of an affidavit of that fact by the holder thereof; *provided*, *however*, that TSLU or the Exchange Agent may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed Certificates to provide an indemnity or deliver a bond in such sum as it may reasonably direct as indemnity against any claim that may be made against TSLU or the Exchange Agent with respect to the Certificates alleged to have been lost, stolen or destroyed.

2.10 Taking of Necessary Action; Further Action

. If, at any time after the Effective Time, any further action is necessary or desirable to carry out the purposes of this Agreement or to vest the Surviving Corporation with full right, title and possession to all assets, property, rights, privileges, powers and franchises of Chembio, the officers and directors of the Surviving Corporation shall be fully authorized to take, and shall take all such lawful and necessary action.

2.11 Exemption from Registration

. The shares of TSLU Common Stock to be issued in connection with the Merger will be issued in a transaction exempt from registration under the Securities Act and applicable state Law pursuant to Section 4(2) of the Securities Act and Rule 506 of Regulation D promulgated under the Securities Act, and as such will constitute "restricted securities" within the meaning of the Securities Act.

3. REPRESENTATIONS AND WARRANTIES OF TSLU AND MERGER SUB.

As a material inducement to Chembio to enter into this Agreement or approve the Merger as may be applicable, TSLU and Merger Sub represent and warrant, except as set forth in the TSLU Disclosure Schedule attached hereto as Schedule A that the statements contained in this Section 3 are correct and complete as of the date of this Agreement and shall be correct and complete as of the Closing Date.

3.01. Organization. TSLU and Merger Sub are corporations duly organized, validly existing and in good standing under the laws of the jurisdiction of their respective incorporation, and each has all requisite power and authority to own and lease their respective properties and assets and to conduct their respective businesses as now conducted. Merger Sub was organized under Nevada law on February ____, 2004 and has not engaged in any business transactions or incurred any Liabilities. TSLU and Merger Sub have each delivered to Chembio complete and correct copies of its (i) Articles of Incorporation and Bylaws, which Articles of Incorporation and Bylaws are in full force and effect and have not been amended, corrected, restated or superseded in any way, (ii) minutes of all directors' and shareholders' meetings, all of which are complete and accurate as of the date her eof, (iii) stock certificate books and all other records of Chembio, which collectively correctly set forth the record ownership of all outstanding shares of capital stock and all rights to purchase capital stock of Chembio and (iv) form of stock certificates, option plans and agreements and rights to purchase shares of capital stock of Chembio. Neither TSLU or Merger Sub is in violation, and has not taken any action in violation, of any provisions of its Articles of Incorporation or Bylaws.

3.02. Qualifications to Do Business. Section 3.02 of the TSLU Disclosure Schedule sets forth each jurisdiction in which TSLU and Merger Sub are qualified to do business as a foreign corporation. Neither the nature of the business carried on by TSLU or Merger Sub, nor the properties owned or leased by either of them, require them to be qualified to do business as a foreign corporation in any other jurisdiction.

3.03 Capitalization. The authorized capitalization of TSLU consists solely of 20,000,000 authorized shares of common stock (the "TSLU Common Stock"), $.001 par value, of which 18,073,500 shares of common stock are issued and outstanding and no authorized, issued or outstanding shares of preferred stock. All issued and outstanding shares of TSLU Common Stock are legally issued, fully paid, and non-assessable and not subject to any preemptive or other right of any person created by statute, TSLU's Artcles of Incorporation or Bylaws or any agreement to which TSLU is a party or by which TSLU may be bound. All outstanding TSLU securities have been issued in compliance with applicable federal and state securities laws. The authorized capitalization of Merger Sub consists solely of
shares of common stock (the "Merger Sub Common Stock"), $.001 par value, of which [ ] shares of common stock are issued and outstanding and held by TSLU, and no authorized, issued or outstanding shares of preferred stock. All issued and outstanding shares of Merger Sub Common Stock are legally issued, fully paid, and non-assessable and not subject to any preemptive or other right of any person created by statute, Merger Sub's Artcles of Incorporation or Bylaws or any agreement to which Merger Sub or TSLU is a party or by which Merger Sub or TSLU may be bound. All outstanding TSLU and Merger Sub securities have been issued in compliance with applicable federal and state securities laws. Except for the 17 for one reverse split, as provided for in Section 8.10, there are no dividends or other amounts due or payable with respect to any of the shares of capital stock of TSLU, including, but not limited to, any amounts due or payable to any stockholder of TSLU pursuant to the exercise by any TSLU stockholder of Appraisal Rights or similar rights. Except as disclosed in Section 3.03 of the TSLU Disclosure Schedule, as of the date of this Agreement and as of the Closing Date, there are no outstanding or authorized options, warrants, purchase rights, subscription rights, conversion rights, exchange rights, or other contracts or commitments that could require TSLU or Merger Sub to issue, sell, or otherwise cause to become outstanding any of their capital stock, outstanding or authorized stock appreciation, phantom stock, profit participation, or similar rights with respect to TSLU or Merger Sub, or voting trusts, proxies, or other agreements or understandings with respect to the voting of the capital stock of TSLU or Merger Sub.

3.04 Authorization. Each of TSLU and Merger Sub has all requisite power and authority to enter into this Agreement and to carry out its respective obligations hereunder. The board of directors of each of TSLU and Merger Sub have approved the execution and delivery of this Agreement and the transactions contemplated by this Agreement including the Merger in accordance with Delaware and Nevada law and TSLU's articles of incorporation and bylaws, as amended, and Merger Sub's articles of incorporation and bylaws. The stockholders of TSLU do not have to approve the Merger. TSLU, as sole stockholder of Merger Sub, has approved the Merger, and no other corporate proceedings on the part of TSLU or Merger Sub are necessary to authorize the execution, delivery, and performance of this Agreement and the Merger, and the resolutions approving such Merger are irrevocable. This Agreement has been duly executed and delivered by each of TSLU and Merger Sub and constitutes their respective valid and binding obligations, enforceable against each of them in accordance with its terms.

3.05. No Conflict or Violation. The execution, delivery, and performance of this Agreement by TSLU and Merger Sub does not and will not: (a) violate or conflict with any provision of their respective certificate or articles of incorporation, bylaws, or other governing document of either of them (b) violate any provision of Law (including any Law pertaining to the issuance of securities) or any order, judgment, or decree of any court or other governmental or regulatory authority applicable to TSLU or Merger Sub; (c) violate or result in a breach of or constitute a default under any contract, lease, loan agreement, mortgage, security agreement, indenture, or other agreement or instrument to which either of them is a party or by which either of them is bound or to which any of their properties or assets is subject or which would prevent the transactions contemplated by this Agreement from being consummated.

3.06. Consents and Approvals. No Approval is necessary or required in connection with the execution and delivery by TSLU or Merger Sub of this Agreement or the performance by either of them and of their respective obligations hereunder, except for the filings required to consummate the Merger and any Approval as may be required under Federal or state securities laws in connection with the transactions set forth herein.

3.07. Absence of Undisclosed Liabilities. Since September 30, 2003, neither TSLU nor Merger Sub has incurred any Liabilities or obligations (whether absolute, accrued, contingent or otherwise) of any nature, except Liabilities, obligations or contingencies which have been discharged or paid in full prior to the date hereof; and (iii) Liabilities and obligations which are of a nature not required to be reflected in the financial statements of TSLU or Merger Sub prepared in accordance with GAAP consistently applied and which were incurred in the ordinary course of business.

3.08. TSLU Assets and Liabilities. Immediately prior to the Closing Date, TSLU shall have no material assets and no Liabilities, and all expenses related to this Agreement or otherwise shall have been paid.

3.09. Filings with the SEC. TSLU has made available to Chembio each statement, report, registration statement (with the prospectus in the form filed pursuant to Rule 424(b) of the Securities Act), definitive proxy statement, and other filings filed with the SEC by TSLU since June 30, 1999 and, prior to the Effective Time, TSLU will have furnished or made available to Chembio true and complete copies of any additional documents filed with the SEC by TSLU after the date hereof and prior to the Effective Time (collectively, the "TSLU SEC Documents"). As of their respective filing dates, the TSLU SEC Documents complied in all material respects with the requirements of the Exchange Act and the Securities Act. TSLU has timely filed with the SEC all filings required by the Exchange Act and the Securities Act and has provided all certifications of its officers which are required by the Sarbanes Ox ley Act of 2002, as enacted by the SEC. All documents required to be filed as exhibits to the SEC Documents have been so filed, and all material contracts so filed as exhibits are in full force and effect, except those which have expired in accordance with their terms, and neither TSLU nor any of its subsidiaries is in material default thereof. None of the TSLU SEC Documents, as of their respective dates, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

3.10. Financial Statements. The financial statements of TSLU, including the notes thereto, included in the TSLU SEC Documents (the "TSLU Financial Statements") were complete and correct in all material respects as of their respective dates, complied as to form in all material respects with applicable accounting requirements and with the published rules and regulations of the SEC with respect thereto as of their respective dates, and have been prepared in accordance with GAAP applied on a basis consistent throughout the periods indicated and consistent with each other (except as may be indicated in the notes thereto or, in the case of unaudited statements included in Quarterly Reports on Form 10-Q, as permitted by Form 10-Q of the SEC). The TSLU Financial Statements fairly present the consolidated financial condition and operating results of TSLU and its subsidiaries at the dates and during the periods indicated therein (subject, in the case of unaudited statements, to normal, recurring year-end adjustments).

3.11. Taxes. All Tax returns, statements, reports and forms (including without limitation estimated Tax returns and reports and information returns and reports) required to be filed with any Tax authority with respect to any Taxable period ending on or before the Closing Date, by or on behalf of TSLU (collectively, the "TSLU Returns"), have been or will be properly completed and filed when due (including any extensions of such due date), and all amounts shown to be due thereon on or before the Closing Date have been or will be paid on or before such date. The TSLU Financial Statements fully accrue all actual and contingent liabilities for all unpaid Taxes with respect to all periods (or portions of such periods) through September 30, 2003 and TSLU has not and will not incur any Tax liability in excess of the amount reflected on the TSLU Financial Statements (whether or not refl ected as payable on any Tax return that has been filed) with respect to such periods (or portions of such periods). TSLU has not and will not incur any Tax liability for periods (or portions of periods) after September 30, 2003 through the Closing Date other than in the ordinary course of business. TSLU has withheld and paid to the applicable financial institution or Tax authority all amounts required to be withheld. TSLU has not been granted any extension or waiver of the limitation period applicable to any TSLU Returns. There is no claim, audit, action, suit, proceeding, or investigation now pending or, or to the best of TSLU's knowledge, threatened against or with respect to TSLU in respect of any Tax or assessment. No notice of deficiency or similar document of any Tax authority has been received by TSLU, and there are no liabilities for Taxes (including liabilities for interest, additions to Tax and penalties thereon and related expenses) with respect to the issues tha t have been raised (and are currently pending) by any Tax authority that could, if determined adversely to TSLU, adversely affect the liability of TSLU for Taxes. Neither TSLU nor any person on behalf of TSLU has entered into or will enter into any agreement or consent pursuant to Section 341(f) of the Code. TSLU is not party to any joint venture, partnership, or other arrangement or contract which could be treated as a partnership for federal income tax purposes. There is no agreement, contract or arrangement to which TSLU is a party that could, individually or collectively, result in the payment of any amount or the provision of any benefit that would not be deductible by reason of Sections 280G or 404 of the Code. TSLU is not a party to or bound by any Tax indemnity, Tax sharing or Tax allocation agreement (whether written or unwritten or arising under operation of federal law as a result of being a member of a group filing consolidated Tax returns, under operation of certain state laws as a r esult of being a member of a unitary group, or under comparable laws of other states or foreign jurisdictions) which includes a party other than TSLU nor does TSLU owe any amount under any such agreement. TSLU has previously provided or made available to Chembio true and correct copies of all TSLU Returns filed through the date of this Agreement. TSLU will make available to Chembio all TSLU Returns filed after the date of this Agreement, all work papers with respect to TSLU Returns, all Tax opinions and memoranda with respect to Taxes owed or potentially owed by TSLU, all other Tax data and documents reasonably requested by Chembio. TSLU is not, and has not been, a United States real property holding corporation (as defined in Section 897(c)(2) of the Code) during the applicable period specified in Section 897(c)(l)(A)(ii) of the Code. Except as may be required as a result of the consummation of the transactions set forth herein, TSLU has not been and will not be required to include any mat erial adjustment in Taxable income for any Tax period (or portion thereof) pursuant to Section 481 or 263A of the Code or any comparable provision under state or foreign Tax laws as a result of transactions, events or accounting methods employed prior to the consummation of the transactions set forth herein. For purposes of this Agreement, the following terms have the following meanings: "Tax" (and, with correlative meaning, "Taxes" and "Taxable") means any and all taxes including, without limitation, (i) any net income, alternative or add-on minimum tax, gross income, gross receipts, sales, use, ad valorem, transfer, franchise, profits, value added, net worth, license, withholding, payroll, employment, excise, severance, stamp, occupation, premium, property, environmental or windfall profit tax, custom, duty or other tax governmental fee or other like assessment or charge of any kind whatsoever, together with any interest or any penalty, addition to tax or additio nal amount imposed by any Governmental Entity (a "Tax Authority") responsible for the imposition of any such tax (domestic or foreign), (ii) any liability for the payment of any amounts of the type described in (i) as a result of being a member of an affiliated, consolidated, combined or unitary group for any Taxable period or as the result of being a transferee or successor and (iii) any liability for the payment of any amounts of the type described in (i) or (ii) as a result of any express or implied obligation to indemnify any other person.

3.12. Information. None of the representations or warranties made by TSLU, Merger Sub or any stockholder of TSLU in this Agreement or the agreements contemplated hereby, nor any document, written information, statement, financial statement, schedule (including the TSLU Disclosure Schedule), certificate (including any certificate provided by any stockholder of TSLU) or exhibit prepared and furnished or to be prepared and furnished by TSLU or its representatives to Chembio pursuant hereto or thereto in connection with the transactions contemplated hereby or thereby, contains or will contain any untrue statement of a material fact, or omits or will omit to state a material fact necessary to make the statements or facts contained herein or therein not misleading. There is no presently existing event, fact or condition that adversely affects TSLU's business, condition (financial or otherw ise), results or operations, prospects or Assets and Properties ("TSLU's Business or Condition"), or that could reasonably be expected to do so, which has not been set forth in this Agreement or the agreements contemplated hereby or otherwise disclosed by TSLU to Chembio in writing.

3.13. Absence of Certain Changes or Events. Except as set forth in this Agreement or Schedule 3.12, since September 30, 2003:

(a) There has not been any material and adverse change in TSLU's Business or Condition or operating results which is not reflected in the TSLU Financial Statements, including any Liabilities or obligations, other than changes in the ordinary course of business;

(b) TSLU has not (i) amended its articles of incorporation or bylaws; (ii) declared or made, or agreed to declare or make, any payment of dividends or distributions of any assets of any kind whatsoever to stockholders or purchased or redeemed, or agreed to purchase or redeem, any of its capital stock; (iii) waived any rights of value which in the aggregate are extraordinary or material considering the business of TSLU; (iv) made any material change in its method of accounting; (v) entered into any oral or written agreement, or modified the terms of any existing contract or agreement, or entered into or modified any other material transactions other than those contemplated by this Agreement; (vi) made any accrual or arrangement for or payment of bonuses or special compensation of any kind or any severance or termination pay to any present or former officer or employee or adopted any a mendment to the exercisability or vesting of any employee stock options or the vesting of any unvested shares of TSLU Common Stock or other equity securities or the authorization of any cash payments in exchange for such options or unvested shares, or the adoption of any other amendment in any employee benefit plan or compensation commitment or any severance agreement or employment contract to which any current or former employee is a party; (vii) increased the rate of compensation payable or to become payable by it to any of its officers or directors or any of its employees; or (viii) made any increase in any profit-sharing, bonus, deferred compensation, insurance, pension, retirement, or other employee benefit plan, payment, or arrangement made to, for, or with its officers, directors, or employees. In addition, TSLU has no Liabilities and there is no Basis for any present or future action, suit, proceeding, hearing, investigation, charge, complaint, claim, or demand against any of them giving rise to any Liabilities.

(c) Except as set forth on Section 3.13 of the TSLU Disclosure Schedule, TSLU has not (i) granted or agreed to grant any options, warrants, or other rights for its stocks, bonds, or other corporate securities calling for the issuance thereof, (ii) borrowed or agreed to borrow any funds or incurred, or become subject to, any obligation or Liabilities whether known or unknown, whether asserted or unasserted, whether absolute or contingent, whether accrued or unaccrued, whether liquidated or unliquidated, and whether due or to become due; (iii) incurred or created any lien with respect to any of its Assets and Properties, except liens for taxes not yet due or payable; (iv) paid any material obligation or Liabilities other than current Liabilities reflected in or shown on the most recent TSLU balance sheet and current Liabilities incurred since that date in the ordinary course of business; (v) sold or transferr ed, or agreed to sell or transfer, any of its Assets and Properties; (vi) canceled, or agreed to cancel, any debts or claims; (vii) made or permitted any amendment or termination of any contract, agreement, or license to which it is a party; or (viii) issued, delivered, or agreed to issue or deliver any stock, bonds, or other corporate securities including debentures (whether authorized and unissued or held as treasury stock);

(d) TSLU has not made any loan, advance or capital contribution to, or investment in, any person;

(e) TSLU has not entered into or made any agreement or arrangement to take any action which, if taken prior to the date hereof, would have made any representation or warranty set forth in this Section 3.13 untrue or incorrect as of the date when made; and

(f) TSLU has not become subject to any law or regulation which could reasonably be expected to have a Material Adverse Effect on TSLU

3.14. Litigation and Proceedings. There are no Actions or Proceedings pending or threatened by or against TSLU or Merger Sub, or which are or could reasonably be expected to have a Material Adverse Effect on TSLU, or which are seeking to enjoin or challenge the Merger, at law or in equity, before any Governmental Entity. TSLU has not defaulted with respect to any judgment, order, writ, injunction, decree, award, rule, or regulation of any court, arbitrator, or governmental agency or instrumentality. To the best of TSLU's knowledge, there is no basis for any Action or Proceeding against TSLU or Merger Sub or any of their respective officers, employees or directors. To the best of TSLU's knowledge, there is no basis for any Action or Proceeding by TSLU.

3.15. Compliance With Laws and Regulations. Each of TSLU and Merger Sub is in compliance and has conducted its business and operations so as to comply with all applicable Laws. There are no Orders (whether rendered by a court or administrative agency or by arbitration) and, to TSLU's knowledge, no basis currently exists for any Orders against the either TSLU or Merger Sub or against any of their respective Assets and Properties, and none are pending or, to the best knowledge of TSLU, threatened. TSLU has not received any notice from any Governmental Entity of any violation of Laws. TSLU has all permits, licenses, orders, authorizations, registrations, concessions, certificates, approvals and other instruments of any Governmental Entity (the "Government Licenses") (each of which is in full force and effect) necessary for the conduct of its business. TSLU is in compliance with the terms , conditions, limitations, restrictions, standards, prohibitions, requirements and obligations of such Government Licenses. TSLU has made all filings and registrations and the like necessary or required by law to conduct its business. There is not now pending, nor, to the best of TSLU's knowledge, is there threatened, any Action or Proceeding and, to TSLU's knowledge, there is no basis for any Action or Proceeding against TSLU before any Governmental Entity with respect to the Government Licenses, nor is there any issued or outstanding notice, order or complaint with respect to the violation by TSLU of the terms of any Government License or any rule or regulation applicable thereto.

3.16. Material Contract Defaults. TSLU is not and has not been at any time, and it has not received notice that it is or would be with the passage of time (x) in violation of any provision of its articles of incorporation or bylaws or (y) in default or violation of (a) any term, condition or provision of any Order applicable to TSLU, or (b) any term or condition of any agreement, note, mortgage, indenture, contract, lease, instrument, Law or Permit to which TSLU is a party or by which TSLU or its Assets and Properties may be bound and there does not exist any facts which, with notice or lapse of time or both, would constitute an event of default on the part of TSLU under any of the above.

3.17. Subsidiary. Except for Merger Sub, TSLU does not own, beneficially or of record, any equity securities in any other entity. TSLU does not have a predecessor as that term is defined under generally accepted accounting principles or Regulation S-X promulgated by the SEC.

3.18 Contracts

. (a) Except for the contracts described in Section 3.18 of the TSLU Disclosure Schedule, TSLU is not a party to or subject to any contract, arrangement, agreement; license, lease, commitment, instrument of any nature, written or oral (collectively, the "Contracts").

(b) Each Contract to which TSLU is a party or by which it is bound (i) is valid and binding on TSLU and each other party thereto, (ii) is in full force and effect, (iii) has not been breached by TSLU or any other party thereto, and (iv) contains no liquidated damages, penalty or similar provision. TSLU has not been notified that any party to any such Contract intends to cancel, withdraw, modify or amend such Contract. TSLU and each other party thereto has performed all obligations required to be performed by it on or prior to the date hereof under each Contract or undertaking referred to in this Agreement, and is not aware of any facts from which it could reasonably conclude that it or any other party thereto will not be able to perform all obligations required to be performed by it or such other party subsequent to the date hereof under each such Contract or undertaking.

3.19. Intellectual Property. TSLU does not own any rights to any patents, trademarks, trade names, service marks, copyrights, mask works, trade secrets or any other intellectual property rights.

3.20. Restrictions on Business Activities

. There is no agreement, judgment, injunction, order or decree binding upon TSLU or which has or could reasonably be expected to have the effect of prohibiting or impairing any business practice of TSLU, any acquisition of property by TSLU, or the continuation of the business of TSLU as currently conducted or as currently proposed to be conducted.

3.21. Title to Properties.

(a) Real Property. TSLU does not own any real property.

(b) Leases Schedule. TSLU is not a party to any real or personal property leases.

(c) Title to Assets. TSLU has good and marketable title to all of its Assets and Properties or interests in Properties and Assets reflected in the TSLU Financial Statements or acquired after the date of the TSLU Financial Statements, except for any liens for current Taxes not yet due and payable, such imperfections of title and liens as do not and will not (i) materially detract from or interfere with the use of the Assets and Properties subject thereto or affected thereby, or (ii) otherwise materially impair business operations involving such Assets and Properties.

3.22. Environmental Matters. TSLU (i) is not aware of nor has received notice of any event, condition, circumstance, activity, practice, incident, action or plan which is reasonably likely to interfere with or prevent continued compliance or which could give rise to any common law or statutory liability, or otherwise form the basis of any claim, action, suit or proceeding, based on or resulting from TSLU's (or any of its agents') manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling, or the emission, discharge, or release into the environment, of any pollutant, contaminant, or hazardous or toxic material, waste or substance or otherwise occurring on property leased or previously leased by TSLU; and (ii) is not aware of any contaminated soil or groundwater at or under any of the properties owned or operated, leased or previously owned or leased by TSLU.

3.23. Personnel. Section 3.23 of the TSLU Disclosure Schedule lists the names of all current directors, officers, employees, independent contractors and consultants of TSLU, setting forth the job title of, and salary (including bonuses and commissions) payable to each such person. The employment of each of TSLU's employees is "at will." TSLU does not have any obligation (i) to provide any particular form or period of notice prior to termination, or (ii) to pay any of such employees any severance benefits in connection with their termination of employment or service. In addition, no severance pay will become due to any of the TSLU employees under any agreement, plan or program as a result of the transactions set forth in this Agreement. TSLU does not currently have any Employee Benefit Plans (as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended.

3.24. Third Party Consents. No Approval is needed from any third party in order to effect the Merger or any of the other transactions contemplated hereby or to ensure that TSLU's rights under any contract, license, agreement, permit, approval or other rights remain in full force and effect after the consummation of the transactions contemplated hereby.

3.25. Related Party Transactions. No employee, officer or director of TSLU or member of his or her immediate family is indebted to TSLU, nor is TSLU indebted (or committed to make loans or extend or guarantee credit) to any of them (other than for accrued but unpaid salary, bonus or travel expenses incurred in the ordinary course of business and consistent with past practice). Except as set forth on Section 3.25 of the TSLU Disclosure Schedule, none of such persons has any direct or indirect ownership interest in any firm or corporation with which TSLU is affiliated or with which TSLU has a business relationship. Except as set forth on Section 3.25 of the TSLU Disclosure Schedule, no member of the immediate family of any officer or director of TSLU is directly interested in any Contract with TSLU.

3.26. Brokers or Finders; Professional Fees

. No agent, broker, investment banker or other firm or person is, or will be, entitled to any broker's or finder's fee or any other commission or similar fee in connection with any of the transactions contemplated by this Agreement.

3.27. Chembio Stockholder Disclosure. The information relating to TSLU and provided by TSLU to Chembio which is included in any disclosure materials distributed to Chembio stockholders in connection with obtaining their approval for the Merger and the transactions contemplated by this Agreement shall not, at the time such information is distributed to stockholders of Chembio and at any time subsequent thereto (through and including the Effective Time), contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

4. REPRESENTATIONS AND WARRANTIES OF CHEMBIO.

Chembio represents and warrants to TSLU and Merger Sub that to its Knowledge and except as set forth in the Chembio Disclosure Schedule, the statements contained in this Section 4 are correct and complete as of the date of this Agreement and shall be correct and complete as of the Closing Date.

4.01 Organization. Chembio is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, and has all requisite power and authority to own and lease its respective properties and assets and to conduct its business as now conducted.

4.02 Qualifications to Do Business. Schedule 4.02 sets forth each jurisdiction in which Chembio is qualified to do business as a foreign corporation. Neither the nature of the business carried on by Chembio, nor the properties owned or leased by it, require it to be qualified to do business as a foreign corporation in any other jurisdiction, except in any case where a failure to so qualify would not have a Material Adverse Effect on Chembio.

4.03 Capitalization. The authorized capitalization of Chembio consists of 40,000 shares of common stock (the "Chembio Common Stock") of which 40,000 shares are issued and outstanding, and no shares of preferred stock. All issued and outstanding shares of Chembio Common Stock are legally issued, fully paid, and non-assessable and not issued in violation of the preemptive or other right of any person. There are no dividends or other amounts due or payable with respect to any of the Chembio Shares, except for any amounts due or payable to any shareholder of Chembio pursuant to the exercise by such shareholder of dissenters' rights. Except as disclosed on Section 4.03 of the Chembio Disclosure Schedule, there are no outstanding or authorized options, warrants, purchase rights, subscription rights, conversion rights, exchange rights, or other contracts or commitments that could require Chembio to issue, sell, or otherwise cause to become outstanding any of its capital stock or authorized stock appreciation, phantom stock, profit participation, or similar rights with respect to Chembio, or voting trusts, proxies, or other agreements or understandings with respect to the voting of the capital stock of Chembio.

4.04 Authorization. Chembio has all requisite power and authority to enter into this Agreement and to carry out its obligations hereunder, subject to stockholder approval of the Merger and compliance with all applicable laws. The board of directors of Chembio has approved the execution and delivery of this Agreement and recommended the Merger contemplated by this Agreement to the stockholders of Chembio. This Agreement has been duly executed and delivered by Chembio and constitutes its valid and binding obligation, enforceable against it in accordance with its terms.

4.05 Information. The information concerning Chembio set forth in this Agreement and in the Chembio Disclosure Schedule is to the best of Chembio's Knowledge complete and accurate in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact required to make the statements made, in light of the circumstances under which they were made, not misleading.

4.06 No Conflict or Violation. The execution, delivery, and performance of this Agreement by Chembio does not and will not (a) violate or conflict with any provision of its certificate of incorporation, bylaws, or other governing document; (b) violate any provision of law (including any law pertaining to the issuance of securities) or any order, judgment, or decree of any court or other governmental or regulatory authority applicable to it; (c) violate or result in a breach of or constitute a default under any contract, lease, loan agreement, mortgage, security agreement, indenture, or other agreement or instrument to which it is a party or by which it is bound or to which any of its properties or assets is subject or which would prevent the transactions contemplated by this Agreement from being consummated.

4.07 Absence of Undisclosed Liabilities. Except as disclosed on Section 4.07 of the Chembio Disclosure Schedule, since December 31, 2003, Chembio has not incurred any Liabilities or obligations (whether absolute, accrued, contingent or otherwise) of any nature, except (i) Liabilities, obligations or contingencies which were incurred after December 31, 2003 and were incurred in the ordinary course of business and consistent with past practices; and (ii) Liabilities, obligations or contingencies which (1) would not, in the aggregate, have a Material Adverse Effect on Chembio, or (2) have been discharged or paid in full prior to the date hereof.

4.08 Litigation and Proceedings. Except as disclosed on Section 4.08 of the Chembio Disclosure Schedule, there are no actions, suits, administrative or other proceedings, investigations, inquiries or similar governmental proceedings pending or, to the Knowledge of Chembio, threatened by or against Chembio that are or could reasonably expected to have a Material Adverse Effect on Chembio, at law or in equity, or which are seeking to enjoin or challenge the Merger, before any Governmental Entity. Chembio has no Knowledge of any default by Chembio with respect to any judgment, order, writ, injunction, decree, award, rule, or regulation of any Governmental Entity, court, arbitrator, or governmental agency or instrumentality.

4.09 Material Contract Defaults. Except as disclosed on Section 4.09 of the Chembio Disclosure Schedule, to its Knowledge, Chembio is not in default in any material respect under the terms of any outstanding contract, agreement, lease, or other commitment which could be reasonably expected to have a Material Adverse Effect on Chembio, and there is no event of default or other event which, with notice or lapse of time or both, would constitute a default in any material respect under any such contract, agreement, lease, or other commitment in respect of which Chembio has not taken adequate steps to prevent such a default from occurring.

4.10 Governmental Authorizations. Chembio has all material licenses, franchises, permits, and other governmental authorizations that are legally required to enable it to conduct its business in all material respects as conducted on the date of this Agreement. Except for compliance with federal and state securities and corporation laws, as provided in this Agreement, no authorization, approval, consent, or order of, or registration, declaration, or filing with, any court or other governmental body is required in connection with the execution and delivery by Chembio of this Agreement and the consummation by Chembio of the transactions contemplated hereby.

4.11 Compliance With Laws and Regulations. Chembio has complied with all applicable statutes and regulations of any federal, state, or other Governmental Entity or agency thereof, except to the extent that noncompliance could not reasonably be expected to have a Material Adverse Effect on Chembio. To the Knowledge of Chembio, the consummation of this Merger shall comply with all applicable statutes and regulations, subject to the preparation and filing of any forms required by state and federal securities laws.

4.12 Subsidiary. Except as set forth on Section 4.12 of the Chembio Disclosure Schedule, Chembio does not own, beneficially or of record, any equity securities in any other entity. Chembio does not have a predecessor as that term is defined under generally accepted accounting principles or Regulation S-X promulgated by the SEC.

5. CONDUCT PRIOR TO THE EFFECTIVE TIME

5.1 Conduct of Business of TSLU

. During the period from the date of this Agreement and continuing until the earlier of the termination of this Agreement and the Closing, TSLU agrees (unless Chembio shall give its prior consent in writing) to carry on its business in the ordinary course consistent with past practice, to pay its Liabilities and Taxes consistent with TSLU's past practices (and in any event when due), to pay or perform other obligations when due consistent with Chembio's past practices (other than Liabilities, Taxes and other obligations, if any, contested in good faith through appropriate proceedings), and, to use its best efforts and institute all policies to preserve intact its present business organization, all with the express purpose and intent of preserving unimpaired its goodwill and ongoing businesses at the Effective Time. Except as expressly contemplated by this Agree ment, each of TSLU and Merger Sub shall not, without the prior written consent of Chembio, take, or agree in writing or otherwise to take, any of the following actions:

(a) Charter Documents: Cause or permit any amendments to its certificate or articles of incorporation or bylaws;

(b) Dividends; Changes in Capital Stock: Declare or pay any dividends on or make any other distributions (whether in cash, stock or property) in respect of any of its capital stock, or split, combine or reclassify any of its capital stock or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock, or repurchase or otherwise acquire, directly or indirectly, any shares of its capital stock;

(c) Contracts: Enter into any Contract, amend or otherwise modify or waive any of the terms of any of its Contracts;

(d) Issuance of Securities: Issue, deliver or sell or authorize or propose the issuance, delivery or sale of, any shares of its capital stock or securities convertible into, or subscriptions, rights, warrants or options to acquire, or other agreements or commitments of any character obligating it to issue any such shares or other convertible securities;

(e) Dispositions: Sell, lease, license or otherwise dispose of or encumber any of its properties or assets;

(f) Indebtedness: Incur any Indebtedness for borrowed money or guarantee any such Indebtedness or issue or sell any debt securities or guarantee any debt securities of others;

(g) Payment of Obligations: Pay, discharge or satisfy any claim, Liability or obligation (absolute, accrued, asserted or unasserted, contingent or otherwise) arising other than in the ordinary course of business, other than the payment, discharge or satisfaction of Liabilities reflected or reserved against in the TSLU Financial Statements and reasonable expenses incurred in connection with the transactions contemplated by this Agreement;

(h) Capital Expenditures: Make any capital expenditures, capital additions or capital improvements;

(i) Employee Benefit Plans; New Hires; Pay Increases: Adopt any employee benefit or stock purchase or option plan, or hire any new employee or any consultant, pay any special bonus or special remuneration to any employee, consultant or director, increase the salaries, wage rates or compensation of any employee or consultant;

(j) Severance Arrangements: Grant any severance or termination pay (i) to any director or officer or consultant or (ii) to any other employee or consultant except payments made pursuant to standard written agreements outstanding on the date hereof and disclosed in writing to Chembio;

(k) Lawsuits: Commence a lawsuit other than (i) for the routine collection of bills, (ii) in such cases where it in good faith determines that failure to commence suit would result in the material impairment of a valuable aspect of its business, *provided* that it consults with Chembio prior to the filing of such a suit, or (iii) for a breach of this Agreement;

(l) Acquisitions: Acquire or agree to acquire by merging or consolidating with, or by purchasing a substantial portion of the assets of, or by any other manner, any business or any corporation, partnership, association or other business organization or division thereof, or otherwise acquire or agree to acquire any assets;

(m) Taxes: Make or change any election in respect of Taxes, adopt or change any accounting method in respect of Taxes, file any Tax Return or any amendment to a Tax Return, enter into any closing agreement, settle any claim or assessment in respect of Taxes, or consent to any extension or waiver of the limitation period applicable to any claim or assessment in respect of Taxes; or

(n) Other: Take or agree in writing or otherwise to take, any of the actions described in Sections 5.1(a) through (m) above, or any action which would make any of its representations or warranties contained in this Agreement untrue or incorrect or prevent it from performing or cause it not to perform its covenants hereunder.

5.2 No Solicitation.

(a) No Solicitation by Chembio. Until the earlier of the Effective Time or the date of termination of this Agreement pursuant to the provisions of Section 10.1 hereof, Chembio will not (nor will Chembio permit any of Chembio's officers, directors, stockholders, attorneys, investment advisors, agents, representatives or Affiliates) directly or indirectly, take any of the following actions with any Person other than TSLU and its designees: (i) solicit, initiate, entertain, review, or encourage any proposals or offers from, or conduct discussions with or engage in negotiations with, any Person relating to an investment in or any possible Business Combination with Chembio or any of its subsidiaries (whether such subsidiaries are in existence on the date hereof or are hereafter organized), (ii) provide information with respect to Chembio to any Person, other than TSLU, relating to, or o therwise cooperate with, facilitate or encourage any effort or attempt by any such Person with regard to, any possible investment in or any Business Combination with Chembio or any subsidiaries (whether such subsidiaries are in existence on the date hereof or are hereafter organized), (c) enter into any contract, arrangement or understanding with any Person, other than TSLU, looking toward an investment in or any Business Combination with Chembio or any of its subsidiaries (whether such subsidiaries are in existence on the date hereof or are hereafter organized), or (d) make or authorize any statement, recommendation or solicitation in support of any possible investment in or Business Combination involving Chembio or any of its subsidiaries (whether such subsidiaries are in existence on the date hereof or are hereafter organized) other than the Business Combination with TSLU and Merger Sub contemplated by this Agreement. Chembio shall immediately cease and cause to be te rminated any such contacts or negotiations with any Person relating to any such transaction or Business Combination. In addition to the foregoing, if Chembio receives prior to the Effective Time or the termination of this Agreement any offer or proposal (formal or informal) relating to any of the above, Chembio shall immediately notify TSLU thereof and provide TSLU with the details thereof including the identity of the Person or Persons making such offer or proposal, and copies of any written communication relating thereto and will keep TSLU fully informed of the status and details of any such offer of proposal. Each of Chembio and TSLU acknowledge that this Section 5.2(a) was a significant inducement for TSLU to enter into this Agreement and the absence of such provision would have resulted in either (i) a material reduction in the merger consideration to be paid to the stockholders of Chembio or (ii) a failure to induce TSLU to enter into this Agreement.

(b) No Solicitation by TSLU. Until the earlier of the Effective Time or the date of termination of this Agreement pursuant to the provisions of Section 10.1 hereof, TSLU will not (nor will TSLU permit any of TSLU's officers, directors, stockholders, attorneys, investment advisors, agents, representatives or Affiliates) directly or indirectly, take any of the following actions with any Person other than Chembio and its designees: (i) solicit, initiate, entertain, review, or encourage any proposals or offers from, or conduct discussions with or engage in negotiations with, any Person relating

to an investment in or any possible Business Combination with TSLU or any of its subsidiaries (whether such subsidiaries are in existence on the date hereof or are hereafter organized), (ii) provide information with respect to TSLU to any Person, other than Chembio, relating to, or otherwise coo perate with, facilitate or encourage any effort or attempt by any such Person with regard to, any possible investment in or any Business Combination with TSLU or any subsidiaries (whether such subsidiaries are in existence on the date hereof or are hereafter organized), (c) enter into any contract, arrangement or understanding with any Person, other than Chembio, looking toward an investment in or any Business Combination with TSLU or any of its subsidiaries (whether such subsidiaries are in existence on the date hereof or are hereafter organized), or (d) make or authorize any statement, recommendation or solicitation in support of any possible investment in or Business Combination involving TSLU or any of its subsidiaries (whether such subsidiaries are in existence on the date hereof or are hereafter organized) other than the Business Combination with Chembio contemplated by this Agreement. TSLU shall immediately cease and cause to be terminated any such contacts or neg otiations with any Person relating to any such transaction or Business Combination. In addition to the foregoing, if TSLU receives prior to the Effective Time or the termination of this Agreement any offer or proposal (formal or informal) relating to any of the above, TSLU shall immediately notify Chembio thereof and provide Chembio with the details thereof including the identity of the Person or Persons making such offer or proposal, and copies of any written communication relating thereto and will keep Chembio fully informed of the status and details of any such offer of proposal. Each of Chembio and TSLU acknowledge that this Section 5.2(b) was a significant inducement for Chembio to enter into this Agreement and the absence of such provision would have resulted in either (i) a material increase in the merger consideration to be paid to the stockholders of Chembio or (ii) a failure to induce Chembio to enter into this Agreement.

6. ADDITIONAL AGREEMENTS

6.01 Sale of Shares; Registration

. The parties hereto acknowledge and agree that the shares of TSLU Common Stock to be issued pursuant to Section 2.05 will not be registered under the Securities Act and therefore shall constitute “restricted securities” within the meaning of the Securities Act and therefore may not be resold or otherwise transferred unless a valid registration statement relating thereto is in effect or an exemption from such requirement is available. The certificates representing the shares of TSLU Common Stock shall bear appropriate legends to identify such privately placed shares as being restricted under the Securities Act, to comply with applicable state securities laws and, if applicable, to notice the restrictions on transfer of such shares. TSLU will prepare and file at its expense, as promptly as practicable and, in any event, wi thin 30 days following the Closing Date, a registration statement with the SEC covering (in addition to the securities to be registered pursuant to the Private Financing (as defined in Section 7.08)) the resale of such shares of TSLU Common Stock issued in connection with the Merger and TSLU shall use commercially reasonable efforts to cause such registration statement to become effective as promptly as practicable after filing and to keep such registration statement effective until one (1) year after the Effective Time. Any such registration shall be subject to the normal, reasonable and customary terms and conditions used in connection with resale prospectuses.

6.02 Expenses

. Subject to Section 11.04 of this Agreement, whether or not the Merger is consummated, all fees and expenses incurred in connection with the Merger including all legal, accounting, financial, advisory, consulting and all other fees and expenses of third parties (“Third Party Expenses”) incurred by a party in connection with the negotiation and effectuation of the terms and conditions of this Agreement and the transactions contemplated hereby, shall be the obligation of the respective party incurring such fees.

6.03 Approvals

. Each of TSLU and Chembio shall use all commercially reasonable efforts required to obtain all Approvals required of it from Governmental Entities to consummate the Merger.

6.04 Reasonable Efforts and Further Assurances

. Each of the parties to this Agreement shall use its commercially reasonable efforts to effectuate the transactions contemplated hereby and to fulfill and cause to be fulfilled the conditions to closing under this Agreement. Each party hereto, at the reasonable request of another party hereto, shall execute and deliver such other instruments and do and perform such other acts and things as may be necessary or desirable for effecting completely the consummation of this Agreement and the transactions contemplated hereby.

6.05 Blue Sky Laws

. TSLU shall take such steps as may be necessary to comply with the securities and blue sky laws of all jurisdictions which are applicable to the issuance of the TSLU Common Stock in connection with the Merger. Chembio shall use its best efforts to assist TSLU as may be necessary to comply with the securities and blue sky laws of all jurisdictions which are applicable in connection with the issuance of TSLU Common Stock.

6.06 Debt Retirement. On or before December 31, 2004, at least $750,000 of term debt (“Term Debt”) existing on the Chembio balance sheet as of December 31, 2003 shall be retired. To the extent the Term Debt is converted into TSLU Common Stock, the conversion ratio for such conversion shall be no less than one share of TSLU Common Stock for every $0.60 of Term Debt.

7. CONDITIONS PRECEDENT TO THE OBLIGATIONS OF CHEMBIO TO CLOSE.

The obligations of Chembio under this Agreement are subject to satisfaction or Chembio's express written waiver on or prior to the Closing of the following conditions:

7.01 Stockholders' Approval. The stockholders of Chembio must approve the Merger in accordance with The DGCL and Chembio's certificate of incorporation and bylaws.

7.02 Accuracy of Representations. The representations and warranties made by TSLU and Merger Sub in this Agreement were true when made and shall be true at the Closing Date with the same force and effect as if such representations and warranties were made at and as of the Closing Date (except for changes therein permitted by this Agreement), and TSLU and Merger Sub shall have performed or complied with all covenants and conditions required by this Agreement to be performed or complied with by either or both of them prior to or at the Closing. Chembio shall be furnished with certificates, signed by duly authorized officers of TSLU and Merger Sub and dated the Closing Date, to the foregoing effect.

7.03 Officer's Certificates. Chembio shall have been furnished with certificates dated the Closing Date and signed by TSLU’s chief executive officer to the effect that to such officer's Knowledge, which may be based on certificates of good standing, representations of a Governmental Entity, and TSLU’s own documents and information:

(a) There are no actions, suits, administrative or other proceedings, investigations, inquiries or similar governmental proceedings pending or, to the Knowledge of TSLU and Merger Sub threatened by or against TSLU or Merger Sub, at law or in equity, before any Governmental Entity including any which might result in an action to enjoin or prevent the consummation of the transactions contemplated by this Agreement;

(b) This Agreement has been duly approved by TSLU’s and Merger Sub's board of directors, TSLU as the sole stockholder of Merger Sub has approved the transactions contemplated by this Agreement, TSLU does not need stockholder approval, and this Agreement has been duly executed and delivered in the name and on behalf of TSLU and Merger Sub by their duly authorized officers pursuant to, and in compliance with, authority granted by the board of directors of TSLU and Merger Sub;

(c) There has been no Material Adverse Effect, as described in Section 7.04 below relating to TSLU or Merger Sub up to and including the date of the certificate;

(d) All conditions required by this Agreement have been met, satisfied, or performed by TSLU and Merger Sub; and

(e) All authorizations, consents, approvals, registrations, and/or filings with any governmental body, agency, or court required in connection with the execution and delivery of the documents by TSLU and Merger Sub have been obtained and are in full force and effect or, if not required to have been obtained, shall be in full force and effect by such time as may be required.

7.04 No Material Adverse Effect. Prior to the Closing Date, there shall have been no event, change, or occurrence which, individually or together with any other event, change, or occurrence, insofar as can reasonably be foreseen, could result in a Material Adverse Effect on TSLU or Merger Sub.

7.05 Good Standing. Chembio shall have received a certificate of good standing from the appropriate authorities, dated as of the date within five days prior to the Closing Date, certifying that TSLU and Merger Sub are each in good standing as a corporation in the State of Nevada.

7.06 Books and Records. Prior to the Closing Date, TSLU and Merger Sub shall have delivered to Chembio complete and accurate copies of all corporate, financial, accounting, and banking, and other, books and records, of TSLU and Merger Sub.

7.07 Other Items. Chembio shall have received such other documents, certificates, or instruments relating to the transactions contemplated hereby as Chembio may reasonably request, including a legal opinion from TSLU’s and Merger Sub's counsel.

7.08 Private Financing. At least $1,500,000 in debt and/or equity financing shall have been raised for the business of the Surviving Corporation, in accordance with the term sheet dated February _, 2004 (the “Private Financing”), attached hereto as Exhibit D.

7.09 Debt Conversion. At the time of the Clsoing, at least $1,300,000 of Chembio's convertible debt existing on it's balance sheet as of December 31, 2003 shall be converted to TSLU Common Stock in accordance with the terms of the Private Financing.

7.10 Reverse Stock Split. Chembio shall receive evidence satisfactory to it that TSLU has completed a reverse split of the TSLU Common Stock, with every one share of TSLU Common Stock having been exchanged for one seventeenth of a share of TSLU Common Stock.

7.12 Issuance of Convertible Notes. At least $800,000 of Convertible Promissory Notes (the "Notes") shall have been issued by Chembio, with the proceeds of the sale of such Notes to be used for the business of the Surviving Corporation in accordance with the term sheet dated February
2004, attached hereto as Exhibit E.

7.13 Legal Proceedings. Exclusive of TSLU filing current reports in connection with the Merger, no Governmental Entity shall have notified either party to this Agreement that it intends to commence proceedings to restrain or prohibit the transactions contemplated hereby or force rescission, unless such Governmental Entity shall have withdrawn such notice and abandoned any such proceedings prior to the time which otherwise would have been the Closing Date.

8. CONDITIONS PRECEDENT TO OBLIGATIONS OF TSLU AND MERGER SUB.

The obligations of TSLU and Merger Sub under this Agreement are subject to satisfaction or TSLU's and Merger Sub's express written waiver on or prior to the Closing of the following conditions:

8.01 Accuracy of Representations. The representations and warranties made by Chembio in this Agreement were true when made and shall be true at the Closing Date with the same force and affect as if such representations and warranties were made at and as of the Closing Date (except for changes therein permitted by this Agreement), and Chembio shall have performed or complied with all covenants and conditions required by this Agreement to be performed or complied with by Chembio prior to or at the Closing. TSLU and Merger Sub shall be furnished with a certificate, signed by a duly authorized officer of Chembio and dated the Closing Date, to the foregoing effect.

8.02 Officer's Certificate. TSLU and Merger Sub shall have been furnished with certificates dated the Closing Date and signed by the duly authorized chief executive officer of Chembio to the effect that to such officer's Knowledge, which may be based on certificates of good standing, representations of government agencies, and Chembio's own documents and information:

(a) Except as set forth in the Chembio Disclosure Schedule, there are no actions, suits, administrative or other proceedings, investigations, inquiries or similar governmental proceedings pending or, to the Knowledge of Chembio threatened by or against Chembio or which could reasonably be expected to have a Material Adverse Effect on Chembio, at law or in equity, before any Governmental Entity including any which might result in an action to enjoin or prevent the consummation of the transactions contemplated by this Agreement;

(b) This Agreement has been duly approved by Chembio's board of directors and has been duly executed and delivered in the name and on behalf of Chembio by its duly authorized officers pursuant to, and in compliance with, authority granted by the board of directors of Chembio;

(c) Except as provided or permitted herein, there has been no Material Adverse Effect, as described in Section 8.03 below relating to Chembio up to and including the date of the certificate; and

(d) All authorizations, consents, approvals, registrations, and/or filing with any governmental body, agency, or court required in connection with the execution and delivery of the documents by Chembio have been obtained and are in full force and effect or, if not required to have been obtained shall be in full force and effect by such time as may be required.

8.03 No Material Adverse Effect. Prior to the Closing Date, there shall have been no event, change, or occurrence, which individually or together with any other event, change, or occurrence, insofar as can reasonably be foreseen, could have a Material Adverse Effect on Chembio.

8.04 Stockholders' Approval. The stockholders of Chembio have approved the Merger as required by The DGCL and Chembio's certificate of incorporation and bylaws.

8.05 Good Standing. TSLU and Merger Sub shall have received a certificate of good standing from the appropriate authority, dated as of a date within five days prior to the Closing Date, certifying that Chembio is in good standing as a corporation in the State of Delaware.

8.06 Name Change. Following the Closing, the name of TSLU shall be changed to "Chembio Diagnostics, Inc".

8.08 Private Financing. At least $1,500,000 in debt and/or equity financing shall have been raised for the business of the Surviving Corporation, in accordance with the term sheet dated February _, 2004 (the "Private Financing"), attached hereto as Exhibit D.

8.09 Debt Conversion. At the time of the Closing, at least $1,300,000 of Chembio's convertible debt existing on it's balance sheet as of December 31, 2003 shall be converted to TSLU Common Stock in accordance with the terms of the Private Financing.

8.10 Reverse Stock Split. Chembio shall receive evidence satisfactory to it that TSLU has completed a reverse split of the TSLU Common Stock, with every share of TSLU Common Stock having been exchanged for one seventeenth of a share of TSLU Common Stock.

8.12 Issuance of Convertible Notes. At least $800,000 of Convertible Promissory Notes (the "Notes") shall have been issued by Chembio, with the proceeds of the sale of such Notes to be used for the business of the Surviving Corporation in accordance with the term sheet dated February
2004, attached hereto as Exhibit E.

8.13 Mark L. Baum Consulting Agreement. Chembio shall have executed a consulting agreement with Mark L. Baum which is in substantially the form attached hereto as Exhibit F.

9. SPECIAL COVENANTS.

9.01 Survival of Representations, Warranties, Covenants and Agreements

. Notwithstanding any right of TSLU, Merger Sub or Chembio (whether or not exercised) to investigate the affairs of TSLU, Merger Sub or Chembio or a waiver by TSLU or Chembio of any condition to Closing set forth in Articles 7 and 8, each party shall have the right to rely fully upon the representations, warranties, covenants and agreements of the other party contained in this Agreement or in any instrument delivered pursuant to this Agreement. Unless earlier terminated pursuant to Section 10, all of the representations, warranties, covenants and agreements of Chembio, TSLU and of Merger Sub contained in this Agreement or in any instrument delivered pursuant to this Agreement shall survive the Merger and continue until the second anniversary of the Closing.

9.02 Indemnification by Chembio. The Chembio shareholders, including those signing this Agreement, shall jointly and severally indemnify and hold harmless TSLU and Merger Sub and their directors and officers, employees and agents, and each person, if any, who controls TSLU and Merger Sub, within the meaning of the Securities Act, from and against any and all losses, claims, damages, expenses, liabilities, or actions to which any of them may become subject under applicable law (including the Securities Act and the Exchange Act) and shall reimburse them for any legal or other expenses reasonably incurred by them in connection with investigating or defending any claims or actions, whether or not resulting in liability, insofar as such losses, claims, damages, expenses, liabilities, or actions arise out of or are based upon any breach of, or misrepresentation or default in connection with, any representations, warra nties, covenants and agreements given or made by Chembio in this Agreement, or any untrue statement or alleged untrue statement of material fact made by Chembio contained in any application or statement filed with a Governmental Entity or arising out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein, or necessary in order to make the statements therein not misleading, but only insofar as any such statement or omission was made in reliance upon and in conformity with information furnished in writing by Chembio expressly for use therein.

9.03 Indemnification by TSLU Shareholders. The shareholders of TSLU, including those signing this Agreement, shall jointly and severally indemnify and hold harmless Chembio, the Chembio stockholders, Chembio's directors and officers, employees and agents, and each person, if any, who controls Chembio within the meaning of the Securities Act, from and against any and all losses, claims, damages, expenses, liabilities, or actions to which any of them may become subject under applicable law (including the Securities Act and the Exchange Act) and shall reimburse them for any legal or other expenses reasonably incurred by them in connection with investigating or defending any claims or actions, whether or not resulting in liability, insofar as such losses, claims, damages, expenses, liabilities, or actions arise out of or are based upon any breach of, or misrepresentation or default in connection with, any representa tions, warranties, covenants and agreements given or made by TSLU in this Agreement, or any untrue statement or alleged untrue statement of a material fact contained in any application or statement filed with a Governmental Entity or arising out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein, or necessary in order to make the statements therein not misleading, but only insofar as any such statement or omission was made in reliance upon and in conformity with information furnished in writing by TSLU expressly for use therein.

9.04 Indemnification Procedure.

(a) Notice to the indemnifying party shall be given promptly after receipt by any indemnified party of actual knowledge of the commencement of any action or the assertion of any claim that will likely result in a claim by it for indemnity pursuant to this Agreement. Such notice shall set forth in reasonable detail the nature of such action or claim to the extent known, and include copies of any written correspondence or pleadings from the party asserting such claim or initiating such action. The indemnifying party shall be entitled, at its own expense, to assume or participate in the defense of such action or claim. In the event that the indemnifying party assumes the defense of such action or claim, it shall be conducted by counsel chosen by such party and approved by the party seeking indemnification, which approval shall not be unreasonably withheld.

(b) With respect to actions as to which the indemnifying party does not exercise its right to assume the defense, the party seeking indemnification shall assume and control the defense of and contest such action with counsel chosen by it and approved by the indemnifying party, which approval shall not be unreasonably withheld. The indemnifying party shall be entitled to participate in the defense of such action, the cost of such participation to be at its own expense. The indemnifying party shall be obligated to pay the reasonable attorneys' fees and expenses of the party seeking indemnification to the extent that such fees and expenses related to claims as to which indemnification is
payable under Sections 9.02 or 9.03, as such expenses are incurred.

(c) Both the indemnifying party and the indemnified party shall cooperate fully with one another in connection with the defense, compromise, or settlement of any such claim or action, including, without limitation, by making available to the other all pertinent information and witnesses within its control. No indemnified party shall settle any action or proceeding without the written consent of the indemnifying party, and no indemnifying party shall settle any action or proceeding unless the indemnified party is unconditionally released without any liability.

9.05 Securities Filings. TSLU shall be responsible for the preparation, and filing, of a Form 8-K filing with the Securities and Exchange Commission disclosing the Merger and attaching all required exhibits and financial statements and shall be responsible for filing audited financial statements in a separate Form 8-K filing within 60 days from the Closing Date, and shall be responsible for any and all filings in any jurisdiction where its stockholders reside which would require a filing with a Governmental Entity as a result of the transactions contemplated in this Agreement. As soon as practicable following the Closing, Chembio shall prepare financial statements in accordance with GAAP and applicable regulations of the SEC for the last fiscal year, which shall be audited by an independent accounting firm. Following the Closing, Chembio shall provide such financial statements and any additional information TSLU may r equire for inclusion in its filings.

10. TERMINATION, AMENDMENT AND WAIVER

10.01 Termination

. Except as provided in Section 10.02 below, this Agreement may be terminated and the Merger abandoned at any time prior to the Effective Time:

(a) by mutual agreement of Chembio, TSLU and Merger Sub;

(b) by TSLU, Merger Sub or Chembio if: (i) the Effective Time has not occurred before 5:00 p.m. (Eastern Time) on [April 31, 2004] *(provided, however,* that the right to terminate this Agreement under this clause 10.01(b)(i) shall not be available to any party whose failure to fulfill any obligation hereunder has been the cause of, or resulted in, the failure of the Effective Time to occur on or before such date) or if such party is otherwise in breach of this Agreement or any other condition contemplated hereby; (ii) there shall be a final nonappealable Order of any Governmental Entity in effect preventing consummation of the Merger; or (iii) there shall be any Law or Order enacted, promulgated or issued or deemed applicable to the Merger by any Governmental Entity that would make consummation of the Merger illegal;

(c) by TSLU if there has been a material breach of any representation, warranty, covenant or agreement contained in this Agreement on the part of Chembio and Chembio has not cured such breach within five (5) business days after notice of such breach is delivered to Chembio *(provided, however,* that, no cure period shall be required for a breach which by its nature cannot be cured);

(d) by Chembio if there has been a material breach of any representation, warranty, covenant or agreement contained in this Agreement on the part of TSLU or Merger Sub and TSLU has not cured such breach within five (5) business days after notice of such breach is delivered to TSLU *(provided, however,* that no cure period shall be required for a breach which by its nature cannot be cured);

(e) by TSLU, if the Merger shall not have been approved by the requisite votes of Chembio's stockholders in accordance with the DGCL, either pursuant to a stockholder meeting or by written consent;

(f) by Chembio, if the Merger shall not have been approved by the requisite votes of Chembio's stockholders in accordance with the DGCL, either pursuant to a stockholder meeting or by written consent; or

(g) by Chembio, if the Merger shall not have been approved by the board of directors of TSLU in accordance with the Nevada Code.

10.02 Effect of Termination.

(a) In the event of a valid termination of this Agreement as provided in Section 10.01, this Agreement shall forthwith become void and, except as set forth in Section 10.02(b), there shall be no liability or obligation on the part of TSLU, Merger Sub, Chembio, or their respective officers, directors or stockholders or Affiliates or Associates; *provided, however,* that each party shall remain liable for any breaches of this Agreement prior to its termination; and provided further that, the provisions of Sections 6.2, this Section 10.02 and of Article 11 shall remain in full force and effect and survive any termination of this Agreement.

(b) (i) If this Agreement is terminated by Chembio due to a breach of Section 7.02(b) of this Agreement by TSLU, TSLU shall be liable to Chembio for $300,000 as liquidated damages.

(ii) If this Agreement is terminated by TSLU due to a breach of Section 7.02(a) of this Agreement by Chembio, Chembio shall be liable to TSLU for $300,000 as liquidated damages.

10.03 Amendment

. Except as is otherwise required by applicable Law, after the stockholders of Chembio approve the Merger and this Agreement, this Agreement may be amended by the parties hereto at any time by execution of an instrument in writing signed on behalf of each of the parties hereto.

10.04 Extension; Waiver

. At any time prior to the Effective Time, TSLU, Merger Sub and Chembio may, to the extent legally allowed, (i) extend the time for the performance of any of the obligations of the other party hereto, (ii) waive any inaccuracies in the representations and warranties made to such party contained herein or in any document delivered pursuant hereto, and (iii) waive compliance with any of the agreements, covenants or conditions for the benefit of such party contained herein. Any agreement on the part of a party hereto to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party.

11. MISCELLANEOUS.

11.01 Brokers. TSLU, Merger Sub and Chembio agree that there were no finders or brokers involved in bringing the parties together or who were instrumental in the negotiation, execution, or consummation of this Agreement. Further, TSLU, Merger Sub and Chembio each agree to indemnify the other against any claim by any third person for any commission, brokerage, or finder's fee or other payment with respect to this Agreement or the transactions contemplated hereby based on any alleged agreement or understanding between such party and such third person, whether express or implied, from the actions of such party. The covenants set forth in this section shall survive the Closing Date and the consummation of the transactions herein contemplated.

11.02 Governing Law. This Agreement and any dispute, disagreement, or issue of construction or interpretation arising hereunder whether relating to its execution, its validity, the obligations provided herein or performance shall be governed or interpreted according to the internal laws of the State of Delaware without regard to choice of law considerations.

11.03 Notices. Any notices or other communications required or permitted hereunder shall be sufficiently given if personally delivered, if sent by facsimile or telecopy transmission or other electronic communication, or if sent by prepaid overnight courier next business day delivery, addressed as follows:

If to TSLU or Merger Sub to:

Trading Solutions, Inc.
c/o Mark L. Baum
249 South Highway 101, Suite 432
Solana Beach, CA 92075

If to Chembio, to:

Lawrence A. Siebert
President and Chairman
3661 Horseblock Road
Medford, NY 11763
Fax 631-924-6033

With a copy to:

Alan Talesnick, Esq.
Patton Boggs LLP
1660 Lincoln Street
Suite 1900
Denver, CO 80264
Fax (303) 894-9239

or such other addresses as shall be furnished in writing by any party in the manner for giving notices, hereunder, and any such notice or communication shall be deemed to have been given as of the date so delivered or sent by facsimile or telecopy transmission or other electronic communication, or when actually received if sent by other means.

11.04 Attorneys' Fees. In the event that there is any controversy or claim arising out of or relating to this Agreement, or to the interpretation, breach or enforcement thereof, and any action or proceeding relating to this Agreement is filed, the prevailing party shall be entitled to an award by the court of reasonable attorneys' fees, costs and expenses. For purposes of this Section 11.04, a party shall be deemed to be the prevailing party in the event that such party is awarded greater than the sum of one-half (1/2) of the disputed amount of any losses, claims, damages, expenses, or liabilities plus any amounts not in dispute.

11.05 Schedules. Whenever in any section of this Agreement reference is made to information set forth in the schedules provided by TSLU or Chembio such reference is to information specifically set forth in such schedules and clearly marked to identify the section of this Agreement to which the information relates.

11.06 Entire Agreement. This Agreement represents the entire agreement between the parties relating to the subject matter hereof. All previous agreements between the Parties, whether written or oral, have been merged into this Agreement. This Agreement alone fully and completely expresses the agreement of the Parties relating to the subject matter hereof. There are no other courses of dealing, understandings, agreements, representations, or warranties, written or oral, except as set forth herein.

11.07 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. The execution of this Agreement may be by actual or facsimile signature.

11.08 Remedies and Waiver. Every right and remedy provided herein shall be cumulative with every other right and remedy, whether conferred herein, at law, or in equity, and such remedies may be enforced concurrently, and no waiver by any party of the performance of any obligation by the other shall be construed as a waiver of the same or any other default then, theretofore, or thereafter occurring or existing.

11.09 Invalid Provisions. If any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future laws effective during the term hereof, such provision shall be fully severable and this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof and the remaining provisions hereof shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision by its severance herefrom.

11.10 Benefit. This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their legal representatives, successors and assigns. There shall be no third party beneficiaries to this Agreement.

11.11 Oral Evidence. This Agreement constitutes the entire Agreement between the Parties and supersedes all prior oral and written agreements between the Parties hereto with respect to the subject matter hereof. Neither this Agreement nor any provision hereof may be changed, waived, discharged or terminated orally, except by a statement in writing signed by the party or parties against which enforcement or the change, waiver discharge or termination is sought.

11.12 Section or Paragraph Headings. Section headings herein have been inserted for reference only and shall not be deemed to limit or otherwise affect, in any matter, or be deemed to interpret in whole or in part any of the terms or provisions of this Agreement.

11.13 No Other Representations. TSLU and Merger Sub on one hand and Chembio on the other hand shall not be deemed to have made any representation or warranty other than those as expressly made in this Agreement.

IN WITNESS WHEREOF, the corporate parties hereto have caused this Agreement to be executed by their respective officers, hereunto duly authorized, as of the date first above written.

Trading Solutions.com, Inc.

/s/ Mark L. Baum
By: Mark L. Baum
Its: Chief Executive Officer

New Trading Solutions, Inc.

/s/ Mark L. Baum
By: Mark L. Baum
Its: President

Solely for purposes of Section 7 hereof,

/s/ Mark L. Baum
Mark L. Baum

Chembio Diagnostic Systems, Inc.

/s/ Lawrence A. Siebert
By: Lawrence A. Siebert
Its: President

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Exhibits and Schedules

Exhibit A	Definitions
Exhibit B	Certificate of Merger: Delaware
Exhibit C	Articles of Merger: Nevada
Exhibit D	Private Financing Term Sheet
Exhibit E	Note Term Sheet
Exhibit F	Form of Consulting Agreement
Schedule A	TSLU Disclosure Schedule
Schedule B	Chembio Disclosure Schedule

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Exhibit A
Definitions

- "Affiliate" means, as applied to any Person, (a) any other Person directly or indirectly controlling, controlled by or under common control with, that Person, (b) any other Person that owns or controls 10% or more of any class of equity securities (including any equity securities issuable upon the exercise of any option or convertible security) of that Person or any of its Affiliates, or (c) any director, partner, officer, manager, agent, employee or relative of such Person. For the purposes of this definition, "control" (including with correlative meanings, the terms "controlling", "controlled by", and "under common control with") as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of that Person, whether through ownership of vo ting securities or by contract or otherwise.

- "Action or Proceeding" means any action, suit, complaint, petition, claim, investigation, proceeding, arbitration, litigation or Governmental Entity investigation, audit or other proceeding, whether civil or criminal, in law or in equity, or before any arbitrator or Governmental Entity.

  - "Appraisal Rights" has the meaning contained in Section 262 of the DGCL.

- "Approval" means any approval, authorization, consent, permit, qualification or registration, or any waiver of any of the foregoing, required to be obtained from or made with, or any notice, statement or other communication required to be filed with or delivered to, any Governmental Entity or any other Person.

- "Assets and Properties" of any Person means all assets and properties of every kind, nature, character and description (whether real, personal or mixed, whether tangible or intangible, whether absolute, accrued, contingent, fixed or otherwise and wherever situated), including the goodwill related thereto, operated, owned, licensed or leased by such Person, including cash, cash equivalents, accounts and notes receivable, chattel paper, documents, instruments, general intangibles, real estate, equipment, inventory, goods and intellectual property.

  - "Basis" means any past or present fact, situation, circumstance, status, condition, activity, practice, plan, occurrence, event, incident, action, failure to act, or transaction that forms or could form the basis for any specified consequence.

- "Business Combination" means, with respect to any Person, (i) any merger, consolidation or other business combination to which such Person is a party, (ii) any sale, dividend, split or other disposition of any capital stock or other equity interests of such Person whether outstanding or newly, issued, (iii) any tender offer (including a self tender), exchange offer, recapitalization, restructuring, liquidation, dissolution or similar or extraordinary transaction, (iv) any sale, dividend or other disposition of all or a material portion of the Assets and Properties of such Person or (v) the entering into of any agreement or understanding, the granting of any rights or options, or the acquiescence of Chembio, with respect to any of the foregoing.

- "Chembio Option(s)" means, with respect to Chembio, any security, right, subscription, warrant, option, "phantom" stock right or other contract that gives the right to (i) purchase or otherwise receive or be issued any shares of capital stock or other equity interests of Chembio or any security of any kind convertible into or exchangeable or exercisable for any shares of capital stock or other equity interests of Chembio or (ii) receive any benefits or rights similar to any rights enjoyed by or accruing to the holder of shares of capital stock or other equity interests of Chembio, including any rights to participate in the equity, income or election of directors or officers of Chembio.

  - "Closing" has the meaning set forth in Section 2.02 below.

  - "Closing Date" has the meaning set forth in Section 2.02 below.

  - "Code" means the Internal Revenue Code of 1986, as amended.

  - "Dissenting Shares" has the meaning set forth in Section 2.06.

  - "Effective Time" has the meaning as set forth Section 2.02.

  - "Exchange Act" means the Securities Exchange Act of 1934, as amended.

- "Exchange Agent" means TSLU's transfer agent for its common stock or such other institution as designated by TSLU.

- "Exchange Ratio" means 100 shares of TSLU Common Stock per share of Chembio Common Stock.

  - "GAAP" means United States generally accepted accounting principles as in effect from time to time.

  - "Governmental Entity" means any arbitrator, court, nation, government, any state or other political subdivision thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, government and shall include any stock exchange, quotation service and the NASD.

- "Indebtedness" of any Person means all obligations of such Person (a) for borrowed money, (b) evidenced by notes, bonds, debentures or similar instruments, (c) for the deferred purchase price of goods or services (other than trade payables or accruals incurred in the ordinary course of business), (d) under capital leases and (e) in the nature of guarantees of the obligations described in clauses (a) through (d) above of any other Person.

  - "Knowledge" means actual knowledge after reasonable investigation.

- "Law" or "Laws" means any law, statute, order, decree, consent decree, judgment, rule, regulation, ordinance or other pronouncement having the effect of law whether in the United States, any foreign country, or any domestic or foreign state, county, city or other political subdivision or of any Governmental Entity.

  - "Liabilities" means any liability (whether known or unknown, whether asserted or unasserted, whether absolute or contingent, whether accrued or unaccrued, whether liquidated or unliquidated, and whether due or to become due), including any liability for Indebtedness and Tax.

  - "Material Adverse Effect" means any event, change or occurrence which, individually or together with any other event, change, or occurrence, insofar as can reasonably be foreseen, could result in a material adverse effect on TSLU, Merger Sub or Chembio, as the case may be, or material adverse change in the business, properties, assets, financial condition, results of operations, management or future prospects of TSLU, Merger Sub or Chembio, as the case may be, since September 30, 2003.

  - "Merger" has the meaning set forth in the Receitals to this Agreement.

  - "Merger Consideration" means the aggregate number of shares of TSLU Common Stock isssuable to the holders of Chembio Common Stock pursuant to Section 2.05(a) at the Effective Time of the Merger.

- "Option Exchange Amount" means, with respect to any Assumed Option, rounded down to the nearest whole number, the number of whole shares of TSLU Common Stock equal to the product of (x) the number of shares of Chembio Common Stock that were issuable upon exercise of such Assumed Option immediately prior to the Effective Time multiplied by (y) the Exchange Ratio.

- "Order" means any writ, judgment, decree, injunction or similar order of any Governmental Entity or regulatory authority (in each such case whether preliminary or final).

  - "Parties" has the meaning set forth in the preface above.

- "Permit" means any license, permit, franchise or authorization.

  - "Person" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, or a governmental entity (or any department, agency, or political subdivision thereof).

  - "Securities Act" means the Securities Act of 1933, as amended.

  - "SEC" shall mean the Securities and Exchange Commission.

  - "SEC Documents" means registration statements, periodic reports and other documents filed by TSLU with the SEC.

  - "Subsidiary" means any corporation with respect to which a specified Person (or a Subsidiary thereof) owns a majority of the common stock or has the power to vote or direct the voting of sufficient securities to elect a majority of the directors.

  - "Surviving Corporation" has the meaning set forth in Section 2.01.

  - "Term Debt" shall have the meaning set forth in Section 6.06.

  - "Warrant Exchange Amount" means, with respect to any Assumed Warrant, rounded down to the nearest whole number, the number of whole shares of TSLU Common Stock equal to the product of (x) the number of shares of Chembio Common Stock that were issuable upon exercise of such Assumed Warrant immediately prior to the Effective Time multiplied by (y) the

Exchange Ratio.

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Exhibit B
Certificate of Merger: Delaware

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Exhibit C
Articles of Merger: Nevada

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Exhibit D
Private Financing Term Sheet

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Exhibit E

Notes Term Sheet

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Exhibit F

Form of Consulting Agreement

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Schedule A
TSLU Disclosure Schedule

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Schedule B
Chembio Disclosure Schedule

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AMENDMENT NO. 1
TO
AGREEMENT AND PLAN OF MERGER

THIS AMENDMENT NO. 1 TO AGREEMENT AND PLAN OF MERGER (this "***Amendment***") is entered into as of May 1, 2004, by and among Chembio Diagnostic Systems Inc., a Delaware corporation (the "***Company***"), Trading Solutions.com, Inc., a Nevada corporation ("***Parent***"), and New Trading Solutions, Inc., a Nevada corporation and wholly-owned subsidiary of Parent ("***Merger Sub***").

PRELIMINARY STATEMENTS

A. The Company, Parent and Merger Sub are parties to that certain Agreement and Plan of Merger dated as of March 3, 2003 (the "***Agreement***"), pursuant to which the Company will become a wholly-owned subsidiary of Parent as a result of the merger of Merger Sub with and into the Company.

B. Section 10.03 of the Agreement provides that any amendment to the Agreement must be by a written instrument executed by the parties to the Agreement.

C. Seller and Purchaser desire to amend certain provisions of the Agreement as provided herein.

D. Capitalized terms used but not otherwise defined herein shall have the meaning ascribed to them in the Agreement.

STATEMENT OF AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and the mutual promises, covenants and conditions set forth herein and in the Agreement (as amended hereby), the parties hereto hereby agree as follows:

1. Section 6.06 of the Agreement is hereby amended and restated in its entirety as follows:

"6.06 Debt Retirement. On or before December 31, 2004, at least $750,000 of term debt ("Term Debt") existing on the Chembio balance sheet as of December 31, 2003 shall be retired. To the extent the Term Debt is converted into TSLU Series A Convertible Preferred Stock ("Series A Stock"), the conversion ratio for such conversion shall be one share of Series A Stock for every $30,000 of Term Debt and the conversion ratio of the Series A Stock into TSLU Common Stock shall be no less than $.60 per share."

2. Section 7.09 of the Agreement is hereby amended and restated in its entirety as follows:

"7.09 Debt Conversion. At the time of the Closing, at least $1,300,000 of Chembio's debt existing on its balance sheet as of December 31, 2003 shall be converted to TSLU Series A Convertible Preferred Stock in accordance with the terms of the Private Financing."

3. Section 9.02 of the Agreement is hereby amended and restated in its entirety as follows:

"9.02 Indemnification by Chembio. Larry Siebert shall indemnify and hold harmless TSLU and Merger Sub and their directors and officers, employees and agents, and each person, if any, who controls TSLU and Merger Sub, within the meaning of the Securities Act, from and against any and all losses, claims, damages, expenses, liabilities, or actions to which any of them may become subject under applicable law (including the Securities Act and the Exchange Act) and shall reimburse them for any legal or other expenses reasonably incurred by them in connection with investigating or defending any claims or actions, whether or not resulting in liability, insofar as such losses, claims, damages, expenses, liabilities, or actions arise out of or are based upon any breach of, or misrepresentation or default in connection with, any repre sentations, warranties, covenants and agreements given or made by Chembio in this Agreement, or any untrue statement or alleged untrue statement of material fact made by Chembio contained in any application or statement filed with a Governmental Entity or arising out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein, or necessary in order to make the statements therein not misleading, but only insofar as any such statement or omission was made in reliance upon and in conformity with information furnished in writing by Chembio expressly for use therein."

4. Section 10.01(b) is hereby amended and restated in its entirety as follows:

"(b) by TSLU, Merger Sub or Chembio if: (i) the Effective Time has not occurred before 5:00 p.m. (Eastern Time) on May 31, 2004 *(provided, however,* that the right to terminate this Agreement under this clause 10.01(b)(i) shall not be available to any party whose failure to fulfill any obligation hereunder has been the cause of, or resulted in, the failure of the Effective Time to occur on or before such date) or if such party is otherwise in breach of this Agreement or any other condition contemplated hereby; (ii) there shall be a final nonappealable Order of any Governmental Entity in effect preventing consummation of the Merger; or (iii) there shall be any Law or Order enacted, promulgated or issued or deemed applicable to the Merger by any Governmental Entity that would make consummation of the Merger illegal;"

5. Except as specifically provided in this Amendment, there are no amendments, revisions or other modifications to the Agreement. All other terms and conditions of the Agreement are hereby incorporated by reference and shall remain in full force and effect and apply fully to this Amendment.

6. This Amendment shall be construed in accordance with, and governed in all respects by, the internal laws of the State of Delaware (without giving effect to principles of conflicts of laws).

7. This Amendment may be executed in several counterparts, each of which shall be deemed an original and all of which, when taken together, shall constitute one agreement.

[Signature Page Follows]

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

CHEMBIO DIAGNOSTIC SYSTEMS INC.

By: /s/ Lawrence A. Siebert

Lawrence A. Siebert
President & Chief Executive Officer

TRADING SOLUTIONS.COM, INC.

By: /s/ Mark L. Baum
Mark L. Baum
President & Chief Executive Officer

NEW TRADING SOLUTIONS, INC.

By: /s/ Mark L. Baum
Mark L. Baum

President & Chief Executive Officer

[SIGNATURE PAGE TO AMENDMENT NO. 1 TO
AGREEMENT AND PLAN OF MERGER]

CERTIFICATE OF DESIGNATION OF THE RELATIVE RIGHTS AND PREFERENCES OF THE SERIES A CONVERTIBLE PREFERRED STOCK OF CHEMBIO DIAGNOSTICS, INC.

The undersigned, the Chief Executive Officer of Chembio Diagnostics, Inc., a Nevada corporation (the "Company"), in accordance with the provisions of the Nevada Revised Statutes, does hereby certify that, pursuant to the authority conferred upon the Board of Directors by the Articles of Incorporation of the Company, the following resolution creating a series of Series A Convertible Preferred Stock, was duly adopted on May 3, 2004:

RESOLVED, that pursuant to the authority expressly granted to and vested in the Board of Directors of the Company by provisions of the Articles of Incorporation of the Company (the "Articles of Incorporation"), there hereby is created out of the shares of Preferred Stock, par value $.01 per share, of the Company authorized in Article IV of the Articles of Incorporation (the "Preferred Stock"), a series of Preferred Stock of the Company, to be named "Series A Convertible Preferred Stock," consisting of Two Hundred Fifty (250) shares, which series shall have the following designations, powers, preferences and relative and other special rights and the following qualifications, limitations and restrictions:

1. Designation and Rank. The designation of such series of the Preferred Stock shall be the Series A Convertible Preferred Stock, par value $.01 per share (the "Series A Preferred Stock"). The maximum number of shares of Series A Preferred Stock shall be Two Hundred Fifty (250) shares. The Series A Preferred Stock shall rank senior to the common stock, par value $.01 per share (the "Common Stock"), and to all other classes and series of equity securities of the Company which by their terms do not rank senior to the Series A Preferred Stock ("Junior Stock"). The Series A Preferred Stock shall be subordinate to and rank junior to all indebtedness of the Company now or hereafter outstanding.

2. Dividends.

(a) Payment of Dividends. Subject to Section 5(c)(ii) hereof, the holders of record of shares of Series A Preferred Stock shall be entitled to receive, out of any assets at the time legally available therefor and when and as declared by the Board of Directors, dividends at the rate of eight percent (8%) of the stated Liquidation Preference Amount (as defined in Section 4 hereof) per share per annum commencing on the date of issuance (the “Issuance Date”) of the Series A Preferred Stock (the "Dividend Payment"), and no more, payable semi-annually at the option of the Company in cash, shares of Series A Preferred Stock or shares of Common Stock. If the Company elects to pay any dividend in shares of Common Stock, the number of shares of Common Stock to be issued to the holder shall be an amount equal to the quotient of (i) the Dividend Payment divided by (ii) the th en effective Conversion Price (as defined in Section 5(d) hereof). If the Company elects to pay any dividend in shares of Series A Preferred Stock, the number of shares of Series A Preferred Stock to be issued to the holder shall be an amount equal to the quotient of (i) the Dividend Payment divided by (ii) the Liquidation Preference Amount (as defined in Section 4(a) hereof); provided, that, the Company may only elect to pay any dividend in shares of Series A Preferred Stock if the amount of such shares shall not be less than one-tenth of one share of Series A Preferred Stock or a multiple of one-tenth of one share of Series A Preferred Stock. If the Company elects or is required to pay any dividend in Common Stock or Series A Preferred Stock, the Company will give the holders of record of shares of the Series A Preferred Stock ten (10) trading days notice prior to the date of the applicable Dividend Payment. In the case of shares of Series A Preferred Stock outstanding for l ess than a full year, dividends shall be pro rated based on the portion of each year during which such shares are outstanding. Dividends on the Series A Preferred Stock shall be cumulative, shall accrue and be payable semi-annually. Dividends on the Series A Preferred Stock are prior and in preference to any declaration or payment of any distribution (as defined below) on any outstanding shares of Junior Stock. Such dividends shall accrue on each share of Series A Preferred Stock from day to day whether or not earned or declared so that if such dividends with respect to any previous dividend period at the rate provided for herein have not been paid on, or declared and set apart for, all shares of Series A Preferred Stock at the time outstanding, the deficiency shall be fully paid on, or declared and set apart for, such shares on a pro rata basis with all other equity securities of the Company ranking on a parity with the Series A Preferred Stock as to the payment of dividends before any dis tribution shall be paid on, or declared and set apart for Junior Stock.

(b) So long as any shares of Series A Preferred Stock are outstanding, the Company shall not declare, pay or set apart for payment any dividend or make any distribution on any Junior Stock (other than dividends or distributions payable in additional shares of Junior Stock), unless at the time of such dividend or distribution the Company shall have paid all accrued and unpaid dividends on the outstanding shares of Series A Preferred Stock.

(c) In the event of a dissolution, liquidation or winding up of the Company pursuant to Section 4, all accrued and unpaid dividends on the Series A Preferred Stock shall be payable on the date of payment of the preferential amount to the holders of Series A Preferred Stock. In the event of (i) a mandatory redemption pursuant to Section 9 or (ii) a redemption upon the occurrence of a Major Transaction (as defined in Section 8(c)) or a Triggering Event (as defined in Section 8(d)), all accrued and unpaid dividends on the Series A Preferred Stock shall be payable on the date of such redemption. In the event of a voluntary conversion pursuant to Section 5(a), all accrued and unpaid dividends on the Series A Preferred Stock being converted shall be payable on the day immediately preceding the Voluntary Conversion Date (as defined in Section 5(b)(i)).

(d) For purposes hereof, unless the context otherwise requires, "distribution" shall mean the transfer of cash or property without consideration, whether by way of dividend or otherwise, payable other than in shares of Common Stock or other equity securities of the Company, or the purchase or redemption of shares of the Company (other than redemptions set forth in Section 8 below or repurchases of Common Stock held by employees or consultants of the Company upon termination of their employment or services pursuant to agreements providing for such repurchase or upon the cashless exercise of options held by employees or consultants) for cash or property.

3. Voting Rights.

(a) Class Voting Rights. The Series A Preferred Stock shall have the following class voting rights (in addition to the voting rights set forth in Section 3(b) hereof). So long as any shares of the Series A Preferred Stock remain outstanding, the Company shall not, without the affirmative vote or consent of the holders of at least three-fourths (3/4) of the shares of the Series A Preferred Stock outstanding at the time, given in person or by proxy, either in writing or at a meeting, in which the holders of the Series A Preferred Stock vote separately as a class: (i) amend, alter or repeal the provisions of the Series A Preferred Stock, whether by merger, consolidation or otherwise, so as to adversely affect any right, preference, privilege or voting power of the Series A Preferred Stock; provided, however, that any creation and issuance of another series of Ju nior Stock shall not be deemed to adversely affect such rights, preferences, privileges or voting powers; (ii) repurchase, redeem or pay dividends on, shares of Common Stock or any other shares of the Company's Junior Stock (other than de minimus repurchases from employees of the Company in certain circumstances); (iii) amend the Articles of Incorporation or By-Laws of the Company so as to affect materially and adversely any right, preference, privilege or voting power of the Series A Preferred Stock; provided, however, that any creation and issuance of another series of Junior Stock shall not be deemed to adversely affect such rights, preferences, privileges or voting powers; (iv) effect any distribution with respect to Junior Stock; (v) reclassify the Company's outstanding securities; (vi) voluntarily file for bankruptcy, liquidate the Company’s assets or make an assignment for the benefit of the Company’s creditors; or (vii) change the nature of the Company’s business. N otwithstanding the foregoing to the contrary, so long as at least $1,000,000 of Series A Preferred Stock is outstanding, the Company shall not, without the affirmative vote or consent of the holders of at least three-fourths (3/4) of the shares of the Series A Preferred Stock outstanding at the time, authorize, create, issue or increase the authorized or issued amount of any class or series of stock, including but not limited to the issuance of any more shares of previously authorized Common Stock or Preferred Stock, ranking pari passu or senior to the Series A Preferred Stock (except for shares of Series A Preferred Stock to be issued to certain holders of promissory notes issued by the Company in satisfaction of outstanding indebtedness in an amount not to exceed $750,000 and the issuance of shares of Series A Preferred Stock with respect to the payment of dividends on such shares of Series A Preferred Stock), with respect to the distribution of assets on liquidation, dissolution or winding up.

(b) General Voting Rights. Except with respect to transactions upon which the Series A Preferred Stock shall be entitled to vote separately as a class pursuant to Section 3(a) above and except as otherwise required by Nevada law, the Series A Preferred Stock shall have no voting rights. The Common Stock into which the Series A Preferred Stock is convertible shall, upon issuance, have all of the same voting rights as other issued and outstanding Common Stock of the Company.

4. Liquidation Preference.

(a) In the event of the liquidation, dissolution or winding up of the affairs of the Company, whether voluntary or involuntary, the holders of shares of the Series A Preferred Stock then outstanding shall be entitled to receive, out of the assets of the Company available for distribution to its stockholders, an amount equal to $30,000 per share (the "Liquidation Preference Amount") of the Series A Preferred Stock plus any accrued and unpaid dividends before any payment shall be made or any assets distributed to the holders of the Common Stock or any other Junior Stock. If the assets of the Company are not sufficient to pay in full the Liquidation Preference Amount plus any accrued and unpaid dividends payable to the holders of outstanding shares of the Series A Preferred Stock and any series of preferred stock or any other class of stock on a parity, as to rights on liquidation, d issolution or winding up, with the Series A Preferred Stock, then all of said assets will be distributed among the holders of the Series A Preferred Stock and the other classes of stock on a parity with the Series A Preferred Stock, if any, ratably in accordance with the respective amounts that would be payable on such shares if all amounts payable thereon were paid in full. The liquidation payment with respect to each outstanding fractional share of Series A Preferred Stock shall be equal to a ratably proportionate amount of the liquidation payment with respect to each outstanding share of Series A Preferred Stock. All payments for which this Section 4(a) provides shall be in cash, property (valued at its fair market value as determined by an independent appraiser reasonably acceptable to the holders of a majority of the Series A Preferred Stock) or a combination thereof; provided, however, that no cash shall be paid to holders of Junior Stock unless each holder of the outstanding shares of Series A Preferred Stock has been paid in cash the full Liquidation Preference Amount plus any accrued and unpaid dividends to which such holder is entitled as provided herein. After payment of the full Liquidation Preference Amount plus any accrued and unpaid dividends to which each holder is entitled, such holders of shares of Series A Preferred Stock will not be entitled to any further participation as such in any distribution of the assets of the Company.

(b) A consolidation or merger of the Company with or into any other corporation or corporations, or a sale of all or substantially all of the assets of the Company, or the effectuation by the Company of a transaction or series of related transactions in which more than 50% of the voting shares of the Company is disposed of or conveyed, shall not be deemed to be a liquidation, dissolution, or winding up within the meaning of this Section 4. In the event of the merger or consolidation of the Company with or into another corporation, the Series A Preferred Stock shall maintain its relative powers, designations and preferences provided for herein and no merger inconsistent therewith shall result.

(c) Written notice of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company, stating a payment date and the place where the distributable amounts shall be payable, shall be given by mail, postage prepaid, no less than forty-five (45) days prior to the payment date stated therein, to the holders of record of the Series A Preferred Stock at their respective addresses as the same shall appear on the books of the Company.

5. Conversion. The holder of Series A Preferred Stock shall have the following conversion rights (the "Conversion Rights"):

(a) Right to Convert.

(i) Subject to Section 5(a)(ii) below, at any time on or after the Issuance Date, the holder of any such shares of Series A Preferred Stock may, at such holder's option, subject to the limitations set forth in Section 7 herein, elect to convert (a "Voluntary Conversion") all or any portion of the shares of Series A Preferred Stock held by such person into a number of fully paid and nonassessable shares of Common Stock equal to the quotient of (i) the Liquidation Preference Amount of the shares of Series A Preferred Stock being converted divided by (ii) the Conversion Price (as defined in Section 5(d) below) then in effect as of the date of the delivery by such holder of its notice of election to convert. In the event of a notice of redemption of any shares of Series A Preferred Stock pursuant to Section 8 hereof, the Conversion Rights of the shares designated for redemption shall terminate at the close of business on the last full day preceding the date fixed for redemption, unless the redemption price is not paid on such redemption date, in which case the Conversion Rights for such shares shall continue until such price is paid in full. In the event of a liquidation, dissolution or winding up of the Company, the Conversion Rights shall terminate at the close of business on the last full day preceding the date fixed for the payment of any such amounts distributable on such event to the holders of Series A Preferred Stock. In the event of such a redemption or liquidation, dissolution or winding up, the Company shall provide to each holder of shares of Series A Preferred Stock notice of such redemption or liquidation, dissolution or winding up, which notice shall (i) be sent at least fifteen (15) days prior to the termination of the Conversion Rights and (ii) state the amount per share of Series A Preferred Stock that will be paid or distributed on such redemption or liquid ation, dissolution or winding up, as the case may be.

(ii) A holder of Series A Preferred Stock may not convert greater than twenty percent (20%) of its shares of Series A Preferred Stock until the earlier of (A) six (6) months following the effective date (the “Effectiveness Date”) of the registration statement providing for the resale of the shares of Common Stock issuable upon conversion of the Series A Preferred Stock (the “Registration Statement”) or (B) ten (10) months following the Issuance Date.

(b) Mechanics of Voluntary Conversion. The Voluntary Conversion of Series A Preferred Stock shall be conducted in the following manner:

(i) Holder's Delivery Requirements. To convert Series A Preferred Stock into full shares of Common Stock on any date (the "Voluntary Conversion Date"), the holder thereof shall (A) transmit by facsimile (or otherwise deliver), for receipt on or prior to 5:00 p.m., New York time on such date, a copy of a fully executed notice of conversion in the form attached hereto as Exhibit I (the "Conversion Notice"), to the Company, and (B) surrender to a common carrier for delivery to the Company as soon as practicable following such Voluntary Conversion Date but in no event later than three (3) business days after such date the original certificates representing the shares of Series A Preferred Stock being converted (or an indemnification undertaking with respect to such shares in the case of their loss, theft or destruction) (the "Preferred Stock Certifica tes") and the originally executed Conversion Notice.

(ii) Company's Response. Upon receipt by the Company of a facsimile copy of a Conversion Notice, the Company shall immediately send, via facsimile, a confirmation of receipt of such Conversion Notice to such holder. Upon receipt by the Company of a copy of the fully executed Conversion Notice, the Company or its designated transfer agent (the "Transfer Agent"), as applicable, shall, within three (3) business days following the date of receipt by the Company of the fully executed Conversion Notice (so long as the applicable Preferred Stock Certificates and original Conversion Notice are received by the Company on or before such third business day), issue and deliver to the Depository Trust Company (“DTC”) account on the Holder’s behalf via the Deposit Withdrawal Agent Commission System (“DWAC”) as specified in the Conversion Notice, registe red in the name of the holder or its designee, for the number of shares of Common Stock to which the holder shall be entitled. If the number of shares of Preferred Stock represented by the Preferred Stock Certificate(s) submitted for conversion is greater than the number of shares of Series A Preferred Stock being converted, then the Company shall, as soon as practicable and in no event later than three (3) business days after receipt of the Preferred Stock Certificate(s) and at the Company's expense, issue and deliver to the holder a new Preferred Stock Certificate representing the number of shares of Series A Preferred Stock not converted.

(iii) Dispute Resolution. In the case of a dispute as to the arithmetic calculation of the number of shares of Common Stock to be issued upon conversion, the Company shall cause its Transfer Agent to promptly issue to the holder the number of shares of Common Stock that is not disputed and shall submit the arithmetic calculations to the holder via facsimile as soon as possible, but in no event later than three (3) business days after receipt of such holder's Conversion Notice. If such holder and the Company are unable to agree upon the arithmetic calculation of the number of shares of Common Stock to be issued upon such conversion within two (2) business days of such disputed arithmetic calculation being submitted to the holder, then the Company shall within two (2) business days submit via facsimile the disputed arithmetic calculation of the number of shares of Common Stock to be issued upon such conversion to the Company’s independent, outside accountant. The Company shall cause the accountant to perform the calculations and notify the Company and the holder of the results no later than four (4) business days from the time it receives the disputed calculations. Such accountant's calculation shall be binding upon all parties absent manifest error. The reasonable expenses of such accountant in making such determination shall be paid by the Company in the event the holder's calculation was correct, or by the holder in the event the Company's calculation was correct, or equally by the Company and the holder in the event that neither the Company's or the holder's calculation was correct. The period of time in which the Company is required to effect conversions or redemptions under this Certificate of Designation shall be tolled with respect to the subject conversion or redemption pending resolution of any dispute by the Company made in good faith and i n accordance with this Section 5(b)(iii).

(iv) Record Holder. The person or persons entitled to receive the shares of Common Stock issuable upon a conversion of the Series A Preferred Stock shall be treated for all purposes as the record holder or holders of such shares of Common Stock on the Conversion Date.

(v) Company's Failure to Timely Convert. If within five (5) business days of the Company's receipt of an executed copy of the Conversion Notice (so long as the applicable Preferred Stock Certificates and original Conversion Notice are received by the Company on or before such third business day) (the "Share Delivery Period") the Transfer Agent shall fail to issue and deliver to a holder the number of shares of Common Stock to which such holder is entitled upon such holder's conversion of the Series A Preferred Stock or to issue a new Preferred Stock Certificate representing the number of shares of Series A Preferred Stock to which such holder is entitled pursuant to Section 5(b)(ii) (a "Conversion Failure"), in addition to all other available remedies which such holder may pursue hereunder and under the Series A Convertible Preferred Stock and Warrant Purchas e Agreement (the "Purchase Agreement") among the Company and the initial holders of the Series A Preferred Stock (including indemnification pursuant to Section 6 thereof), the Company shall pay additional damages to such holder on each business day after such fifth (5^{th}) business day that such conversion is not timely effected in an amount equal 0.5% of the product of (A) the sum of the number of shares of Common Stock not issued to the holder on a timely basis pursuant to Section 5(b)(ii) and to which such holder is entitled and, in the event the Company has failed to deliver a Preferred Stock Certificate to the holder on a timely basis pursuant to Section 5(b)(ii), the number of shares of Common Stock issuable upon conversion of the shares of Series A Preferred Stock represented by such Preferred Stock Certificate, as of the last possible date which the Company could have issued such Preferred Stock Certificate to such holder without violating Section 5(b)(ii) and (B) the Closing Bid P rice (as defined in Section 5(c)(iii) below) of the Common Stock on the last possible date which the Company could have issued such Common Stock and such Preferred Stock Certificate, as the case may be, to such holder without violating Section 5(b)(ii). If the Company fails to pay the additional damages set forth in this Section 5(b)(v) within five (5) business days of the date incurred, then such payment shall bear interest at the rate of 2.0% per month (pro rated for partial months) until such payments are made.

(c) Mandatory Conversion.

(i) Each share of Series A Preferred Stock outstanding on the Mandatory Conversion Date shall, automatically and without any action on the part of the holder thereof, convert into a number of fully paid and nonassessable shares of Common Stock equal to the quotient of (i) the Liquidation Preference Amount of the shares of Series A Preferred Stock outstanding on the Mandatory Conversion Date divided by (ii) the Conversion Price in effect on the Mandatory Conversion Date.

(ii) As used herein, "Mandatory Conversion Date" shall be the first date that the Closing Bid Price (as defined below) of the Common Stock exceeds $1.50 for a period of ten (10) consecutive trading days so long as the first trading day of such ten trading day period shall commence following the Effectiveness Date; provided, that, such date is at least one hundred eighty (180) days following the Effectiveness Date of the Registration Statement; provided further, that on the Mandatory Conversion Date, the Registration Statement is effective and has been effective, without lapse or suspension of any kind, for a period sixty (60) consecutive calendar days, or the shares of Common Stock into which the Series A Preferred Stock can be converted may be offered for sale to the public pursuant to Rule 144(k) ("Rule 144(k)") under the Securities Act of 19 33, as amended. Notwithstanding the foregoing, the Mandatory Conversion Date shall be extended for as long as (i) a Triggering Event (as defined in Section 8(d) hereof) shall have occurred and be continuing, or (ii) any event shall have occurred and be continuing which with the passage of time and the failure to cure would result in a Triggering Event. The Mandatory Conversion Date and the Voluntary Conversion Date collectively are referred to in this Certificate of Designation as the "Conversion Date."

(iii) The term "Closing Bid Price" shall mean, for any security as of any date, the last closing bid price of such security on the OTC Bulletin Board for such security as reported by Bloomberg, or, if no closing bid price is reported for such security by Bloomberg, the last closing trade price of such security as reported by Bloomberg, or, if no last closing trade price is reported for such security by Bloomberg, the average of the bid prices of any market makers for such security as reported in the "pink sheets" by the National Quotation Bureau, Inc. If the Closing Bid Price cannot be calculated for such security on such date on any of the foregoing bases, the Closing Bid Price of such security on such date shall be the fair market value as mutually determined by the Company and the holders of a majority of the outstanding shares of Series A Preferred Stock.

(iv) On the Mandatory Conversion Date, the outstanding shares of Series A Preferred Stock shall be converted automatically without any further action by the holders of such shares and whether or not the certificates representing such shares are surrendered to the Company or its Transfer Agent; provided, however, that the Company shall not be obligated to issue the shares of Common Stock issuable upon conversion of any shares of Series A Preferred Stock unless certificates evidencing such shares of Series A Preferred Stock are either delivered to the Company or the holder notifies the Company that such certificates have been lost, stolen, or destroyed, and executes an agreement satisfactory to the Company to indemnify the Company from any loss incurred by it in connection therewith. Upon the occurrence of the automatic conversion of the Series A Preferred Stock pursuant to this Section 5, the holders of the Series A Preferred Stock shall surrender the certificates representing the Series A Preferred Stock for which the Mandatory Conversion Date has occurred to the Company and the Company shall cause its Transfer Agent to deliver the shares of Common Stock issuable upon such conversion (in the same manner set forth in Section 5(b)(ii)) to the holder within three (3) business days of the holder's delivery of the applicable Preferred Stock Certificates.

(d) Conversion Price.

(i) The term "Conversion Price" shall mean $.60 per share, subject to adjustment under Section 5(e) hereof; provided, however that the Conversion Price may only be adjusted to an amount greater than $.60 per share to the extent that it is adjusted pursuant to Section 5(e)(i).

(ii) Notwithstanding the foregoing to the contrary, if during any period (a "Black-out Period"), a holder of Series A Preferred Stock is unable to trade any Common Stock issued or issuable upon conversion of the Series A Preferred Stock immediately due to the postponement of filing or delay or suspension of effectiveness of a registration statement or because the Company has otherwise informed such holder of Series A Preferred Stock that an existing prospectus cannot be used at that time in the sale or transfer of such Common Stock (provided that such postponement, delay, suspension or fact that the prospectus cannot be used is not due to factors solely within the control of the holder of Series A Preferred Stock or due to the Company exercising its

rights under Section 3(n) of the Registration Rights Agreement (as defined in the Purchase Agreement)), such holder of Series A Prefe rred Stock shall have the option but not the obligation on any Conversion Date occurring within ten (10) trading days following the expiration of the Black-out Period of using the Conversion Price applicable on such Conversion Date or any Conversion Price selected by such holder of Series A Preferred Stock that would have been applicable had such Conversion Date been at any earlier time during the Black-out Period or within the ten (10) trading days thereafter.

(e) Adjustments of Conversion Price.

(i) Adjustments for Stock Splits and Combinations. If the Company shall at any time or from time to time after the Issuance Date, effect a stock split of the outstanding Common Stock, the Conversion Price shall be proportionately decreased. If the Company shall at any time or from time to time after the Issuance Date, combine the outstanding shares of Common Stock, the Conversion Price shall be proportionately increased. Any adjustments under this Section 5(e)(i) shall be effective at the close of business on the date the stock split or combination becomes effective.

(ii) Adjustments for Certain Dividends and Distributions. If the Company shall at any time or from time to time after the Issuance Date, make or issue or set a record date for the determination of holders of Common Stock entitled to receive a dividend or other distribution payable in shares of Common Stock, then, and in each event, the Conversion Price shall be decreased as of the time of such issuance or, in the event such record date shall have been fixed, as of the close of business on such record date, by multiplying the Conversion Price then in effect by a fraction:

(1) the numerator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date; and

(2) the denominator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date plus the number of shares of Common Stock issuable in payment of such dividend or distribution.

(iii) Adjustment for Other Dividends and Distributions. If the Company shall at any time or from time to time after the Issuance Date, make or issue or set a record date for the determination of holders of Common Stock entitled to receive a dividend or other distribution payable in securities of the Company other than shares of Common Stock, then, and in each event, an appropriate revision to the applicable Conversion Price shall be made and provision shall be made (by adjustments of the Conversion Price or otherwise) so that the holders of Series A Preferred Stock shall receive upon conversions thereof, in addition to the number of shares of Common Stock receivable thereon, the number of securities of the Company which they would have received had their Series A Preferred Stock been converted into Common Stock on the date of such event and had thereafter, during the period from t he date of such event to and including the Conversion Date, retained such securities (together with any distributions payable thereon during such period), giving application to all adjustments called for during such period under this Section 5(e)(iii) with respect to the rights of the holders of the Series A Preferred Stock; provided, however, that if such record date shall have been fixed and such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, the Conversion Price shall be adjusted pursuant to this paragraph as of the time of actual payment of such dividends or distributions; and provided further, however, that no such adjustment shall be made if the holders of Series A Preferred Stock simultaneously receive (i) a dividend or other distribution of shares of Common Stock in a number equal to the number of shares of Common Stock as they would have received if all outstanding shares of Series A Preferred Stock had been converted into Common Stock on the date of such event or (ii) a dividend or other distribution of shares of Series A Preferred Stock which are convertible, as of the date of such event, into such number of shares of Common Stock as is equal to the number of additional shares of Common Stock being issued with respect to each share of Common Stock in such dividend or distribution.

(iv) Adjustments for Reclassification, Exchange or Substitution. If the Common Stock issuable upon conversion of the Series A Preferred Stock at any time or from time to time after the Issuance Date shall be changed to the same or different number of shares of any class or classes of stock, whether by reclassification, exchange, substitution or otherwise (other than by way of a stock split or combination of shares or stock dividends provided for in Sections 5(e)(i), (ii) and (iii), or a reorganization, merger, consolidation, or sale of assets provided for in Section 5(e)(v)), then, and in each event, an appropriate revision to the Conversion Price shall be made and provisions shall be made (by adjustments of the Conversion Price or otherwise) so that the holder of each share of Series A Preferred Stock shall have the right thereafter to convert such share of Series A Preferred St ock into the kind and amount of shares of stock and other securities receivable upon reclassification, exchange, substitution or other change, by holders of the number of shares of Common Stock into which such share of Series A Preferred Stock might have been converted immediately prior to such reclassification, exchange, substitution or other change, all subject to further adjustment as provided herein.

(v) Adjustments for Reorganization, Merger, Consolidation or Sales of Assets. If at any time or from time to time after the Issuance Date there shall be a capital reorganization of the Company (other than by way of a stock split or combination of shares or stock dividends or distributions provided for in Section 5(e)(i), (ii) and (iii), or a reclassification, exchange or substitution of shares provided for in Section 5(e)(iv)), or a merger or consolidation of the Company with or into another corporation where the holders of outstanding voting securities prior to such merger or consolidation do not own over 50% of the outstanding voting securities of the merged or consolidated entity, immediately after such merger or consolidation, or the sale of all or substantially all of the Company's properties or assets to any other person (an "Organic Change"), then as a pa rt of such Organic Change an appropriate revision to the Conversion Price shall be made if necessary so that the holder of each share of Series A Preferred Stock shall have the right thereafter to convert such share of Series A Preferred Stock into the kind and amount of shares of stock and other securities or property of the Company or any successor corporation resulting from Organic Change. In any such case, appropriate adjustment shall be made in the application of the provisions of this Section 5(e)(v) with respect to the rights of the holders of the Series A Preferred Stock after the Organic Change to the end that the provisions of this Section 5(e)(v) (including any adjustment in the Conversion Price then in effect and the number of shares of stock or other securities deliverable upon conversion of the Series A Preferred Stock) shall be applied after that event in as nearly an equivalent manner as may be practicable.

(vi) Adjustments for Issuance of Additional Shares of Common Stock. In the event the Company, shall, at any time, from time to time, issue or sell any additional shares of Common Stock or any securities convertible or exercisable into, or exchangeable for, directly or indirectly, Common Stock (the "Additional Shares of Common Stock"), at a price per share less than the Conversion Price then in effect or without consideration, the Conversion Price then in effect shall be reduced to a price equal to the consideration per share paid for such Additional Shares of Common Stock.

(vii) Certain Issues Excepted. Anything herein to the contrary notwithstanding, the Company shall not be required to make any adjustment to the Conversion Price upon (i) the Company's issuance of any Additional Shares of Common Stock (other than for cash) and warrants therefore in connection with a merger, acquisition or consolidation, (ii) the Company's issuance of Additional Shares of Common Stock pursuant to a bona fide firm underwritten public offering of the Company's securities, (iii) the Company's issuance of Additional Shares of Common Stock or warrants therefore in connection with strategic alliances or other partnering arrangements so long as such issuances are not for the purpose of raising capital, (iv) the Company's issuance of Common Stock or the issuance or grants of options to purchase Common Stock pursuant to the Company's stock option plans an d employee stock purchase plans as they now exist, (v) any issuances of warrants issued pursuant to the Purchase Agreement, (vi) securities issued pursuant to the conversion or exercise of convertible or exercisable securities issued or outstanding on or prior to the date hereof or issued pursuant to the Purchase Agreement, (vii) any warrants issued to the placement agent for the transactions contemplated by the Purchase Agreement, and (viii) the payment of any dividends on the Series A Preferred Stock.

(f) No Impairment. The Company shall not, by amendment of its Articles of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith, assist in the carrying out of all the provisions of this Section 5 and in the taking of all such action as may be necessary or appropriate in order to protect the Conversion Rights of the holders of the Series A Preferred Stock against impairment. In the event a holder shall elect to convert any shares of Series A Preferred Stock as provided herein, the Company cannot refuse conversion based on any claim that such holder or any one associated or affiliated with such holder has been engaged in any violation of law, unless, an injunction from a court, on notice, restraining and/or adjoining conversion of all or of said shares of Series A Preferred Stock shall have been issued and the Company posts a surety bond for the benefit of such holder in an amount equal to 100% of the Liquidation Preference Amount of the Series A Preferred Stock such holder has elected to convert, which bond shall remain in effect until the completion of arbitration/litigation of the dispute and the proceeds of which shall be payable to such holder in the event it obtains judgment.

(g) Certificates as to Adjustments. Upon occurrence of each adjustment or readjustment of the Conversion Price or number of shares of Common Stock issuable upon conversion of the Series A Preferred Stock pursuant to this Section 5, the Company at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and furnish to each holder of such Series A Preferred Stock a certificate setting forth such adjustment and readjustment, showing in detail the facts upon which such adjustment or readjustment is based. The Company shall, upon written request of the holder of such affected Series A Preferred Stock, at any time, furnish or cause to be furnished to such holder a like certificate setting forth such adjustments and readjustments, the Conversion Price in effect at the time, and the number of shares of Common Stock and the amount, if a ny, of other securities or property which at the time would be received upon the conversion of a share of such Series A Preferred Stock. Notwithstanding the foregoing, the Company shall not be obligated to deliver a certificate unless such certificate would reflect an increase or decrease of at least one percent of such adjusted amount.

(h) Issue Taxes. The Company shall pay any and all issue and other taxes, excluding federal, state or local income taxes, that may be payable in respect of any issue or delivery of shares of Common Stock on conversion of shares of Series A Preferred Stock pursuant thereto; provided, however, that the Company shall not be obligated to pay any transfer taxes resulting from any transfer requested by any holder in connection with any such conversion.

(i) Notices. All notices and other communications hereunder shall be in writing and shall be deemed given if delivered personally or by facsimile or three (3) business days following being mailed by certified or registered mail, postage prepaid, return-receipt requested, addressed to the holder of record at its address appearing on the books of the Company. The Company will give written notice to each holder of Series A Preferred Stock at least twenty (20) days prior to the date on which the Company closes its books or sets a record date (I) with respect to any dividend or distribution upon the Common Stock, (II) with respect to any pro rata subscription offer to holders of Common Stock or (III) for determining rights to vote with respect to any Organic Change, dissolution, liquidation or winding-up and in no event shall such notice be provided to such holder prior to such information being made known to the public. The Company will also give written notice to each holder of Series A Preferred Stock at least twenty (20) days prior to the date on which any Organic Change, dissolution, liquidation or winding-up will take place; provided, however, no such notice shall be required to be provided to such holder prior to such information being made known to the public.

(j) Fractional Shares. No fractional shares of Common Stock shall be issued upon conversion of the Series A Preferred Stock. In lieu of any fractional shares to which the holder would otherwise be entitled, the Company shall pay cash equal to the product of such fraction multiplied by the average of the Closing Bid Prices of the Common Stock for the five (5) consecutive trading immediately preceding the Voluntary Conversion Date or any Mandatory Conversion Date, as applicable.

(k) Reservation of Common Stock. The Company shall, so long as any shares of Series A Preferred Stock are outstanding, reserve and keep available out of its authorized and unissued Common Stock, solely for the purpose of effecting the conversion of the Series A Preferred Stock, such number of shares of Common Stock as shall from time to time be sufficient to effect the conversion of all of the Series A Preferred Stock then outstanding; provided that the number of shares of Common Stock so reserved shall at no time be less than the number of shares of Common Stock for which the shares of Series A Preferred Stock are at any time convertible. The initial number of shares of Common Stock reserved for conversions of the Series A Preferred Stock and each increase in the number of shares so reserved shall be allocated pro rata among the holders of the Series A Preferred St ock based on the number of shares of Series A Preferred Stock held by each holder of record at the time of issuance of the Series A Preferred Stock or increase in the number of reserved shares, as the case may be. In the event a holder shall sell or otherwise transfer any of such holder's shares of Series A Preferred Stock, each transferee shall be allocated a pro rata portion of the number of reserved shares of Common Stock reserved for such transferor. Any shares of Common Stock reserved and which remain allocated to any person or entity which does not hold any shares of Series A Preferred Stock shall be allocated to the remaining holders of Series A Preferred Stock, pro rata based on the number of shares of Series A Preferred Stock then held by such holder.

(l) Regulatory Compliance. If any shares of Common Stock to be reserved for the purpose of conversion of Series A Preferred Stock require registration or listing with or approval of any governmental authority, stock exchange or other regulatory body under any federal or state law or regulation or otherwise before such shares may be validly issued or delivered upon conversion, the Company shall, at its sole cost and expense, in good faith and as expeditiously as possible, endeavor to secure such registration, listing or approval, as the case may be.

6. No Preemptive Rights. Except as provided in Section 5 hereof and in the Purchase Agreement, no holder of the Series A Preferred Stock shall be entitled to rights to subscribe for, purchase or receive any part of any new or additional shares of any class, whether now or hereinafter authorized, or of bonds or debentures, or other evidences of indebtedness convertible into or exchangeable for shares of any class, but all such new or additional shares of any class, or any bond, debentures or other evidences of indebtedness convertible into or exchangeable for shares, may be issued and disposed of by the Board of Directors on such terms and for such consideration (to the extent permitted by law), and to such person or persons as the Board of Directors in their absolute discretion may deem advisable.

7. Conversion Restrictions.

(a) Notwithstanding anything to the contrary set forth in Section 5 of this Certificate of Designation, at no time may a holder of shares of Series A Preferred Stock convert shares of the Series A Preferred Stock if the number of shares of Common Stock to be issued pursuant to such conversion would exceed, when aggregated with all other shares of Common Stock owned by such holder at such time, the number of shares of Common Stock which would result in such holder beneficially owning (as determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended, and the rules thereunder) in excess of 4.999% of the then issued and outstanding shares of Common Stock outstanding at such time; provided, however, that upon a holder of Series A Preferred Stock providing the Company with sixty-one (61) days notice (pursuant to Section 5(i) hereof) (the "Waiver Notic e") that such holder would like to waive Section 7(a) of this Certificate of Designation with regard to any or all shares of Common Stock issuable upon conversion of Series A Preferred Stock, this Section 7(a) shall be of no force or effect with regard to those shares of Series A Preferred Stock referenced in the Waiver Notice; provided, further, that this provision shall be of no further force or effect during the sixty-one (61) days immediately preceding any Mandatory Conversion Date.

(b) Notwithstanding anything to the contrary set forth in Section 5 of this Certificate of Designation, at no time may a holder of shares of Series A Preferred Stock convert shares of the Series A Preferred Stock if the number of shares of Common Stock to be issued pursuant to such conversion would exceed, when aggregated with all other shares of Common Stock owned by such holder at such time, would result in such holder beneficially owning (as determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended, and the rules thereunder) in excess of 9.999% of the then issued and outstanding shares of Common Stock outstanding at such time; provided, however, that upon a holder of Series A Preferred Stock providing the Company with a Waiver Notice that such holder would like to waive Section 7(b) of this Certificate of Designation with regard to any o r all shares of Common Stock issuable upon conversion of Series A Preferred Stock, this Section 7(b) shall be of no force or effect with regard to those shares of Series A Preferred Stock referenced in the Waiver Notice.

8. Redemption.

(a) Redemption Option Upon Major Transaction. In addition to all other rights of the holders of Series A Preferred Stock contained herein, simultaneous with the occurrence of a Major Transaction (as defined below), each holder of Series A Preferred Stock shall have the right, at such holder's option, to require the Company to redeem all or a portion of such holder's shares of Series A Preferred Stock at a price per share of Series A Preferred Stock equal to 100% of the Liquidation Preference Amount, plus any accrued but unpaid dividends and liquidated damages (the "Major Transaction Redemption Price"); provided that the Company shall have the sole option to pay the Major Transaction Redemption Price in cash or shares of Common Stock. If the Company elects to pay the Major Transaction Redemption Price in shares of Common Stock, the price per share shall be based u pon the lesser of (i) the Conversion Price then in effect on the day preceding the date of delivery of the Notice of Redemption at Option of Buyer Upon Major Transaction (as hereafter defined) or (ii) the Closing Bid Price on the day preceding the date of delivery of the Notice of Redemption at Option of Buyer Upon Major Transaction. The holder of such shares of Common Stock shall have demand registration rights with respect to such shares.

(b) Redemption Option Upon Triggering Event. In addition to all other rights of the holders of Series A Preferred Stock contained herein, after a Triggering Event (as defined below), each holder of Series A Preferred Stock shall have the right, at such holder's option, to require the Company to redeem all or a portion of such holder's shares of Series A Preferred Stock at a price per share of Series A Preferred Stock equal to 120% of the Liquidation Preference Amount, plus any accrued but unpaid dividends and liquidated damages (the "Triggering Event Redemption Price" and, collectively with the "Major Transaction Redemption Price," the "Redemption Price"); provided that with respect to the Triggering Events described in clauses (i), (ii), (iii) and (v) of Section 8(d), the Company shall have the sole option to pay the Triggering Event Redempti on Price in cash or shares of Common Stock; and provided, further, that with respect to the Triggering Event described in clause (iv) of Section 8(d), the Company shall pay the Triggering Event Redemption Price in cash. If the Company elects to pay the Triggering Event Redemption Price in shares of Common Stock in accordance with this Section 8(b), the price per share shall be based upon the lesser of (i) the Conversion Price then in effect on the day preceding the date of delivery of the Notice of Redemption at Option of Buyer Upon Triggering Event or (ii) the Closing Bid Price on the day preceding the date of delivery of the Notice of Redemption at Option of Buyer Upon Triggering Event. The holder of such shares of Common Stock shall have demand registration rights with respect to such shares.

(c) "Major Transaction". A "Major Transaction" shall be deemed to have occurred at such time as any of the following events:

(i) the consolidation, merger or other business combination of the Company with or into another Person (other than (A) pursuant to a migratory merger effected solely for the purpose of changing the jurisdiction of incorporation of the Company or (B) a consolidation, merger or other business combination in which holders of the Company's voting power immediately prior to the transaction continue after the transaction to hold, directly or indirectly, the voting power of the surviving entity or entities necessary to elect a majority of the members of the board of directors (or their equivalent if other than a corporation) of such entity or entities).

(ii) the sale or transfer of more than 50% of the Company's assets other than inventory in the ordinary course of business in one or a related series of transactions; or

(iii) closing of a purchase, tender or exchange offer made to the holders of more than 50% of the outstanding shares of Common Stock in which more than 50% of the outstanding shares of Common Stock were tendered and accepted.

(d) "Triggering Event". A "Triggering Event" shall be deemed to have occurred at such time as any of the following events:

(i) at any time within two (2) years after the Issuance Date, the resale of the shares of Common Stock issuable upon conversion of the Series A Preferred Stock is covered by the Registration Statement which has been declared effective, (i) the effectiveness of the Registration Statement lapses for any reason (including, without limitation, the issuance of a stop order) or (ii) the Registration Statement is unavailable to the holder of the Series A Preferred Stock for sale of the shares of Common Stock, and such lapse or unavailability continues for a period of twenty (20) consecutive trading days, and the shares of Common Stock into which such holder's Series A Preferred Stock can be converted cannot be sold in the public securities market pursuant to Rule 144(k) (“Rule 144(k)”) under the Securities Act of 1933, as amended, provided that the cause of such lapse or unavailability is not due to factors solely within the control of such holder of Series A Preferred Stock.

(ii) the suspension from listing, without subsequent listing on any one of, or the failure of the Common Stock to be listed on at least one of the OTC Bulletin Board, the Nasdaq National Market, the Nasdaq SmallCap Market, the New York Stock Exchange, Inc. or the American Stock Exchange, Inc., for a period of seven (7) consecutive trading days;

(iii) the Company's notice to any holder of Series A Preferred Stock, including by way of public announcement, at any time, of its inability to comply (including for any of the reasons described in Section 9) or its intention not to comply with proper requests for conversion of any Series A Preferred Stock into shares of Common Stock; or

(iv) the Company's failure to comply with a Conversion Notice tendered in accordance with the provisions of this Certificate of Designation within ten (10) business days after the receipt by the Company of the Conversion Notice and the Preferred Stock Certificates; or

(v) the Company breaches any representation, warranty, covenant or other term or condition of the Purchase Agreement, this Certificate of Designation or any other agreement, document, certificate or other instrument delivered in connection with the transactions contemplated thereby or hereby, except to the extent that such breach would not have a Material Adverse Effect (as defined in the Purchase Agreement) and except, in the case of a breach of a covenant which is curable, only if such breach continues for a period of a least ten (10) days.

(e) Mechanics of Redemption at Option of Buyer Upon Major Transaction. No sooner than fifteen (15) days nor later than ten (10) days prior to the consummation of a Major Transaction, but not prior to the public announcement of such Major Transaction, the Company shall deliver written notice thereof via facsimile and overnight courier ("Notice of Major Transaction") to each holder of Series A Preferred Stock. At any time after receipt of a Notice of Major Transaction (or, in the event a Notice of Major Transaction is not delivered at least ten (10) days prior to a Major Transaction, at any time within ten (10) days prior to a Major Transaction), any holder of Series A Preferred Stock then outstanding may require the Company to redeem, effective immediately prior to the consummation of such Major Transaction, all of the holder's Series A Preferred Stock then outstanding by delivering written notice thereof via facsimile and overnight courier ("Notice of Redemption at Option of Buyer Upon Major Transaction") to the Company, which Notice of Redemption at Option of Buyer Upon Major Transaction shall indicate (i) the number of shares of Series A Preferred Stock that such holder is electing to redeem and (ii) the applicable Major Transaction Redemption Price, as calculated pursuant to Section 8(a) above.

(f) Mechanics of Redemption at Option of Buyer Upon Triggering Event. Within two (2) days after the occurrence of a Triggering Event, the Company shall deliver written notice thereof via facsimile and overnight courier ("Notice of Triggering Event") to each holder of Series A Preferred Stock. At any time after the earlier of a holder's receipt of a Notice of Triggering Event

and such holder becoming aware of a Triggering Event, any holder of Series A Preferred Stock then outstanding may require the Company to redeem all of the Series A Preferred Stock by delivering written notice thereof via facsimile and overnight courier ("Notice of Redemption at Option of Buyer Upon Triggering Event") to the Company, which Notice of Redemption at Option of Buyer Upon Triggering Event shall indicate (i) the number of shares of Series A Preferred Stock that such h older is electing to redeem and (ii) the applicable Triggering Event Redemption Price, as calculated pursuant to Section 8(b) above.

(g) Payment of Redemption Price. Upon the Company's receipt of a Notice(s) of Redemption at Option of Buyer Upon Triggering Event or a Notice(s) of Redemption at Option of Buyer Upon Major Transaction from any holder of Series A Preferred Stock, the Company shall immediately notify each holder of Series A Preferred Stock by facsimile of the Company's receipt of such Notice(s) of Redemption at Option of Buyer Upon Triggering Event or Notice(s) of Redemption at Option of Buyer Upon Major Transaction and each holder which has sent such a notice shall promptly submit to the Company such holder's Preferred Stock Certificates which such holder has elected to have redeemed. Other than with respect to the Triggering Event described in clause (iv) of Section 8(d), the Company shall have the sole option to pay the Redemption Price in cash or shares of Common Stock in accordance with Sect ions 8(a) and (b) and Section 9 of this Certificate of Designation. The Company shall deliver the applicable Major Transaction Redemption Price immediately prior to the consummation of the Major Transaction; provided that a holder's Preferred Stock Certificates shall have been so delivered to the Company; provided further that if the Company is unable to redeem all of the Series A Preferred Stock to be redeemed, the Company shall redeem an amount from each holder of Series A Preferred Stock being redeemed equal to such holder's pro-rata amount (based on the number of shares of Series A Preferred Stock held by such holder relative to the number of shares of Series A Preferred Stock outstanding) of all Series A Preferred Stock being redeemed. If the Company shall fail to redeem all of the Series A Preferred Stock submitted for redemption (other than pursuant to a dispute as to the arithmetic calculation of the Redemption Price), in addition to any remedy such holder of Series A Preferred Stock may have under this Certificate of Designation and the Purchase Agreement, the applicable Redemption Price payable in respect of such unredeemed Series A Preferred Stock shall bear interest at the rate of .5% per month (prorated for partial months) until paid in full. Until the Company pays such unpaid applicable Redemption Price in full to a holder of shares of Series A Preferred Stock submitted for redemption, such holder shall have the option (the "Void Optional Redemption Option") to, in lieu of redemption, require the Company to promptly return to such holder(s) all of the shares of Series A Preferred Stock that were submitted for redemption by such holder(s) under this Section 8 and for which the applicable Redemption Price has not been paid, by sending written notice thereof to the Company via facsimile (the "Void Optional Redemption Notice"). Upon the Company's receipt of such Void Optional Redemption Notice(s) and prior to payment of the full applicab le Redemption Price to such holder, (i) the Notice(s) of Redemption at Option of Buyer Upon Major Transaction shall be null and void with respect to those shares of Series A Preferred Stock submitted for redemption and for which the applicable Redemption Price has not been paid and (ii) the Company shall immediately return any Series A Preferred Stock submitted to the Company by each holder for redemption under this Section 8(d) and for which the applicable Redemption Price has not been paid. A holder's delivery of a Void Optional Redemption Notice and exercise of its rights following such notice shall not effect the Company's obligations to make any payments which have accrued prior to the date of such notice other than interest payments. Payments provided for in this Section 8 shall have priority to payments to other stockholders in connection with a Major Transaction.

(h) Demand Registration Rights. If the Redemption Price upon the occurrence of a Major Transaction or a Triggering Event is paid in shares of Common Stock and such shares have not been previously registered on a registration statement under the Securities Act, a holder of Series A Preferred Stock may make a written request for registration under the Securities Act pursuant to this Section 8(h) of all of its shares of Common Stock issued upon such Major Transaction or Triggering Event. The Company shall use its reasonable best efforts to cause to be filed and declared effective as soon as reasonably practicable (but in no event later than the ninetieth (90^{th}) day after such holder's request is made) a registration statement under the Securities Act, providing for the sale of all of the shares of Common Stock issued upon such Major Transaction or Triggering Event by such holder. The Company agrees to use its reasonable best efforts to keep any such registration statement continuously effective for resale of the Common Stock for so long as such holder shall request, but in no event later than the date that the shares of Common Stock issued upon such Major Transaction or Triggering Event may be offered for resale to the public pursuant to Rule 144(k).

9. Inability to Fully Convert.

(a) Holder's Option if Company Cannot Fully Convert. If, upon the Company's receipt of a Conversion Notice or on a Mandatory Conversion Date, the Company cannot issue shares of Common Stock registered for resale under the Registration Statement for any reason, including, without limitation, because the Company (w) does not have a sufficient number of shares of Common Stock authorized and available, (x) is otherwise prohibited by applicable law or by the rules or regulations of any stock exchange, interdealer quotation system or other self-regulatory organization with jurisdiction over the Company or its securities from issuing all of the Common Stock which is to be issued to a holder of Series A Preferred Stock pursuant to a Conversion Notice or (y) fails to have a sufficient number of shares of Common Stock registered for resale under the Registration Statement, then the Compan y shall issue as many shares of Common Stock as it is able to issue in accordance with such holder's Conversion Notice and pursuant to Section 5(b)(ii) above and, with respect to the unconverted Series A Preferred Stock, the holder, solely at such holder's option, can elect, within five (5) business days after receipt of notice from the Company thereof to:

(i) require the Company to redeem from such holder those Series A Preferred Stock for which the Company is unable to issue Common Stock in accordance with such holder's Conversion Notice ("Mandatory Redemption") at a price per share equal to the Major Transaction Redemption Price as of such Conversion Date (the "Mandatory Redemption Price"); provided that the Company shall have the sole option to pay the Mandatory Redemption Price in cash or shares of Common Stock;

(ii) if the Company's inability to fully convert Series A Preferred Stock is pursuant to Section 9(a)(y) above, require the Company to issue restricted shares of Common Stock in accordance with such holder's Conversion Notice and pursuant to Section 5(b)(ii) above;

(iii) void its Conversion Notice and retain or have returned, as the case may be, the shares of Series A Preferred Stock that were to be converted pursuant to such holder's Conversion Notice (provided that a holder's voiding its Conversion Notice shall not effect the Company's obligations to make any payments which have accrued prior to the date of such notice).

(b) Mechanics of Fulfilling Holder's Election. The Company shall immediately send via facsimile to a holder of Series A Preferred Stock, upon receipt of a facsimile copy of a Conversion Notice from such holder which cannot be fully satisfied as described in Section 9(a) above, a notice of the Company's inability to fully satisfy such holder's Conversion Notice (the "Inability to Fully Convert Notice"). Such Inability to Fully Convert Notice shall indicate (i) the reason why the Company is unable to fully satisfy such holder's Conversion Notice, (ii) the number of Series A Preferred Stock which cannot be converted and (iii) the applicable Mandatory Redemption Price. Such holder shall notify the Company of its election pursuant to Section 9(a) above by delivering written notice via facsimile to the Company ("Notice in Response to Inability to Convert&quo t;).

(c) Payment of Redemption Price. If such holder shall elect to have its shares redeemed pursuant to Section 9(a)(i) above, the Company shall pay the Mandatory Redemption Price to such holder within thirty (30) days of the Company's receipt of the holder's Notice in Response to Inability to Convert, provided that prior to the Company's receipt of the holder's Notice in Response to Inability to Convert the Company has not delivered a notice to such holder stating, to the satisfaction of the holder, that the event or condition resulting in the Mandatory Redemption has been cured and all Conversion Shares issuable to such holder can and will be delivered to the holder in accordance with the terms of Section 8(g). If the Company shall fail to pay the applicable Mandatory Redemption Price to such holder on a timely basis as described in this Section 9(c) (other than pursu ant to a dispute as to the determination of the arithmetic calculation of the Redemption Price), in addition to any remedy such holder of Series A Preferred Stock may have under this Certificate of Designation and the Purchase Agreement, such unpaid amount shall bear interest at the rate of 1.0% per month (prorated for partial months) until paid in full. Until the full Mandatory Redemption Price is paid in full to such holder, such holder may (i) void the Mandatory Redemption with respect to those Series A Preferred Stock for which the full Mandatory Redemption Price has not been paid and (ii) receive back such Series A Preferred Stock.

(d) Pro-rata Conversion and Redemption. In the event the Company receives a Conversion Notice from more than one holder of Series A Preferred Stock on the same day and the Company can convert and redeem some, but not all, of the Series A Preferred Stock pursuant to this Section 9, the Company shall convert and redeem from each holder of Series A Preferred Stock electing to have Series A Preferred Stock converted and redeemed at such time an amount equal to such holder's pro-rata amount (based on the number shares of Series A Preferred Stock held by such holder relative to the number shares of Series A Preferred Stock outstanding) of all shares of Series A Preferred Stock being converted and redeemed at such time.

10. Vote to Change the Terms of or Issue Preferred Stock. The affirmative vote at a meeting duly called for such purpose or the written consent without a meeting, of the holders of three-fourths (3/4) of the then outstanding shares of Series A Preferred Stock, shall be required (a) for any change to this Certificate of Designation or the Articles of Incorporation which would amend, alter, change or repeal any of the powers, designations, preferences and rights of the Series A Preferred Stock or (b) for the issuance of shares of Series A Preferred Stock other than pursuant to the Purchase Agreement except for shares of Series A Preferred Stock to be issued to certain holders of promissory notes issued by the Company in satisfaction of outstanding indebtedness in an amount not to exceed $750,000 and/or as dividends paid in shares of Series A Preferred Stock.

11. Lost or Stolen Certificates. Upon receipt by the Company of evidence satisfactory to the Company of the loss, theft, destruction or mutilation of any Preferred Stock Certificates representing the shares of Series A Preferred Stock, and, in the case of loss, theft or destruction, of any indemnification undertaking by the holder to the Company and, in the case of mutilation, upon surrender and cancellation of the Preferred Stock Certificate(s), the Company shall execute and deliver new preferred stock certificate(s) of like tenor and date; provided, however, the Company shall not be obligated to re-issue Preferred Stock Certificates if the holder contemporaneously requests the Company to convert such shares of Series A Preferred Stock into Common Stock.

12. Remedies, Characterizations, Other Obligations, Breaches and Injunctive Relief. The remedies provided in this Certificate of Designation shall be cumulative and in addition to all other remedies available under this Certificate of Designation, at law or in equity (including a decree of specific performance and/or other injunctive relief), no remedy contained herein shall be deemed a waiver of compliance with the provisions giving rise to such remedy and nothing herein shall limit a holder's right to pursue actual damages for any failure by the Company to comply with the terms of this Certificate of Designation. Amounts set forth or provided for herein with respect to payments, conversion and the like (and the computation thereof) shall be the amounts to be received by the holder thereof and shall not, except as expressly provided herein, be subject to any other o bligation of the Company (or the performance thereof). The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the holders of the Series A Preferred Stock and that the remedy at law for any such breach may be inadequate. The Company therefore agrees that, in the event of any such breach or threatened breach, the holders of the Series A Preferred Stock shall be entitled, in addition to all other available remedies, to an injunction restraining any breach, without the necessity of showing economic loss and without any bond or other security being required.

13. Specific Shall Not Limit General; Construction. No specific provision contained in this Certificate of Designation shall limit or modify any more general provision contained herein. This Certificate of Designation shall be deemed to be jointly drafted by the Company and all initial purchasers of the Series A Preferred Stock and shall not be construed against any person as the drafter hereof.

14. Failure or Indulgence Not Waiver. No failure or delay on the part of a holder of Series A Preferred Stock in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privilege.

IN WITNESS WHEREOF, the undersigned has executed and subscribed this Certificate and does affirm the foregoing as true this 4th day of May, 2004.

CHEMBIO DIAGNOSTICS, INC.

By: _____
Name:
Title:

964210_4

EXHIBIT I

CHEMBIO DIAGNOSTICS, INC.

CONVERSION NOTICE

Reference is made to the Certificate of Designation of the Relative Rights and Preferences of the Series A Preferred Stock of Chembio Diagnostics, Inc. (the "Certificate of Designation"). In accordance with and pursuant to the Certificate of Designation, the undersigned hereby elects to convert the number of shares of Series A Preferred Stock, par value $.01 per share (the "Preferred Shares"), of Chembio Diagnostics, Inc., a Nevada corporation (the "Company"), indicated below into shares of Common Stock, par value $.01 per share (the "Common Stock"), of the Company, by tendering the stock certificate(s) representing the share(s) of Preferred Shares specified below as of the date specified below.

Date of Conversion:

Number of Preferred Shares to be converted:

Stock certificate no(s). of Preferred Shares to be converted:

The Common Stock have been sold pursuant to the Registration Statement (as defined in the Purchase Agreement): YES ____ NO____

Please confirm the following information:

Conversion Price:

Number of shares of Common Stock
to be issued:

Number of shares of Common Stock beneficially owned or deemed beneficially owned by the Holder on the Date of Conversion: _____

Please issue the Common Stock into which the Preferred Shares are being converted and, if applicable, any check drawn on an account of the Company in the following name and to the following address:

Issue to:

Facsimile Number:

Authorization:

By:
Title:

Dated:

-#-

964210_4

CHEMBIO DIAGNOSTICS, INC.

AMENDMENT

TO

BY-LAWS OF CHEMBIO DIAGNOSTICS, INC.
(F/K/A TRADING SOLUTON.COM, INC)

Dated May 3, 2004

Pursuant to the provisions of NRS 78.120 of the Nevada Revised Statutes, Article VI of the Bylaws of the Chembio Diagnostics, Inc. (the "Company") and Article Tenth of the Articles of Incorporation of the Company, the board of directors of the Company, pursuant to an Action of the Board Directors by Unanimous Written Consent dated May 3, 2004, amended Article III, Section 2 of the bylaws of the Company by deleting it in its entirety and restating it as set forth below:

"2. The number of directors shall be set by the existing Director or Directors of the Company and the number may be increased or decreased from time to time by the Director or Directors, but no decrease shall have the effect of shortening the term of any incumbent director or reducing the number of Directors below one (1) person. Vacancies on the Board of Directors by reason of death, resignation, increase in the number of directors or other causes shall be filled by the remaining Director or Directors choosing a Director or Directors to fill the unexpired term."

REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (this "Agreement") is made and entered into as of May 5, 2004, by and among Chembio Diagnostics, Inc., a Nevada corporation (the "Company"), and the purchasers listed on Schedule I hereto (the "Purchasers").

This Agreement is being entered into pursuant to the Series A Convertible Preferred Stock and Warrant Purchase Agreement dated as of the date hereof among the Company and the Purchasers (the "Purchase Agreement").

The Company and the Purchasers hereby agree as follows:

1. Definitions.

Capitalized terms used and not otherwise defined herein shall have the meanings given such terms in the Purchase Agreement. As used in this Agreement, the following terms shall have the following meanings:

"Advice" shall have meaning set forth in Section 3(m).

"Affiliate" means, with respect to any Person, any other Person that directly or indirectly controls or is controlled by or under common control with such Person. For the purposes of this definition, "control," when used with respect to any Person, means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise; and the terms of "affiliated," "controlling" and "controlled" have meanings correlative to the foregoing.

"Board" shall have meaning set forth in Section 3(n).

"Business Day" means any day except Saturday, Sunday and any day which shall be a legal holiday or a day on which banking institutions in the state of New York generally are authorized or required by law or other government actions to close.

"Closing Date" means the date of the final closing of the purchase and sale of the Preferred Stock and Warrants pursuant to the Purchase Agreement.

"Commission" means the Securities and Exchange Commission.

"Common Stock" means the Company's Common Stock, par value $.01 per share.

"Effectiveness Date" means with respect to the Registration Statement the earlier of the one hundred eightieth (180^{th}) day following the Closing Date or the date which is within five (5) days of the date on which the Commission informs the Company that the Commission (i) will not review the Registration Statement or (ii) that the Company may request the acceleration of the effectiveness of the Registration Statement and the Company makes such request.

"Effectiveness Period" shall have the meaning set forth in Section 2.

"Event" shall have the meaning set forth in Section 7(e).

"Event Date" shall have the meaning set forth in Section 7(e).

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Filing Date" means the thirtieth (30^{th}) day following the Closing Date.

"Holder" or "Holders" means the holder or holders, as the case may be, from time to time of Registrable Securities.

"Indemnified Party" shall have the meaning set forth in Section 5(c).

"Indemnifying Party" shall have the meaning set forth in Section 5(c).

"Losses" shall have the meaning set forth in Section 5(a).

"Person" means an individual or a corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or political subdivision thereof) or other entity of any kind.

"Preferred Stock" means the Series A Convertible Preferred Stock, par value $.01 per share and stated value $30,000 per share, of the Company issued to the Purchasers pursuant to the Purchase Agreement.

"Proceeding" means an action, claim, suit, investigation or proceeding (including, without limitation, an investigation or partial proceeding, such as a deposition), whether commenced or threatened.

"Prospectus" means the prospectus included in the Registration Statement (including, without limitation, a prospectus that includes any information previously omitted from a prospectus filed as part of an effective registration statement in reliance upon Rule 430A promulgated under the Securities Act), as amended or supplemented by any prospectus supplement, with respect to the terms of the offering of any portion of the Registrable Securities covered by the Registration Statement, and all other amendments and supplements to the Prospectus, including post-effective amendments, and all material incorporated by reference in such Prospectus.

"Registrable Securities means the shares of Common Stock issuable upon conversion of the Preferred Stock and the shares of Common Stock issuable upon exercise of the Warrants.

"Registration Statement" means the registration statements and any additional registration statements contemplated by Section 2, including (in each case) the Prospectus, amendments and supplements to such registration statement or Prospectus, including pre- and post-effective amendments, all exhibits thereto, and all material incorporated by reference in such registration statement.

"Rule 144" means Rule 144 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same effect as such Rule.

"Rule 158" means Rule 158 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same effect as such Rule.

"Rule 415" means Rule 415 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same effect as such Rule.

"Rule 424" means Rule 424 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same effect as such Rule.

"Securities Act" means the Securities Act of 1933, as amended.

"Special Counsel" means one special counsel to the Holders, for which the Holders will be reimbursed by the Company pursuant to Section 4.

"Warrants" means the warrants to purchase shares of Common Stock issued to the Purchasers pursuant to the Purchase Agreement.

2. Resale Registration.

On or prior to the Filing Date the Company shall prepare and file with the Commission a "resale" Registration Statement covering all Registrable Securities for an offering to be made on a continuous basis pursuant to Rule 415. The Registration Statement shall be on Form SB-2 (except if the Company is not then eligible to register for resale the Registrable Securities on Form SB-2, in which case such registration shall be on another appropriate form in accordance herewith). The Company shall (i) not permit any securities other than the Registrable Securities and the securities listed on Schedule II hereto to be included in the Registration Statement and (ii) use its best efforts to cause the Registration Statement to be declared effective under the Securities Act as promptly as possible after the filing thereof, but in any event prior to the Effectiveness Date, and to keep such Registration Statement continuously effective under the Securities Act until such date as is the earlier of (x) the date when all Registrable Securities covered by such Registration Statement have been sold or (y) the date on which the Registrable Securities may be sold without any restriction pursuant to Rule 144 as determined by the counsel to the Company pursuant to a written opinion letter, addressed to the Company's transfer agent to such effect (the "Effectiveness

Period"). If at any time and for any reason, an additional Registration Statement is required to be filed because at such time the actual number of shares of Common Stock into which the Preferred Stock is convertible and the Warrants are exercisable exceeds the number of shares of Registrable Securities remaining under the Registration Statement, the Company shall have twenty (20) Business Days to file such additional Registration Statement, and the Company shall use its best efforts to cause such additiona l Registration Statement to be declared effective by the Commission as soon as possible, but in no event later than sixty (60) days after filing.

3. Registration Procedures.

In connection with the Company's registration obligations hereunder, the Company shall:

(a) Prepare and file with the Commission, on or prior to the Filing Date, a Registration Statement on Form SB-2 (or if the Company is not then eligible to register for resale the Registrable Securities on Form SB-2 such registration shall be on another appropriate form in accordance herewith) in accordance with the method or methods of distribution thereof as specified by the Holders (except if otherwise directed by the Holders) and in accordance with applicable law, and cause the Registration Statement to become effective and remain effective as provided herein; provided, however, that not less than three (3) Business Days prior to the filing of the Registration Statement or any related Prospectus or any amendment or supplement thereto, the Company shall (i) furnish to the Holders and any Special Counsel, copies of all such documents proposed to be filed, which documents will be su bject to the review of such Holders and such Special Counsel, and (ii) cause its officers and directors, counsel and independent certified public accountants to respond to such inquiries as shall be necessary, in the reasonable opinion of Special Counsel, to conduct a reasonable review of such documents. The Company shall not file the Registration Statement or any such Prospectus or any amendments or supplements thereto to which the Holders of a majority of the Registrable Securities or any Special Counsel shall reasonably object in writing within three (3) Business Days of their receipt thereof.

(b) (i) Prepare and file with the Commission such amendments, including post-effective amendments, to the Registration Statement as may be necessary to keep the Registration Statement continuously effective as to the applicable Registrable Securities for the Effectiveness Period and prepare and file with the Commission such additional Registration Statements as necessary in order to register for resale under the Securities Act all of the Registrable Securities; (ii) cause the related Prospectus to be amended or supplemented by any required Prospectus supplement, and as so supplemented or amended to be filed pursuant to Rule 424 (or any similar provisions then in force) promulgated under the Securities Act; (iii) respond as promptly as possible, but in no event later than twenty (20) days, to any comments received from the Commission with respect to the Registration Statement or any amendment ther eto and as promptly as possible provide the Holders true and complete copies of all correspondence from and to the Commission relating to the Registration Statement; and (iv) comply in all material respects with the provisions of the Securities Act and the Exchange Act with respect to the disposition of all Registrable Securities covered by the Registration Statement during the applicable period in accordance with the intended methods of disposition by the Holders thereof set forth in the Registration Statement as so amended or in such Prospectus as so supplemented. The Company and the Purchasers agree that the Holders will suffer damages if the Company fails to comply with the provisions of subclause (iii) of this Section 3(b). The Company and the Holders further agree that it would not be feasible to ascertain the extent of such damages with precision. Accordingly, if the Company fails to comply with the time restrictions set forth in subclause (iii) of this Section 3(b), the Company shal l pay an amount in cash as liquidated damages to each Holder equal to 1.0% of the Holder's initial investment in the Preferred Stock.

(c) Notify the Holders of Registrable Securities and any Special Counsel as promptly as possible (and, in the case of (i)(A) below, not less than three (3) days prior to such filing) and (if requested by any such Person) confirm such notice in writing no later than two (2) Business Days following the day (i)(A) when a Prospectus or any Prospectus supplement or post-effective amendment to the Registration Statement is filed; (B) when the Commission notifies the Company whether there will be a "review" of such Registration Statement and whenever the Commission comments in writing on such Registration Statement and (C) with respect to the Registration Statement or any post-effective amendment, when the same has become effective; (ii) of any request by the Commission or any other Federal or state governmental authority for amendments or supplements to the Registration Statement or Prospectu s or for additional information; (iii) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement covering any or all of the Registrable Securities or the initiation or threatening of any Proceedings for that purpose; (iv) if at any time any of the representations and warranties of the Company contained in any agreement contemplated hereby ceases to be true and correct in all material respects; (v) of the receipt by the Company of any notification with respect to the suspension of the qualification or exemption from qualification of any of the Registrable Securities for sale in any jurisdiction, or the initiation of any Proceeding for such purpose; and (vi) of the occurrence of any event that makes any statement made in the Registration Statement or Prospectus or any document incorporated or deemed to be incorporated therein by reference untrue in any material respect or that requires any revisions to the Registration Statement, Prospectus or other document s so that, in the case of the Registration Statement or the Prospectus, as the case may be, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(d) Use its best efforts to avoid the issuance of, or, if issued, obtain the withdrawal of, as promptly as possible, (i) any order suspending the effectiveness of the Registration Statement or (ii) any suspension of the qualification (or exemption from qualification) of any of the Registrable Securities for sale in any jurisdiction.

(e) If requested by the Holders of a majority in interest of the Registrable Securities, (i) promptly incorporate in a Prospectus supplement or post-effective amendment to the Registration Statement such information as the Company reasonably agrees should be included therein and (ii) make all required filings of such Prospectus supplement or such post-effective amendment as soon as practicable after the Company has received notification of the matters to be incorporated in such Prospectus supplement or post-effective amendment.

(a) If requested by any Holder, furnish to such Holder and any Special Counsel, without charge, at least one conformed copy of each Registration Statement and each amendment thereto, including financial statements and schedules, all documents incorporated or deemed to be incorporated therein by reference, and all exhibits to the extent requested by such Person (including those previously furnished or incorporated by reference) promptly after the filing of such documents with the Commission.

(b) Promptly deliver to each Holder and any Special Counsel, without charge, as many copies of the Prospectus or Prospectuses (including each form of prospectus) and each amendment or supplement thereto as such Persons may reasonably request; and subject to the provisions of Section 3(n), the Company hereby consents to the use of such Prospectus and each amendment or supplement thereto by each of the selling Holders in connection with the offering and sale of the Registrable Securities covered by such Prospectus and any amendment or supplement thereto.

(c) Prior to any public offering of Registrable Securities, use its best efforts to register or qualify or cooperate with the selling Holders and any Special Counsel in connection with the registration or qualification (or exemption from such registration or qualification) of such Registrable Securities for offer and sale under the securities or Blue Sky laws of such jurisdictions within the United States as any Holder requests in writing, to keep each such registration or qualification (or exemption therefrom) effective during the Effectiveness Period and to do any and all other acts or things necessary or advisable to enable the disposition in such jurisdictions of the Registrable Securities covered by a Registration Statement; provided, however, that the Company shall not be required to qualify generally to do business in any jurisdiction where it is not then so qualified or to take any action that would subject it to general service of process in any such jurisdiction where it is not then so subject or subject the Company to any material tax in any such jurisdiction where it is not then so subject.

(i) Cooperate with the Holders to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be sold pursuant to a Registration Statement, which certificates, to the extent permitted by the Purchase Agreement and applicable federal and state securities laws, shall be free of all restrictive legends, and to enable such Registrable Securities to be in such denominations and registered in such names as any Holder may request in connection with any sale of Registrable Securities.

(j) Upon the occurrence of any event contemplated by Section 3(c)(vi), as promptly as possible, prepare a supplement or amendment, including a post-effective amendment, to the Registration Statement or a supplement to the related Prospectus or any document incorporated or deemed to be incorporated therein by reference, and file any other required document so that, as thereafter delivered, neither the Registration Statement nor such Prospectus will contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(k) Use its best efforts to cause all Registrable Securities relating to the Registration Statement to be listed on the OTC Bulletin Board or any other securities exchange, quotation system or market, if any, on which similar securities issued by the Company are then listed as and when required pursuant to the Purchase Agreement.

(l) Comply in all material respects with all applicable rules and regulations of the Commission and make generally available to its security holders earning statements satisfying the provisions of Section 11(a) of the Securities Act and Rule 158 not later than 45 days after the end of any 12-month period (or 90 days after the end of any 12-month period if such period is a fiscal year) commencing on the first day of the first fiscal quarter of the Company after the effective date of the Registration Statement, which statement shall conform to the requirements of Rule 158.

(m) The Company may require each selling Holder to furnish to the Company information regarding such Holder and the distribution of such Registrable Securities as is required by law to be disclosed in the Registration Statement, Prospectus, or any amendment or supplement thereto, and the Company may exclude from such registration the Registrable Securities of any such Holder who unreasonably fails to furnish such information within a reasonable time after receiving such request.

Each Holder covenants and agrees that (i) it will not sell any Registrable Securities under the Registration Statement until it has received copies of the Prospectus as then amended or supplemented as contemplated in Section 3(g) and notice from the Company that such Registration Statement and any post-effective amendments thereto have become effective as contemplated by Section 3(c) and (ii) it and its officers, directors or Affiliates, if any, will comply with the prospectus delivery requirements of the Securities Act as applicable to them in connection with sales of Registrable Securities pursuant to the Registration Statement.

Each Holder agrees by its acquisition of such Registrable Securities that, upon receipt of a notice from the Company of the occurrence of any event of the kind described in Section 3(c)(ii), 3(c)(iii), 3(c)(iv), 3(c)(v), 3(c)(vi) or 3(n), such Holder will forthwith discontinue disposition of such Registrable Securities under the Registration Statement until such Holder's receipt of the copies of the supplemented Prospectus and/or amended Registration Statement contemplated by Section 3(j), or until it is advised in writing (the "Advice") by the Company that the use of the applicable Prospectus may be resumed, and, in either case, has received copies of any additional or supplemental filings that are incorporated or deemed to be incorporated by reference in such Prospectus or Registration Statement.

(n) If (i) there is material non-public information regarding the Company which the Company's Board of Directors (the "Board") reasonably determines not to be in the Company's best interest to disclose and which the Company is not otherwise required to disclose, or (ii) there is a significant business opportunity (including, but not limited to, the acquisition or disposition of assets (other than in the ordinary course of business) or any merger, consolidation, tender offer or other similar transaction) available to the Company which the Board reasonably determines not to be in the Company's best interest to disclose, then the Company may postpone or suspend filing or effectiveness of a registration statement for a period not to exceed 30 consecutive days, provided that

the Company may not postpone or suspend its obligation under this Section 3(n) for more than 60 days in the agg regate during any 360 day period; provided, however, that no such postponement or suspension shall be permitted for consecutive 30 day periods, arising out of the same set of facts, circumstances or transactions.

4. Registration Expenses.

All fees and expenses incident to the performance of or compliance with this Agreement by the Company, except as and to the extent specified in Section 4, shall be borne by the Company whether or not the Registration Statement is filed or becomes effective and whether or not any Registrable Securities are sold pursuant to the Registration Statement. The fees and expenses referred to in the foregoing sentence shall include, without limitation, (i) all registration and filing fees (including, without limitation, fees and expenses (A) with respect to filings required to be made with each securities exchange or market on which Registrable Securities are required hereunder to be listed, (B) with respect to filing fees required to be paid to the National Association of Securities Dealers, Inc. and the NASD Regulation, Inc. and (C) in compliance with state securities or Blue Sky laws (including , without limitation, fees and disbursements of counsel for the Holders in connection with Blue Sky qualifications of the Registrable Securities and determination of the eligibility of the Registrable Securities for investment under the laws of such jurisdictions as the Holders of a majority of Registrable Securities may designate)), (ii) printing expenses (including, without limitation, expenses of printing certificates for Registrable Securities and of printing prospectuses if the printing of prospectuses is requested by the holders of a majority of the Registrable Securities included in the Registration Statement), (iii) messenger, telephone and delivery expenses, (iv) fees and disbursements of counsel for the Company and Special Counsel for the Holders, in the case of the Special Counsel, to a maximum amount of $7,500, (v) Securities Act liability insurance, if the Company so desires such insurance, and (vi) fees and expenses of all other Persons retained by the Company in connection with the consummatio n of the transactions contemplated by this Agreement, including, without limitation, the Company's independent public accountants (including the expenses of any comfort letters or costs associated with the delivery by independent public accountants of a comfort letter or comfort letters). In addition, the Company shall be responsible for all of its internal expenses incurred in connection with the consummation of the transactions contemplated by this Agreement (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expense of any annual audit, the fees and expenses incurred in connection with the listing of the Registrable Securities on any securities exchange as required hereunder.

5. Indemnification.

(a) Indemnification by the Company. The Company shall, notwithstanding any termination of this Agreement, indemnify and hold harmless each Holder, the officers, directors, agents, brokers (including brokers who offer and sell Registrable Securities as principal as a result of a pledge or any failure to perform under a margin call of Common Stock), investment advisors and employees of each of them, each Person who controls any such Holder (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) and the officers, directors, agents and employees of each such controlling Person, to the fullest extent permitted by applicable law, from and against any and all losses, claims, damages, liabilities, costs (including, without limitation, costs of preparation and attorneys' fees) and expenses (collectively, "Losses"), as incurred, arising out o f or based upon any untrue or alleged untrue statement of a material fact contained in the Registration Statement, any Prospectus or any form of prospectus or in any amendment or supplement thereto or in any preliminary prospectus, or arising out of or based upon any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein (in the case of any Prospectus or form of prospectus or supplement thereto), in the light of the circumstances under which they were made, not misleading, except to the extent, but only to the extent, that such untrue statements or omissions arise out of or are based upon information regarding the Holders or such other Indemnified Party furnished in writing to the Company by a Holder expressly for use therein, which information was reasonably relied on by the Company for use therein or to the extent that such information relates to a Holder or such Holder's proposed method of distribution of Registrable Securities and was rev iewed and expressly approved in writing by a Holder expressly for use in the Registration Statement, such Prospectus or such form of Prospectus or in any amendment or supplement thereto. The Company shall notify the Holders promptly of the institution, threat or assertion of any Proceeding of which the Company is aware in connection with the transactions contemplated by this Agreement.

(b) Indemnification by Holders. Each Holder shall, severally and not jointly, indemnify and hold harmless the Company, its directors, officers, agents and employees, each Person who controls the Company (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act), and the directors, officers, agents or employees of such controlling Persons, to the fullest extent permitted by applicable law, from and against all Losses, as incurred, arising out of or based upon any untrue or alleged untrue statement of a material fact contained in the Registration Statement, any Prospectus, or any form of prospectus, or in any amendment or supplement thereto or in any preliminary prospectus, or arising out of or based upon any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein (in the case of any Pros pectus or form of prospectus or supplement thereto), in the light of the circumstances under which they were made, not misleading, to the extent, but only to the extent, that such untrue statement or omission is contained in any information so furnished in writing by such Holder or other Indemnified Party to the Company expressly for use therein and that such information was reasonably relied upon by the Company for use therein, or to the extent that such information relates to such Holder or such Holder's proposed method of distribution of Registrable Securities and was reviewed and expressly approved in writing by such Holder expressly for use in the Registration Statement, such Prospectus or such form of Prospectus or any amendment or supplement thereto. Notwithstanding anything to the contrary contained herein, the Holders shall be liable under this Section 5(b) for only that amount as does not exceed the net proceeds to such Holder as a result of the sale of Registrable Securities pursuant to such Registration Statement.

(c) Conduct of Indemnification Proceedings. If any Proceeding shall be brought or asserted against any Person entitled to indemnity hereunder (an "Indemnified Party"), such Indemnified Party promptly shall notify the Person from whom indemnity is sought (the "Indemnifying Party) in writing, and the Indemnifying Party shall be entitled to assume the defense thereof, including the employment of counsel reasonably satisfactory to the Indemnified Party and the payment of all fees and expenses incurred in connection with defense thereof; provided, that the failure of any Indemnified Party to give such notice shall not relieve the Indemnifying Party of its obligations or liabilities pursuant to this Agreement, except (and only) to the extent that it shall be finally determined by a court of competent jurisdiction (which determination is not subject to appeal or further review) that such failure shall have proximately and materially adversely prejudiced the Indemnifying Party.

An Indemnified Party shall have the right to employ separate counsel in any such Proceeding and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party or Parties unless: (1) the Indemnifying Party has agreed in writing to pay such fees and expenses; or (2) the Indemnifying Party shall have failed promptly to assume the defense of such Proceeding and to employ counsel reasonably satisfactory to such Indemnified Party in any such Proceeding; or (3) the named parties to any such Proceeding (including any impleaded parties) include both such Indemnified Party and the Indemnifying Party, and such parties shall have been advised by counsel that a conflict of interest is likely to exist if the same counsel were to represent such Indemnified Party and the Indemnifying Party (in which case, if such Indemnified Party notifies the Indemnifying Party in writing that it elects to employ separate counsel at the expense of the Indemnifying Party, the Indemnifying Party shall not have the right to assume the defense thereof and such counsel shall be at the expense of the Indemnifying Party). The Indemnifying Party shall not be liable for any settlement of any such Proceeding effected without its written consent, which consent shall not be unreasonably withheld or delayed. No Indemnifying Party shall, without the prior written consent of the Indemnified Party, effect any settlement of any pending or threatened Proceeding in respect of which any Indemnified Party is a party and indemnity has been sought hereunder, unless such settlement includes an unconditional release of such Indemnified Party from all liability on claims that are the subject matter of such Proceeding.

All fees and expenses of the Indemnified Party (including reasonable fees and expenses to the extent incurred in connection with investigating or preparing to defend such Proceeding in a manner not inconsistent with this Section) shall be paid to the Indemnified Party, as incurred, within ten (10) Business Days of written notice thereof to the Indemnifying Party (regardless of whether it is ultimately determined that an Indemnified Party is not entitled to indemnification hereunder; provided, that the Indemnified Party shall reimburse all such fees and expenses to the extent that such Indemnified Party is not entitled to indemnification hereunder).

(d) Contribution. If a claim for indemnification under Section 5(a) or 5(b) is due but unavailable to an Indemnified Party because of a failure or refusal of a governmental authority to enforce such indemnification in accordance with its terms (by reason of public policy or otherwise), then each Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by such Indemnified Party as a result of such Losses, in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party and Indemnified Party in connection with the actions, statements or omissions that resulted in such Losses as well as any other relevant equitable considerations. The relative fault of such Indemnifying Party and Indemnified Party shall be determined by reference to, among other things, whether any action in question, including a ny untrue or alleged untrue statement of a material fact or omission or alleged omission of a material fact, has been taken or made by, or relates to information supplied by, such Indemnifying, Party or Indemnified Party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action, statement or omission. The amount paid or payable by a party as a result of any Losses shall be deemed to include, subject to the limitations set forth in Section 5(c), any reasonable attorneys' or other reasonable fees or expenses incurred by such party in connection with any Proceeding to the extent such party would have been indemnified for such fees or expenses if the indemnification provided for in this Section was available to such party in accordance with its terms.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 5(d) were determined by pro rata allocation or by any other method of allocation that does not take into account the equitable considerations referred to in the immediately preceding paragraph. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

The indemnity and contribution agreements contained in this Section are in addition to any liability that the Indemnifying Parties may have to the Indemnified Parties pursuant to the law.

6. Rule 144.

As long as any Holder owns Shares, Conversion Shares, Warrants or Warrant Shares, the Company covenants to timely file (or obtain extensions in respect thereof and file within the applicable grace period) all reports required to be filed by the Company after the date hereof pursuant to Section 13(a) or 15(d) of the Exchange Act. As long as any Holder owns Shares, Conversion Shares, Warrants or Warrant Shares, if the Company is not required to file reports pursuant to Section 13(a) or 15(d) of the Exchange Act, it will prepare and furnish to the Holders and make publicly available in accordance with Rule 144(c) promulgated under the Securities Act annual and quarterly financial statements, together with a discussion and analysis of such financial statements in form and substance substantially similar to those that would otherwise be required to be included in reports required by Section 13(a) or 15(d) of the Exchange Act, as well as any other information required thereby, in the time period that such filings would have been required to have been made under the Exchange Act. The Company further covenants that it will take such further action as any Holder may reasonably request, all to the extent required from time to time to enable such Person to sell Conversion Shares and Warrant Shares without registration under the Securities Act within the limitation of the exemptions provided by Rule 144 promulgated under the Securities Act, including providing any legal opinions relating to such sale pursuant to Rule 144. Upon the request of any Holder, the Company shall deliver to such Holder a written certification of a duly authorized officer as to whether it has complied with such requirements.

7. Miscellaneous.

(a) Remedies. In the event of a breach by the Company or by a Holder, of any of their obligations under this Agreement, such Holder or the Company, as the case may be, in addition to being entitled to exercise all rights granted by law and under this Agreement, including recovery of damages, will be entitled to specific performance of its rights under this Agreement.

The Company and each Holder agree that monetary damages would not provide adequate compensation for any losses incurred by reason of a breach by it of any of the provisions of this Agreement and hereby further agrees that, in the event of any action for specific performance in respect of such breach, it shall waive the defense that a remedy at law would be adequate.

(b) No Inconsistent Agreements. Neither the Company nor any of its subsidiaries has, as of the date hereof entered into and currently in effect, nor shall the Company or any of its subsidiaries, on or after the date of this Agreement, enter into any agreement with respect to its securities that is inconsistent with the rights granted to the Holders in this Agreement or otherwise conflicts with the provisions hereof. Except as disclosed in Schedule 2.1(c) of the Purchase Agreement, neither the Company nor any of its subsidiaries has previously entered into any agreement currently in effect granting any registration rights with respect to any of its securities to any Person. Without limiting the generality of the foregoing, without the written consent of the Holders of a majority of the then outstanding Registrable Securities, the Company shall not grant to any Perso n the right to request the Company to register any securities of the Company under the Securities Act unless the rights so granted are subject in all respects to the prior rights in full of the Holders set forth herein, and are not otherwise in conflict with the provisions of this Agreement.

(c) No Piggyback on Registrations. Neither the Company nor any of its security holders (other than the Holders in such capacity pursuant hereto or as disclosed in Schedule 2.1(c) of the Purchase Agreement) may include securities of the Company in the Registration Statement, and the Company shall not after the date hereof enter into any agreement providing such right to any of its securityholders, unless the right so granted is subject in all respects to the prior rights in full of the Holders set forth herein, and is not otherwise in conflict with the provisions of this Agreement.

(d) Piggy-Back Registrations. If at any time when there is not an effective Registration Statement covering (i) Conversion Shares or (ii) Warrant Shares, the Company shall determine to prepare and file with the Commission a registration statement relating to an offering for its own account or the account of others under the Securities Act of any of its equity securities, other than on Form S-4 or Form S-8 (each as promulgated under the Securities Act) or their then equivalents relating to equity securities to be issued solely in connection with any acquisition of any entity or business or equity securities issuable in connection with stock option or other employee benefit plans, the Company shall send to each holder of Registrable Securities written notice of such determination and, if within thirty (30) days after receipt of such notice, or within such shorter period of time as may be specified by the Company in such written notice as may be necessary for the Company to comply with its obligations with respect to the timing of the filing of such registration statement, any such holder shall so request in writing, (which request shall specify the Registrable Securities intended to be disposed of by the Purchasers), the Company will cause the registration under the Securities Act of all Registrable Securities which the Company has been so requested to register by the holder, to the extent requisite to permit the disposition of the Registrable Securities so to be registered, provided that if at any time after giving written notice of its intention to register any securities and prior to the effective date of the registration statement filed in connection with such registration, the Company shall determine for any reason not to register or to delay registration of such securities, the Company may, at its election, give written notice of such determination to such holder and, thereupon, (i) in the case of a determination not to register, shall be relieved of its obligation to register any Registrable Securities in connection with such registration (but not from its obligation to pay expenses in accordance with Section 4 hereof), and (ii) in the case of a determination to delay registering, shall be permitted to delay registering any Registrable Securities being registered pursuant to this Section 7(d) for the same period as the delay in registering such other securities. The Company shall include in such registration statement all or any part of such Registrable Securities such holder requests to be registered; provided, however, that the Company shall not be required to register any Registrable Securities pursuant to this Section 7(d) that are eligible for sale pursuant to Rule 144(k) of the Securities Act. In the case of an underwritten public offering, if the managing underwriter(s) or underwriter(s) should reasonably object to the inclusion of the Registrable Securities in such registration statement, then if the Company after consultation with the managing underwriter should reasonably determine that the inclusion of such Registrable Securities would materially adversely affect the offering contemplated in such registration statement, and based on such determination recommends inclusion in such registration statement of fewer or none of the Registrable Securities of the Holders, then (x) the number of Registrable Securities of the Holders included in such registration statement shall be reduced pro-rata among such Holders (based upon the number of Registrable Securities requested to be included in the registration), if the Company after consultation with the underwriter(s) recommends the inclusion of fewer Registrable Securities, or (y) none of the Registrable Securities of the Holders shall be included in such registration statement, if the Company after consultation with the underwriter(s) recommends the inclusion of none of such Registrable Securities; provid ed, however, that if Securities are being offered for the account of other persons or entities as well as the Company, such reduction shall not represent a greater fraction of the number of Registrable securities intended to be offered by the Holders than the fraction of similar reductions imposed on such other persons or entities (other than the Company).

(e) Failure to File Registration Statement and Other Events. The Company and the Purchasers agree that the Holders will suffer damages if the Registration Statement is not filed on or prior to the Filing Date and not declared effective by the Commission on or prior to the Effectiveness Date and maintained in the manner contemplated herein during the Effectiveness Time or if certain other events occur. The Company and the Holders further agree that it would not be feasible to ascertain the extent of such damages with precision. Accordingly, if, except as set forth in Section 3(n), (A) the Registration Statement is not filed on or prior to the Filing Date, or (B) the Registration Statement is not declared effective by the Commission on or prior to the Effectiveness Date (or in the event an additional Registration Statement is filed because the actual number of shares of Com mon Stock into which the Preferred Stock is convertible and the Warrants are exercisable exceeds the number of shares of Common Stock initially registered is not filed and declared effective with the time periods set forth in Section 2), or (C) the Company fails to file with the Commission a request for acceleration in accordance with Rule 461 promulgated under the Securities Act within five (5) Business Days of the date that the Company is notified (orally or in writing, whichever is earlier) by the Commission that a Registration Statement will not be "reviewed," or is not subject to further review, or (D) the Registration Statement is filed with and declared effective by the Commission but thereafter ceases to be effective as to all Registrable Securities at any time prior to the expiration of the Effectiveness Period, without being succeeded immediately by a subsequent Registration Statement filed with and declared effective by the Commission in accordance with Section 2 hereof or (E) the Compan y has breached Section 3(n), or (F) trading in the Common Stock shall be suspended or if the Common Stock is delisted from the OTC Bulletin Board for any reason for more than three Business Days in the aggregate (any such failure or breach being referred to as an "Event," and for purposes of clauses (A) and (B) the date on which such Event occurs, or for purposes of clause (C) the date on which such five Business Day period is exceeded, or for purposes of clause (D) after more than twenty Business Days, or for purposes of clause (F) the date on which such three Business Day period is exceeded, being referred to as "Event Date"), the Company shall pay an amount as liquidated damages to each Holder equal to 0.5% for each of the first two calendar months or portion thereof and 2.0% for each of the three calendar months thereafter or portion thereof of the Holder's initial investment in the Preferred Stock from the Event Date, less any amount of Preferred Stock that has bee n converted by such Holder, until the applicable Event is cured. Notwithstanding anything to the contrary in this paragraph (e), if (I) any of the Events described in clauses (A), (B) or (C) shall have occurred, (II) on or prior to the applicable Event Date, the Company shall have exercised its rights under Section 3(n) hereof and (III) the postponement or suspension permitted pursuant to such Section 3(n) shall remain effective as of such applicable Event Date, then the applicable Event Date shall be deemed instead to occur on the second Business Day following the termination of such postponement or suspension.

(f) Amendments and Waivers. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, unless the same shall be in writing and signed by the Company and the Holders of three-fourths (3/4) of the Registrable Securities outstanding.

(g) Notices. Any notice, demand, request, waiver or other communication required or permitted to be given hereunder shall be in writing and shall be effective (a) upon hand delivery by telex (with correct answer back received), telecopy or facsimile at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be with respect to each Holder at its address set forth under its name on Schedule I a ttached hereto, or with respect to the Company, addressed to:

Chembio Diagnostics, Inc.
3661 Horseblock Road
Medford, NY 11763
Attention: Lawrence A. Siebert, President
Tel. No.: (631) 924-1135
Fax No.: (631) 924-6033

or to such other address or addresses or facsimile number or numbers as any such party may most recently have designated in writing to the other parties hereto by such notice. Copies of notices to the Company shall be sent Patton Boggs LLP, 1660 Lincoln Street, Suite 1900, Denver, CO 80264, Attention: Alan Talesnick, Tel. No.: (303) 830-1776, Fax No.: (303) 894-9239.

(h) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and permitted assigns and shall inure to the benefit of each Holder and its successors and assigns. The Company may not assign this Agreement or any of its rights or obligations hereunder without the prior written consent of each Holder. Each Purchaser may assign its rights hereunder in the manner and to the Persons as permitted under the Purchase Agreement.

(i) Assignment of Registration Rights. The rights of each Holder hereunder, including the right to have the Company register for resale Registrable Securities in accordance with the terms of this Agreement, shall be automatically assignable by each Holder to any Affiliate of such Holder or any other Holder or Affiliate of any other Holder of all or a portion of the Preferred Stock or the Registrable Securities if: (i) the Holder agrees in writing with the transferee or assignee to assign such rights, and a copy of such agreement is furnished to the Company within a reasonable time after such assignment, (ii) the Company is, within a reasonable time after such transfer or assignment, furnished with written notice of (a) the name and address of such transferee or assignee, and (b) the securities with respect to which such registration rights are being transferred o r assigned, (iii) following such transfer or assignment the further disposition of such securities by the transferee or assignees is restricted under the Securities Act and applicable state securities laws, (iv) at or before the time the Company receives the written notice contemplated by clause (ii) of this Section, the transferee or assignee agrees in writing with the Company to be bound by all of the provisions of this Agreement, and (v) such transfer shall have been made in accordance with the applicable requirements of the Purchase Agreement. In addition, each Holder shall have the right to assign its rights hereunder to any other Person with the prior written consent of the Company, which consent shall not be unreasonably withheld provided that such assignment shall be in accordance with applicable securities laws. The rights to assignment shall apply to the Holders (and to subsequent) successors and assigns.

(j) Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and, all of which taken together shall constitute one and the same Agreement. In the event that any signature is delivered by facsimile transmission, such signature shall create a valid binding obligation of the party executing (or on whose behalf such signature is executed) the same with the same force and effect as if such facsimile signature were the original thereof.

(k) Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York, without giving effect to the choice of law provisions. This Agreement shall not interpreted or construed with any presumption against the party causing this Agreement to be drafted.

(l) Cumulative Remedies. The remedies provided herein are cumulative and not exclusive of any remedies provided by law.

(m)

Severability. If any term, provision, covenant or restriction of this Agreement is held to be invalid, illegal, void or unenforceable in any respect, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their reasonable efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

(n) Headings. The headings herein are for convenience only, do not constitute a part of this Agreement and shall not be deemed to limit or affect any of the provisions hereof.

(o) Shares Held by the Company and its Affiliates. Whenever the consent or approval of Holders of a specified percentage of Registrable Securities is required hereunder, Registrable Securities held by the Company or its Affiliates (other than any Holder or transferees or successors or assigns thereof if such Holder is deemed to be an Affiliate solely by reason of its holdings of such Registrable Securities) shall not be counted in determining whether such consent or approval was given by the Holders of such required percentage.

(p) Independent Nature of Purchasers. The Company acknowledges that the obligations of each Purchaser under the Transaction Documents are several and not joint with the obligations of any other Purchaser, and no Purchaser shall be responsible in any way for the performance of the obligations of any other Purchaser under the Transaction Documents. The Company acknowledges that the decision of each Purchaser to purchase securities pursuant to the Purchase Agreement has been made by such Purchaser independently of any other purchase and independently of any information, materials, statements or opinions as to the business, affairs, operations, assets, properties, liabilities, results of operations, condition (financial or otherwise) or prospects of the Company or of its Subsidiaries which may have made or given by any other Purchaser or by any agent or employee of any other Purcha ser, and no Purchaser or any of its agents or employees shall have any liability to any Purchaser (or any other person) relating to or arising from any such information, materials, statements or opinions. The Company acknowledges that nothing contained herein, or in any Transaction Document, and no action taken by any Purchaser pursuant hereto or thereto (including, but not limited to, the (i) inclusion of a Purchaser in the Registration Statement and (ii) review by, and consent to, such Registration Statement by a Purchaser) shall be deemed to constitute the Purchasers as a partnership, an association, a joint venture or any other kind of entity, or create a presumption that the Purchasers are in any way acting in concert or as a group with respect to such obligations or the transactions contemplated by the Transaction Documents. The Company acknowledges that each Purchaser shall be entitled to independently protect and enforce its rights, including without limitation, the rights arising out of this Agreement or out of the other Transaction Documents, and it shall not be necessary for any other Purchaser to be joined as an additional party in any proceeding for such purpose. The Company acknowledges that for reasons of administrative convenience only, the Transaction Documents have been prepared by counsel for one of the Purchasers and such counsel does not represent all of the Purchasers but only such Purchaser and the other Purchasers have retained their own individual counsel with respect to the transactions contemplated hereby. The Company acknowledges that it has elected to provide all Purchasers with the same terms and Transaction Documents for the convenience of the Company and not because it was required or requested to do so by the Purchasers. The Company acknowledges that such procedure with respect to the Transaction Documents in no way creates a presumption that the Purchasers are in any way acting in concert or as a group with respect to the Transaction Documents or t he transactions contemplated hereby or thereby.

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IN WITNESS WHEREOF, the parties hereto have caused this Registration Rights Agreement to be duly executed by their respective authorized persons as of the date first indicated above.

CHEMBIO DIAGNOSTICS, INC.

By:_____
Name:
Title:

PURCHASER:

By:_____
Name:
Title:

964213_3

Schedule I
Purchasers

[SEE ATTACHED SPREADSHEET]

964213_3

Schedule II
Securities Permitted to be Included on the Registration Statement

964213_3

LOCK-UP AGREEMENT

THIS AGREEMENT (this "Agreement"), dated as of May 5, 2004 by and among Chembio Diagnostics, Inc., a Nevada corporation (the "Company"), and the shareholders of the Company listed on Schedule A attached hereto (collectively, the "Shareholders")

WHEREAS, to induce certain investors (the "Investors") to enter into that certain Series A Convertible Preferred Stock and Warrant Purchase Agreement dated as of the date hereof (the "Purchase Agreement") by and among the Company and the Investors, the Shareholders have agreed not to sell any shares of the common stock, par value $.01 per share, of the Company that such Shareholders presently own (the "Common Stock"), except in accordance with the terms and conditions set forth herein. Capitalized terms used herein without definition shall have the meanings assigned to such terms in the Purchase Agreement.

NOW, THEREFORE, in consideration of the covenants and conditions hereinafter contained, the parties hereto agree as follows:

1. Restriction on Transfer; Term. From the date hereof through the period of six (6) months following the effective date of the registration statement providing for the resale of the shares of Common Stock issuable upon conversion of the Series A Convertible Preferred Stock of the Company issued to the Investors pursuant to the Purchase Agreement (the "Initial Period"), the Shareholders hereby agree with the Company that the Shareholders will not offer, sell, contract to sell, assign, transfer, hypothecate, pledge or grant a security interest in, or otherwise dispose of (each, a "Transfer"), or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition of (whether by actual disposition or effective economic disposition due to cash settlement or otherwise by the Company or any affiliate of the Compan y or any person in privity with the Company or any affiliate of the Company), directly or indirectly, any of the shares of Common Stock. Following the Initial Period and for a period of six (6) months (the "Selling Period"), each of the Shareholders may sell up to twenty percent (20%) of its shares of Common Stock. Following the Selling Period, each Shareholder may freely Transfer its remaining eighty percent (80%) of shares of Common Stock.

2. Ownership. Notwithstanding anything to the contrary in this Agreement, the Shareholders shall retain all rights of ownership in the Common Stock, including, without limitation, voting rights and the right to receive any dividends, if any, that may be declared in respect thereof.

3. Company and Transfer Agent. The Company is hereby authorized to disclose the existence of this Agreement to its transfer agent. The Company and its transfer agent are hereby authorized to decline to make any transfer of the Common Stock if such transfer would constitute a violation or breach of this Agreement and the Purchase Agreement.

4. Notices. All notices, demands, consents, requests, instructions and other communications to be given or delivered or permitted under or by reason of the provisions of this Agreement or in connection with the transactions contemplated hereby shall be in writing and shall be deemed to be delivered and received by the intended recipient as follows: (i) if personally delivered, on the business day of such delivery (as evidenced by the receipt of the personal delivery service), (ii) if mailed certified or registered mail return receipt requested, four (4) business days after being mailed, (iii) if delivered by overnight courier (with all charges having been prepaid), on the business day of such delivery (as evidenced by the receipt of the overnight courier service of recognized standing), or (iv) if delivered by facsimile transmission, on the business day of such delivery if sent by 6:00 p.m. in the time zone of the recipient, or if sent after that time, on the next succeeding business day (as evidenced by the printed confirmation of delivery generated by the sending party's telecopier machine). If any notice, demand, consent, request, instruction or other communication cannot be delivered because of a changed address of which no notice was given (in accordance with this Section 4), or the refusal to accept same, the notice, demand, consent, request, instruction or other communication shall be deemed received on the second business day the notice is sent (as evidenced by a sworn affidavit of the sender). All such notices, demands, consents, requests, instructions and other communications will be sent to the following addresses or facsimile numbers as applicable.

If to the Company:

Chembio Diagnostics, Inc.
3661 Horseblock Road
Medford, NY 11763
Attention: Lawrence A. Siebert, President
Tel. No.: (631) 924-1135
Fax No.: (631) 924-6033

With a copies to:

Patton Boggs LLP
1660 Lincoln Street; Suite 1900
Denver, CO 80264
Attention: Alan Talesnick
Tel. No.: (303) 830-1776
Fax No.: (303) 894-9239

and to:

Jenkens & Gilchrist Parker Chapin LLP
The Chrysler Building,
405 Lexington Avenue
New York, NY 10174
Telephone: (212) 704-6000
Facsimile: (212) 704-6288
Attention: Christopher S. Auguste

If to any of the Shareholders, addressed to such Shareholder at:

c/o Chembio Diagnostics, Inc.
3661 Horseblock Road
Medford, NY 11763
Tel. No.: (631) 924-1135
Fax No.: (631) 924-6033

or to such other address as any party may specify by notice given to the other party in accordance with this Section 4.

5. Amendment. This Agreement may not be modified, amended, altered or supplemented, except by a written agreement executed by each of the parties hereto.

6. Entire Agreement. This Agreement contain the entire understanding and agreement of the parties relating to the subject matter hereof and supersedes all prior and/or contemporaneous understandings and agreements of any kind and nature (whether written or oral) among the parties with respect to such subject matter, all of which are merged herein.

7. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to agreements made and to be performed in that state, without regard to any of its principles of conflicts of laws or other laws which would result in the application of the laws of another jurisdiction. This Agreement shall be construed and interpreted without regard to any presumption against the party causing this Agreement to be drafted.

8. Waiver of Jury Trial. EACH OF THE PARTIES HEREBY UNCONDITIONALLY AND IRREVOCABLY WAIVES THE RIGHT TO A TRIAL BY JURY IN ANY ACTION, SUIT OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. EACH OF THE PARTIES UNCONDITIONALLY AND IRREVOCABLY CONSENTS TO THE EXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK LOCATED IN NEW YORK COUNTY AND THE FEDERAL DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK WITH RESPECT TO ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY, AND EACH OF THE PARTIES HEREBY UNCONDITIONALLY AND IRREVOCABLY WAIVES ANY OBJECTION TO VENUE IN NEW YORK COUNTY OR SUCH DISTRICT, AND AGREES THAT SERVICE OF ANY SUMMONS, COMPLAINT, NOTICE OR OTHER PROCESS RELATING TO SUCH SUIT, ACTION OR OTHER PROCEEDING MAY BE EFFECTED IN THE MANNER PROVIDED IN SECTION 4.

9. Severability. The parties agree that if any provision of this Agreement be held to be invalid, illegal or unenforceable in any jurisdiction, that holding shall be effective only to the extent of such invalidity, illegally or unenforceability without invalidating or rendering illegal or unenforceable the remaining provisions hereof, and any such invalidity, illegally or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. It is the intent of the parties that this Agreement be fully enforced to the fullest extent permitted by applicable law.

10. Binding Effect; Assignment. This Agreement and the rights and obligations hereunder may not be assigned by any party hereto without the prior written consent of the other parties hereby. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns.

11. Headings. The section headings contained in this Agreement (including, without limitation, section headings and headings in the exhibits and schedules) are inserted for reference purposes only and shall not affect in any way the meaning, construction or interpretation of this Agreement. Any reference to the masculine, feminine, or neuter gender shall be a reference to such other gender as is appropriate. References to the singular shall include the plural and vice versa.

12.

Third Parties. Except as expressly permitted by Section 10 hereof, nothing herein is intended or shall be construed to confer upon or give to any person, firm or entity, other than the parties hereto, any rights, privileges or remedies under or by reason of this Agreement.

13. Counterparts. This Agreement may be executed in two or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original, and all of which, when taken together, shall constitute one and the same document. This Agreement shall become effective when one or more counterparts, taken together, shall have been executed and delivered by all of the parties.

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

CHEMBIO DIAGNOSTICS, INC.

By:_____
Name:
Title:

SHAREHOLDER

By:_____
Name:
Title:

Schedule A
Shareholders

Larry Siebert
Tomas Haendler
Mark Baum
Richard Larkin
Avi Pelossof

THIS WARRANT AND THE SHARES OF COMMON STOCK ISSUABLE UPON EXERCISE HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAW AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF UNLESS REGISTERED UNDER THE SECURITIES ACT AND UNDER APPLICABLE STATE SECURITIES LAWS OR THE ISSUER SHALL HAVE RECEIVED AN OPINION OF COUNSEL TO THE HOLDER OF THE SECURITIES (UNLESS THE ISSUER IN ITS SOLE DISCRETION DETERMINES TO USE ITS OWN COUNSEL), WITH ANY SUCH COUNSEL TO THE HOLDER AND ANY SUCH OPINION OF SUCH COUNSEL TO BE REASONABLY ACCEPTABLE TO THE ISSUER, THAT REGISTRATION OF SUCH NOTE UNDER THE SECURITIES ACT AND UNDER THE PROVISIONS OF APPLICABLE STATE SECURITIES LAWS IS NOT REQUIRED.

WARRANT TO PURCHASE

SHARES OF COMMON STOCK

OF

CHEMBIO DIAGNOSTICS, INC.

Expires May 5, 2009

No.: W-04-__ Number of Shares: _____
Date of Issuance: May 5, 2004

FOR VALUE RECEIVED, subject to the provisions hereinafter set forth, the undersigned, Chembio Diagnostics, Inc., a Nevada corporation (together with its successors and assigns, the "Issuer"), hereby certifies that _____ or its registered assigns is entitled to subscribe for and purchase, during the Term (as hereinafter defined), up to _____ (_____) shares (subject to adjustment as hereinafter provided) of the duly authorized, validly issued, fully paid and non-assessable Common Stock of the Issuer, at an exercise price per share equal to the Warrant Price then in effect, subject, however, to the provisions and upon the terms and conditions hereinafter set forth. Capitalized terms used in this Warrant and not otherwise defined herein shall have the respective meanings specified in Section 9 hereof.

1. Term. The term of this Warrant shall commence on May 5, 2004 and shall expire at 5:00 p.m., eastern time, on May 5, 2009 (such period being the "Term").

2. Method of Exercise Payment; Issuance of New Warrant; Transfer and Exchange.

(a) Time of Exercise. The purchase rights represented by this Warrant may be exercised in whole or in part during the Term commencing on the effective date of a registration statement under the Securities Act providing for the resale of the Warrant Stock and the shares of Common Stock issuable upon conversion of the Issuer's Series A Convertible Preferred Stock issued pursuant to the Purchase Agreement and expiring on May 5, 2009.

(b) Method of Exercise. The Holder hereof may exercise this Warrant, in whole or in part, by the surrender of this Warrant (with the exercise form attached hereto duly executed) at the principal office of the Issuer, and by the payment to the Issuer of an amount of consideration therefor equal to the Warrant Price in effect on the date of such exercise multiplied by the number of shares of Warrant Stock with respect to which this Warrant is then being exercised, payable by certified or official bank check or by wire transfer to an account designated by the Issuer.

(c) Issuance of Stock Certificates. In the event of any exercise of the rights represented by this Warrant in accordance with and subject to the terms and conditions hereof, (i) certificates for the shares of Warrant Stock so purchased shall be dated the date of such exercise and delivered to the Holder hereof within a reasonable time, not exceeding three (3) Trading Days after such exercise or, at the request of the Holder (provided that a registration statement under the Securities Act providing for the resale of the Warrant Stock is then in effect), issued and delivered to the Depository Trust Company ("DTC") account on the Holder's behalf via the Deposit Withdrawal Agent Commission System ("DWAC") within a reasonable time, not exceeding three (3) Trading Days after such exercise, and the Holder hereof shall be deemed for all purposes to be th e holder of the shares of Warrant Stock so purchased as of the date of such exercise and (ii) unless this Warrant has expired, a new Warrant representing the number of shares of Warrant Stock, if any, with respect to which this Warrant shall not then have been exercised (less any amount thereof which shall have been canceled in payment or partial payment of the Warrant Price as hereinabove provided) shall also be issued to the Holder hereof at the Issuer's expense within such time.

(d) Transferability of Warrant. Subject to Section 2(f) and Section 2(g), this Warrant may be transferred by a Holder without the consent of the Issuer. If transferred pursuant to this paragraph and subject to the provisions of subsection (f) of this Section 2, this Warrant may be transferred on the books of the Issuer by the Holder hereof in person or by duly authorized attorney, upon surrender of this Warrant at the principal office of the Issuer, properly endorsed (by the Holder executing an assignment in the form attached hereto) and upon payment of any necessary transfer tax or other governmental charge imposed upon such transfer. This Warrant is exchangeable at the principal office of the Issuer for Warrants for the purchase of the same aggregate number of shares of Warrant Stock, each new Warrant to represent the right to purchase such number of shares of Warrant St ock as the Holder hereof shall designate at the time of such exchange. All Warrants issued on transfers or exchanges shall be dated the Original Issue Date and shall be identical with this Warrant except as to the number of shares of Warrant Stock issuable pursuant thereto.

(e) Continuing Rights of Holder. The Issuer will, at the time of or at any time after each exercise of this Warrant, upon the request of the Holder hereof, acknowledge in writing the extent, if any, of its continuing obligation to afford to such Holder all rights to which such Holder shall continue to be entitled after such exercise in accordance with the terms of this Warrant, provided that if any such Holder shall fail to make any such request, the failure shall not affect the continuing obligation of the Issuer to afford such rights to such Holder.

(f) Compliance with Securities Laws.

(i) The Holder of this Warrant, by acceptance hereof, acknowledges that this Warrant or the shares of Warrant Stock to be issued upon exercise hereof are being acquired solely for the Holder's own account and not as a nominee for any other party, and for investment, and that the Holder will not offer, sell or otherwise dispose of this Warrant or any shares of Warrant Stock to be issued upon exercise hereof except pursuant to an effective registration statement, or an exemption from registration, under the Securities Act and any applicable state securities laws.

(ii) Except as provided in paragraph (iii) below, this Warrant and all certificates representing shares of Warrant Stock issued upon exercise hereof shall be stamped or imprinted with a legend in substantially the following form:

> THIS WARRANT AND THE SHARES OF COMMON STOCK ISSUABLE UPON EXERCISE HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAW AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF UNLESS REGISTERED UNDER THE SECURITIES ACT AND UNDER APPLICABLE STATE SECURITIES LAWS OR THE ISSUER SHALL HAVE RECEIVED AN OPINION OF COUNSEL TO THE HOLDER OF THE SECURITIES (UNLESS THE ISSUER IN ITS SOLE DISCRETION DETERMINES TO USE ITS OWN COUNSEL), WITH ANY SUCH COUNSEL TO THE HOLDER AND ANY SUCH OPINION OF SUCH COUNSEL TO BE REASONABLY ACCEPTABLE TO THE ISSUER, THAT REGISTRATION OF SUCH NOTE UNDER THE SECURITIES ACT AND UNDER THE PROVISIONS OF APPLICABLE STATE SECURITIES LAWS IS NOT REQUIRED.

(iii) The Issuer agrees to reissue certificates representing any of the Warrant Stock, without the legend set forth above if at such time, prior to making any transfer of any such securities, the Holder shall give written notice to the Issuer describing the manner and terms of such transfer and removal as the Issuer may reasonably request. Such proposed transfer and removal will not be effected until: (a) either (i) the Issuer has received an opinion of counsel reasonably satisfactory to the Issuer, to the effect that the registration of such securities under the Securities Act is not required in connection with such proposed transfer, (ii) a registration statement under the Securities Act covering such proposed disposition has been filed by the Issuer with the Securities and Exchange Commission and has become effective under the Securities Act, (iii) the Issuer has rece ived other evidence reasonably satisfactory to the Issuer that such registration and qualification under the Securities Act and state securities laws are not required, or (iv) the Holder provides the Issuer with reasonable assurances that such security can be sold pursuant to Rule 144 under the Securities Act; and (b) either (i) the Issuer has received an opinion of counsel reasonably satisfactory to the Issuer, to the effect that registration or qualification under the securities or "blue sky" laws of any state is not required in connection with such proposed disposition, or (ii) compliance with applicable state securities or "blue sky" laws has been effected or a valid exemption exists with respect thereto. The Issuer will respond to any such notice from a holder within five (5) business days. In the case of any proposed transfer under this Section 2(f), the Issuer will use reasonable efforts to comply with any such applicable state securities or "blue sky" laws, b ut shall in no event be required, (x) to qualify to do business in any state where it is not then qualified, (y) to take any action that would subject it to tax or to the general service of process in any state where it is not then subject, or (z) to comply with state securities or "blue sky" laws of any state for which registration by coordination is unavailable to the Issuer. The restrictions on transfer contained in this Section 2(f) shall be in addition to, and not by way of limitation of, any other restrictions on transfer contained in any other section of this Warrant. Whenever a certificate representing the Warrant Stock is required to be issued to a the Holder without a legend, in lieu of delivering physical certificates representing the Warrant Stock, provided the Issuer's transfer agent is participating in the DTC Fast Automated Securities Transfer program, the Issuer shall use its reasonable best efforts to cause its transfer agent to electronically transmit the Warrant Stock to the Holder by crediting the account of the Holder's Prime Broker with DTC through its DWAC system (to the extent not inconsistent with any provisions of this Warrant or the Purchase Agreement).

(g) In no event may the Holder exercise this Warrant in whole or in part unless the Holder is an "accredited investor" as defined in Regulation D under the Securities Act.

3. Stock Fully Paid; Reservation and Listing of Shares; Covenants.

(a) Stock Fully Paid. The Issuer represents, warrants, covenants and agrees that all shares of Warrant Stock which may be issued upon the exercise of this Warrant or otherwise hereunder will, when issued in accordance with the terms of this Warrant, be duly authorized, validly issued, fully paid and non-assessable and free from all taxes, liens and charges created by or through the Issuer. The Issuer further covenants and agrees that during the period within which this Warrant may be exercised, the Issuer will at all times have authorized and reserved for the purpose of the issue upon exercise of this Warrant a sufficient number of shares of Common Stock to provide for the exercise of this Warrant.

(b) Reservation. If any shares of Common Stock required to be reserved for issuance upon exercise of this Warrant or as otherwise provided hereunder require registration or qualification with any governmental authority under any federal or state law before such shares may be so issued, the Issuer will in good faith use its reasonable best efforts as expeditiously as possible at its expense to cause such shares to be duly registered or qualified. If the Issuer shall list any shares of Common Stock on any securities exchange or market it will, at its expense, list thereon, maintain and increase when necessary such listing, of, all shares of Warrant Stock from time to time issued upon exercise of this Warrant or as otherwise provided hereunder (provided that such Warrant Stock has been registered pursuant to a registration statement under the Securities Act then in effect), and, to the extent permissible under the applicable securities exchange rules, all unissued shares of Warrant Stock which are at any time issuable hereunder, so long as any shares of Common Stock shall be so listed. The Issuer will also so list on each securities exchange or market, and will maintain such listing of, any other securities which the Holder of this Warrant shall be entitled to receive upon the exercise of this Warrant if at the time any securities of the same class shall be listed on such securities exchange or market by the Issuer.

(c) Covenants. The Issuer shall not by any action including, without limitation, amending the Articles of Incorporation or the by-laws of the Issuer, or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate to protect the rights of the Holder hereof against dilution (to the extent specifically provided herein) or impairment. Without limiting the generality of the foregoing, the Issuer will (i) not permit the par value, if any, of its Common Stock to exceed the then effective Warrant Price, (ii) not amend or modify any provision of the Articles of Incorporation o r by-laws of the Issuer in any manner that would adversely affect the rights of the Holders of the Warrants in their capacity as Holders of the Warrants, (iii) take all such action as may be reasonably necessary in order that the Issuer may validly and legally issue fully paid and nonassessable shares of Common Stock, free and clear of any liens, claims, encumbrances and restrictions (other than as provided herein) upon the exercise of this Warrant, and (iv) use its reasonable best efforts to obtain all such authorizations, exemptions or consents from any public regulatory body having jurisdiction thereof as may be reasonably necessary to enable the Issuer to perform its obligations under this Warrant.

(d) Loss, Theft, Destruction of Warrants. Upon receipt of evidence satisfactory to the Issuer of the ownership of and the loss, theft, destruction or mutilation of any Warrant and, in the case of any such loss, theft or destruction, upon receipt of indemnity or security satisfactory to the Issuer or, in the case of any such mutilation, upon surrender and cancellation of such Warrant, the Issuer will make and deliver, in lieu of such lost, stolen, destroyed or mutilated Warrant, a new Warrant of like tenor and representing the right to purchase the same number of shares of Common Stock.

4. Adjustment of Warrant Price. The price at which such shares may be purchased upon exercise of this Warrant shall be subject to adjustment from time to time as set forth in this Section 4. The Issuer shall give the Holder notice of any event described below which requires an adjustment pursuant to this Section 4 in accordance with Section 5.

(a) Recapitalization, Reorganization, Reclassification, Consolidation, Merger or Sale.

(i) In case the Issuer after the Original Issue Date shall do any of the following (each, a "Triggering Event"): (a) consolidate or merge with or into another corporation where the holders of outstanding Voting Stock prior to such merger or consolidation do not own over 50% of the outstanding Voting Stock of the merged or consolidated entity immediately after such merger or consolidation, or (b) sell all or substantially all of its properties or assets to any other Person, or (c) change the Common Stock to the same or different number of shares of any class or classes of stock, whether by reclassification, exchange, substitution or otherwise (other than by way of a stock split or combination of shares or stock dividends or distributions provided for in Section 4(b) or Section 4(c)), or (d) effect a capital reorganization (other than by way of a stock s plit or combination of shares or stock dividends or distributions provided for in Section 4(b) or Section 4(c)), then, and in the case of each such Triggering Event, proper provision shall be made so that, upon the basis and the terms and in the manner provided in this Warrant, the Holder of this Warrant shall be entitled upon the exercise hereof at any time after the consummation of such Triggering Event, to the extent this Warrant is not exercised prior to such Triggering Event, to receive at the Warrant Price in effect at the time immediately prior to the consummation of such Triggering Event in lieu of the Common Stock issuable upon such exercise of this Warrant prior to such Triggering Event, the securities, cash and property to which such Holder would have been entitled upon the consummation of such Triggering Event if such Holder had exercised the rights represented by this Warrant immediately prior thereto, subject to adjustments (subsequent to such corporate action) as nearly equivalent as possible to the adjustments provided for elsewhere in this Section 4.

(ii) Notwithstanding anything contained in this Warrant to the contrary, a Triggering Event shall not be deemed to have occurred if, prior to the consummation thereof, each Person (other than the Issuer) which may be required to deliver any securities, cash or property upon the exercise of this Warrant as provided herein shall assume, by written instrument delivered to, and reasonably satisfactory to, the Holder of this Warrant, (A) the obligations of the Issuer under this Warrant (and if the Issuer shall survive the consummation of such Triggering Event, such assumption shall be in addition to, and shall not release the Issuer from, any continuing obligations of the Issuer under this Warrant) and (B) the obligation to deliver to such Holder such shares of securities, cash or property as, in accordance with the foregoing provisions of this subsection (a), such Holder shall be ent itled to receive, and such Person shall have similarly delivered to such Holder a written acknowledgement executed by the President or Chief Financial Officer of the Company, stating that this Warrant shall thereafter continue in full force and effect and the terms hereof (including, without limitation, all of the provisions of this subsection (a)) shall be applicable to the securities, cash or property which such Person may be required to deliver upon any exercise of this Warrant or the exercise of any rights pursuant hereto.

(b) Stock Dividends, Subdivisions and Combinations. If at any time the Issuer shall:

(i) make or issue or set a record date for the holders of its Common Stock for the purpose of entitling them to receive a dividend payable in, or other distribution of, shares of Common Stock,

(ii) subdivide its outstanding shares of Common Stock into a larger number of shares of Common Stock, or

(iii) combine its outstanding shares of Common Stock into a smaller number of shares of Common Stock,

then (1) the number of shares of Common Stock for which this Warrant is exercisable immediately after the occurrence of any such event shall be adjusted to equal the number of shares of Common Stock which a record holder of the same number of shares of Common Stock for which this Warrant is exercisable immediately prior to the occurrence of such event would own or be entitled to receive after the happening of such event, and (2) the Warrant Price then in effect shall be adjusted to equal (A) the Warrant Price then in effect multiplied by the number of shares of Common Stock for which this Warrant is exercisable immediately prior to the adjustment divided by (B) the number of shares of Common Stock for which this Warrant is exercisable immediately after such adjustment.

Notwithstanding the foregoing, if such record date shall have been fixed and such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, the Warrant Price shall be adjusted pursuant to this paragraph as of the time of actual payment of such dividends or distributions.

(c) Certain Other Distributions. If at any time the Issuer shall make or issue or set a record date for the determination of the holders of its Common Stock for the purpose of entitling them to receive any dividend or other distribution of:

(i) cash (other than a cash dividend payable out of earnings or earned surplus legally available for the payment of dividends under the laws of the jurisdiction of incorporation of the Issuer),

(ii) any evidences of its indebtedness, any shares of stock of any class or any other securities or property of any nature whatsoever (other than cash, Convertible Securities or Additional Shares of Common Stock), or

(iii) any warrants or other rights to subscribe for or purchase any evidences of its indebtedness, any shares of stock of any class or any other securities or property of any nature whatsoever (other than cash, Convertible Securities or Additional Shares of Common Stock),

then (1) the number of shares of Common Stock for which this Warrant is exercisable shall be adjusted to equal the product of the number of shares of Common Stock for which this Warrant is exercisable immediately prior to such adjustment multiplied by a fraction (A) the numerator of which shall be the Per Share Market Value of Common Stock at the date of taking such record and (B) the denominator of which shall be such Per Share Market Value minus the amount allocable to one share of Common Stock of any such cash so distributable and of the fair value (as determined in good faith by the Board of Directors of the Issuer and supported by an opinion from an investment banking firm of recognized national standing acceptable to (but not affiliated with) the Holder) of any and all such evidences of indebtedness, shares of stock, other securities or property or warrants or other subscription o r purchase rights so distributable, and (2) the Warrant Price then in effect shall be adjusted to equal (A) the Warrant Price then in effect multiplied by the number of shares of Common Stock for which this Warrant is exercisable immediately prior to the adjustment divided by (B) the number of shares of Common Stock for which this Warrant is exercisable immediately after such adjustment. A reclassification of the Common Stock (other than a change in par value, or from par value to no par value or from no par value to par value) into shares of Common Stock and shares of any other class of stock shall be deemed a distribution by the Issuer to the holders of its Common Stock of such shares of such other class of stock within the meaning of this Section 4(c) and, if the outstanding shares of Common Stock shall be changed into a larger or smaller number of shares of Common Stock as a part of such reclassification, such change shall be deemed a subdivision or combination, as the case may be, of the outstandi ng shares of Common Stock within the meaning of Section 4(b).

Notwithstanding the foregoing, if such record date shall have been fixed and such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, the Warrant Price shall be adjusted pursuant to this Section 4(c) as of the time of actual payment of such dividends or distributions.

(d) Issuance of Additional Shares of Common Stock. In the event the Issuer shall at any time following the Original Issue Date issue any Additional Shares of Common Stock (otherwise than as provided in the foregoing subsections (a) through (c) of this Section 4), at a price per share less than $.60 or without consideration, then the Warrant Price upon each such issuance shall be adjusted to the price equal to the consideration per share paid for such Additional Shares of Common Stock.

(e) Issuance of Common Stock Equivalents. If at any time the Issuer shall issue or sell any Common Stock Equivalents, whether or not the rights to exchange or convert thereunder are immediately exercisable, and the aggregate price per share for which Common Stock is issuable upon such conversion or exchange plus the consideration received by the Issuer for issuance of such

Common Stock Equivalent divided by the number of shares of Common Stock issuable pursuant to such Common Stock Equivalent shall be less than $.60 or without consideration, then the Warrant Price then in effect shall be adjusted as provided in Section 4(d). No further adjustment of the Warrant Price then in effect shall be made under this Section 4(e) upon the issuance of any Common Stock Equivalents which are issued pursuant to the exercise of any warrants or other subscription or purchase rights therefor, if any such adjustment shall previously have been made upon the issuance of such warrants or other rights pursuant to this Section 4(e). No further adjustments of the Warrant Price then in effect shall be made upon the actual issue of such Common Stock upon conversion or exchange of such Common Stock Equivalents.

(f) Other Provisions applicable to Adjustments under this Section. The following provisions shall be applicable to the making of adjustments of the number of shares of Common Stock for which this Warrant is exercisable and the Warrant Price then in effect provided for in this Section 4:

(i) Computation of Consideration. To the extent that any Additional Shares of Common Stock shall be issued for cash consideration, the consideration received by the Issuer therefor shall be the amount of the cash received by the Issuer therefor, or, if such Additional Shares of Common Stock are offered by the Issuer for subscription, the subscription price, or, if such Additional Shares of Common Stock are sold to underwriters or dealers for public offering without a subscription offering, the initial public offering price (in any such case subtracting any amounts paid or receivable for accrued interest or accrued dividends and without taking into account any compensation, discounts or expenses paid or incurred by the Issuer for and in the underwriting of, or otherwise in connection with, the issuance thereof). In connection with any merger or consolidation in which the Issuer is the surviving corporation (other than any consolidation or merger in which the previously outstanding shares of Common Stock of the Issuer shall be changed to or exchanged for the stock or other securities of another corporation), the amount of consideration therefore shall be, deemed to be the fair value, as determined reasonably and in good faith by the Board, of such portion of the assets and business of the nonsurviving corporation as the Board may determine to be attributable to such Additional Shares of Common Stock. The consideration for any Additional Shares of Common Stock issuable pursuant to any Convertible Securities or warrants or other rights to subscribe for or purchase the same shall be the consideration received by the Issuer for issuing such Convertible Securities or warrants or other rights plus the additional consideration payable to the Issuer upon exercise of such warrants or other rights. In the event of any consolidation or merger of the Issuer in which the Issuer is not the surviving corporation or in which the previously outstanding shares of Common Stock of the Issuer shall be changed into or exchanged for the stock or other securities of another corporation, or in the event of any sale of all or substantially all of the assets of the Issuer for stock or other securities of any corporation, the Issuer shall be deemed to have issued a number of shares of its Common Stock for stock or securities or other property of the other corporation computed on the basis of the actual exchange ratio on which the transaction was predicated, and for a consideration equal to the fair market value on the date of such transaction of all such stock or securities or other property of the other corporation. In the event any consideration received by the Issuer for any securities consists of property other than cash, the fair market value thereof at the time of issuance or as otherwise applicable shall be as determined in good faith by the Board. In the event Common Stock is issued with other shares or securities or other assets of the Issuer for consideration which covers both, the consideration computed as provided in this Section 4(f)(i) shall be allocated among such securities and assets as determined in good faith by the Board.

(ii) When Adjustments to Be Made. The adjustments required by this Section 4 shall be made whenever and as often as any specified event requiring an adjustment shall occur, except that any adjustment of the number of shares of Common Stock for which this Warrant is exercisable that would otherwise be required may be postponed (except in the case of a subdivision or combination of shares of the Common Stock, as provided for in Section 4(b)) up to, but not beyond the date of exercise if such adjustment either by itself or with other adjustments not previously made adds or subtracts less than one percent (1%) of the shares of Common Stock for which this Warrant is exercisable immediately prior to the making of such adjustment. Any adjustment representing a change of less than such minimum amount (except as aforesaid) which is postponed shall be carried forward and made as soon as s uch adjustment, together with other adjustments required by this Section 4 and not previously made, would result in a minimum adjustment or on the date of exercise. For the purpose of any adjustment, any specified event shall be deemed to have occurred at the close of business on the date of its occurrence.

(iii) Fractional Interests. In computing adjustments under this Section 4, fractional interests in Common Stock shall be taken into account to the nearest one one-hundredth ($1/100^{th}$) of a share.

(iv) When Adjustment Not Required. If the Issuer shall take a record of the holders of its Common Stock for the purpose of entitling them to receive a dividend or distribution or subscription or purchase rights and shall, thereafter and before the distribution to stockholders thereof, legally abandon its plan to pay or deliver such dividend, distribution, subscription or purchase rights, then thereafter no adjustment shall be required by reason of the taking of such record and any such adjustment previously made in respect thereof shall be rescinded and annulled.

(g) Form of Warrant after Adjustments. The form of this Warrant need not be changed because of any adjustments in the Warrant Price or the number and kind of Securities purchasable upon the exercise of this Warrant.

(h) Escrow of Warrant Stock. If after any property becomes distributable pursuant to this Section 4 by reason of the taking of any record of the holders of Common Stock, but prior to the occurrence of the event for which such record is taken, and the Holder exercises this Warrant, any shares of Common Stock issuable upon exercise by reason of such adjustment shall be deemed the last shares of Common Stock for which this Warrant is exercised (notwithstanding any other provision to the contrary herein) and such shares or other property shall be held in escrow for the Holder by the Issuer to be issued to the Holder upon and to the extent that the event actually takes place, upon payment of the current Warrant Price. Notwithstanding any other provision to the contrary herein, if the event for which such record was taken fails to occur or is rescinded, then such escrowed shares shall be cancelled by the Issuer and escrowed property returned.

5. Notice of Adjustments. Whenever the Warrant Price or Warrant Share Number shall be adjusted pursuant to Section 4 hereof (for purposes of this Section 5, each an "adjustment"), the Issuer shall cause its Chief Financial Officer to prepare and execute a certificate setting forth, in reasonable detail, the event requiring the adjustment, the amount of the adjustment, the method by which such adjustment was calculated (including a description of the basis on which the Board made any determination hereunder), and the Warrant Price and Warrant Share Number after giving effect to such adjustment, and shall cause copies of such certificate to be delivered to the Holder of this Warrant promptly after each adjustment. Any dispute between the Issuer and the Holder of this Warrant with respect to the matters set forth in such certificate may at the option of the Holder of thi s Warrant be submitted to one of the national accounting firms currently known as the "big four" selected by the Holder, provided that the Issuer shall have ten (10) days after receipt of notice from such Holder of its selection of such firm to object thereto, in which case such Holder shall select another such firm and the Issuer shall have no such right of objection unless the Issuer identifies a valid conflict of interest for such firm with any of the parties. The firm selected by the Holder of this Warrant as provided in the preceding sentence shall be instructed to deliver a written opinion as to such matters to the Issuer and such Holder within thirty (30) days after submission to it of such dispute. Such opinion shall be final and binding on the parties hereto. The costs and expenses of such accounting firm shall be paid equally by the Company and the Holder.

6. Fractional Shares. No fractional shares of Warrant Stock will be issued in connection with any exercise hereof, but in lieu of such fractional shares, the Issuer shall make a cash payment therefor equal in amount to the product of the applicable fraction multiplied by the Per Share Market Value then in effect.

7. Ownership Cap and Certain Exercise Restrictions. (a) Notwithstanding anything to the contrary set forth in this Warrant, at no time may a Holder of this Warrant exercise this Warrant if the number of shares of Common Stock to be issued pursuant to such exercise would exceed, when aggregated with all other shares of Common Stock owned by such Holder at such time, the number of shares of Common Stock which would result in such Holder beneficially owning (as determined in accordance with Section 13(d) of the Exchange Act and the rules thereunder) in excess of 4.999% of the then issued and outstanding shares of Common Stock; provided, however, that upon a holder of this Warrant providing the Issuer with sixty-one (61) days notice (pursuant to Section 13 hereof) (the "Waiver Notice") that such Holder would like to waive this Section 7(a) with regard to any or all shares of Common Stock issuable upon exercise of this Warrant, this Section 7(a) will be of no force or effect with regard to all or a portion of the Warrant referenced in the Waiver Notice; provided, further, that this provision shall be of no further force or effect (i) during the sixty-one (61) days immediately preceding the expiration of the term of this Warrant or (ii) upon the Holder's receipt of a Call Notice (as defined in Section 8 hereof).

(b) The Holder may not exercise the Warrant hereunder to the extent such exercise would result in the Holder beneficially owning (as determined in accordance with Section 13(d) of the Exchange Act and the rules thereunder) in excess of 9.999% of the then issued and outstanding shares of Common Stock, including shares issuable upon exercise of the Warrant held by the Holder after application of this Section; provided, however, that upon a holder of this Warrant providing the Company with a Waiver Notice that such holder would like to waive this Section 7(b) with regard to any or all shares of Common Stock issuable upon exercise of this Warrant, this Section 7(b) shall be of no force or effect with regard to those shares of Warrant Stock referenced in the Waiver Notice; provided, further, that this provision shall be of no further force or effect (i) during the sixty-one (61) days immediately preceding the expiration of the term of this Warrant or (ii) upon the Holder's receipt of a Call Notice.

8. Call. Notwithstanding anything herein to the contrary, commencing twelve (12) months following the effective date of a registration statement under the Securities Act providing for the resale of the Warrant Stock and the shares of Common Stock issuable upon conversion of the Issuer's Series A Preferred Stock issued pursuant to the Purchase Agreement (the "Registration Statement"), the Issuer, at its option, may call up to one hundred percent (100%) of this Warrant if the Per Share Market Value of the Common Stock has been greater than $3.00 (as may be adjusted for any stock splits or combinations of the Common Stock) for a period of twenty (20) consecutive Trading Days immediately prior to the date of delivery of the Call Notice (a "Call Notice Period") by providing the Holder of this Warrant written notice pursuant to Section 1 3 (the "Call Notice"); provided, that (a) the Registration Statement is then in effect and has been effective, without lapse or suspension of any kind, for a period of 60 consecutive calendar days, (b) trading in the Common Stock shall not have been suspended by the Securities and Exchange Commission or the OTC Bulletin Board and (c) the Issuer is in material compliance with the terms and conditions of this Warrant and the other Transaction Documents (as defined in the Purchase Agreement); provided, further, that the Registration Statement is in effect from the date of delivery of the Call Notice until the date which is the later of (i) the date the Holder exercises the Warrant pursuant to the Call Notice and (ii) the 20^{th} day after the Holder receives the Call Notice (the "Early Termination Date"). The rights and privileges granted pursuant to this Warrant with respect to the shares of Warrant Stock subject to the Call Notice (th e "Called Warrant Shares") shall expire on the Early Termination Date if this Warrant is not exercised with respect to such Called Warrant Shares prior to such Early Termination Date. In the event this Warrant is not exercised with respect to the Called Warrant Shares, the Issuer shall remit to the Holder of this Warrant (A) $.01 per Called Warrant Share and (B) a new Warrant representing the number of shares of Warrant Stock, if any, which shall not have been subject to the Call Notice upon the Holder tendering to the Issuer the applicable Warrant certificate.

9. Definitions. For the purposes of this Warrant, the following terms have the following meanings:

"Additional Shares of Common Stock" means all shares of Common Stock issued by the Issuer after the Original Issue Date, and all shares of Other Common, if any, issued by the Issuer after the Original Issue Date, except: (i) securities issued (other than for cash) in connection with a merger, acquisition, or consolidation, (ii) securities issued pursuant to a bona fide firm underwritten public offering of the Issuer's securities, (iii) securities issued pursuant to the conversion or exercise of convertible or excercisable securities issued or outstanding on or prior to the date hereof or issued pursuant to the Purchase Agreement, (iv) the Warrant Stock, (v) securities issued in connection with strategic alliances or other partnering arrangements so long as such issuances are not for the purpose of raising capital, (vi) Common Stock issued or options to purchase Common Stock granted or issued pursuant to the Issuer's stock option plans and employee stock purchase plans as they now exist, (vii) any warrants issued to the placement agent for the transactions contemplated by the Purchase Agreement, and (viii) the payment of any dividend on the Series A Convertible Preferred Stock of the Issuer.

"Articles of Incorporation" means the Articles of Incorporation of the Issuer as in effect on the Original Issue Date, and as hereafter from time to time amended, modified, supplemented or restated in accordance with the terms hereof and thereof and pursuant to applicable law.

"Board" shall mean the Board of Directors of the Issuer.

"Capital Stock" means and includes (i) any and all shares, interests, participations or other equivalents of or interests in (however designated) corporate stock, including, without limitation, shares of preferred or preference stock, (ii) all partnership interests (whether general or limited) in any Person which is a partnership, (iii) all membership interests or limited liability company interests in any limited liability company, and (iv) all equity or ownership interests in any Person of any other type.

"Common Stock" means the Common Stock, par value $.01 per share, of the Issuer and any other Capital Stock into which such stock may hereafter be changed.

"Common Stock Equivalent" means any Convertible Security or warrant, option or other right to subscribe for or purchase any Additional Shares of Common Stock or any Convertible Security.

"Convertible Securities" means evidences of Indebtedness, shares of Capital Stock or other Securities which are or may be at any time convertible into or exchangeable for Additional Shares of Common Stock. The term "Convertible Security" means one of the Convertible Securities.

"Governmental Authority" means any governmental, regulatory or self-regulatory entity, department, body, official, authority, commission, board, agency or instrumentality, whether federal, state or local, and whether domestic or foreign.

"Holders" mean the Persons who shall from time to time own any Warrant. The term "Holder" means one of the Holders.

"Independent Appraiser" means a nationally recognized or major regional investment banking firm or firm of independent certified public accountants of recognized standing (which may be the firm that regularly examines the financial statements of the Issuer) that is regularly engaged in the business of appraising the Capital Stock or assets of corporations or other entities as going concerns, and which is not affiliated with either the Issuer or the Holder of any Warrant.

"Issuer" means Chembio Diagnostics, Inc., a Nevada corporation, and its successors.

"Majority Holders" means at any time the Holders of Warrants exercisable for a majority of the shares of Warrant Stock issuable under the Warrants at the time outstanding.

"Original Issue Date" means May 5, 2004.

"OTC Bulletin Board" means the over-the-counter electronic bulletin board.

"Other Common" means any other Capital Stock of the Issuer of any class which shall be authorized at any time after the date of this Warrant (other than Common Stock) and which shall have the right to participate in the distribution of earnings and assets of the Issuer without limitation as to amount.

"Outstanding Common Stock" means, at any given time, the aggregate amount of outstanding shares of Common Stock, assuming full exercise, conversion or exchange (as applicable) of all options, warrants and other Securities which are convertible into or exercisable or exchangeable for, and any right to subscribe for, shares of Common Stock that are outstanding at such time.

"Person" means an individual, corporation, limited liability company, partnership, joint stock company, trust, unincorporated organization, joint venture, Governmental Authority or other entity of whatever nature.

"Per Share Market Value" means on any particular date (a) the closing bid price for a share of Common Stock in the over-the-counter market, as reported by the OTC Bulletin Board or in the National Quotation Bureau Incorporated or similar organization or agency succeeding to its functions of reporting prices) at the close of business on such date, or (b) if the Common Stock is not then reported by the OTC Bulletin Board or the National Quotation Bureau Incorporated (or similar organization or agency succeeding to its functions of reporting prices), then the average of the "Pink Sheet" quotes for the relevant determination period, or (c) if the Common Stock is not then publicly traded the fair market value of a share of Common Stock as determined by the Board in good faith; provided, however, that the Majority Holders, after receipt of the determination by the Board, shall have the right to select, jointly with the Issuer, an Independent Appraiser, in which case, the fair market value shall be the determination by such Independent Appraiser; and provided, further that all determinations of the Per Share Market Value shall be appropriately adjusted for any stock dividends, stock splits or other similar transactions during such period. The determination of fair market value shall be based upon the fair market value of the Issuer determined on a going concern basis as between a willing buyer and a willing seller and taking into account all relevant factors determinative of value, and shall be final and binding on all parties. In determining the fair market value of any shares of Common Stock, no consideration shall be given to any restrictions on transfer of the Common Stock imposed by agreement or by federal or state securities laws, or to the existence or absence of, or any limitations on, voting rights.

"Purchase Agreement" means the Series A Convertible Preferred Stock and Warrant Purchase Agreement dated as of May 5, 2004 among the Issuer and the investors a party thereto.

"Securities" means any debt or equity securities of the Issuer, whether now or hereafter authorized, any instrument convertible into or exchangeable for Securities or a Security, and any option, warrant or other right to purchase or acquire any Security. "Security" means one of the Securities.

"Securities Act" means the Securities Act of 1933, as amended, or any similar federal statute then in effect.

"Subsidiary" means any corporation at least 50% of whose outstanding Voting Stock shall at the time be owned directly or indirectly by the Issuer or by one or more of its Subsidiaries, or by the Issuer and one or more of its Subsidiaries.

"Term" has the meaning specified in Section 1 hereof.

"Trading Day" means (a) a day on which the Common Stock is traded on the OTC Bulletin Board, or (b) if the Common Stock is not traded on the OTC Bulletin Board, a day on which the Common Stock is quoted in the over-the-counter market as reported by the National Quotation Bureau Incorporated (or any similar organization or agency succeeding its functions of reporting prices); provided, however, that in the event that the Common Stock is not listed or quoted as set forth in (a) or (b) hereof, then Trading Day shall mean any day except Saturday, Sunday and any day which shall be a legal holiday or a day on which banking institutions in the State of New York are authorized or required by law or other government action to close.

"Voting Stock" means, as applied to the Capital Stock of any corporation, Capital Stock of any class or classes (however designated) having ordinary voting power for the election of a majority of the members of the Board of Directors (or other governing body) of such corporation, other than Capital Stock having such power only by reason of the happening of a contingency.

"Warrants" means the Warrants issued and sold pursuant to the Purchase Agreement, including, without limitation, this Warrant, and any other warrants of like tenor issued in substitution or exchange for any thereof pursuant to the provisions of Section 2(c), 2(d) or 2(e) hereof or of any of such other Warrants.

"Warrant Price" initially means U.S. $.90, as such Warrant Price may be adjusted from time to time as shall result from the adjustments specified in this Warrant, including Section 4 hereto.

"Warrant Share Number" means at any time the aggregate number of shares of Warrant Stock which may at such time be purchased upon exercise of this Warrant, after giving effect to all prior adjustments and increases to such number made or required to be made under the terms hereof.

"Warrant Stock" means Common Stock issuable upon exercise of any Warrant or Warrants or otherwise issuable pursuant to any Warrant or Warrants.

10. Other Notices. In case at any time:

(A) the Issuer shall make any distributions to the holders of Common Stock; or

(B) the Issuer shall authorize the granting to all holders of its Common Stock of rights to subscribe for or purchase any shares of Capital Stock of any class or other rights; or

(C) there shall be any reclassification of the Capital Stock of the Issuer; or

(D) there shall be any capital reorganization by the Issuer; or

(E) there shall be any (i) consolidation or merger involving the Issuer or (ii) sale, transfer or other disposition of all or substantially all of the Issuer's property, assets or business (except a merger or other reorganization in which the Issuer shall be the surviving corporation and its shares of Capital Stock shall continue to be outstanding and unchanged and except a consolidation, merger, sale, transfer or other disposition involving a wholly-owned Subsidiary); or

(F) there shall be a voluntary or involuntary dissolution, liquidation or winding-up of the Issuer or any partial liquidation of the Issuer or distribution to holders of Common Stock;

then, in each of such cases, the Issuer shall give written notice to the Holder of the date on which (i) the books of the Issuer shall close or a record shall be taken for such dividend, distribution or subscription rights or (ii) such reorganization, reclassification, consolidation, merger, disposition, dissolution, liquidation or winding-up, as the case may be, shall take place. Such notice also shall specify the date as of which the holders of Common Stock of record shall participate in such dividend, distribution or subscription rights, or shall be entitled to exchange their certificates for Common Stock for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, disposition, dissolution, liquidation or winding-up, as the case may be. Such notice shall be given at least twenty (20) days prior to the record date or effective date for the event s pecified in such notice.

11. Amendment and Waiver. Any term, covenant, agreement or condition in this Warrant may be amended, or compliance therewith may be waived (either generally or in a particular instance and either retroactively or prospectively), by a written instrument or written instruments executed by the Issuer and the Majority Holders; provided, however, that no such amendment or waiver shall reduce the Warrant Share Number, increase the Warrant Price, shorten the period during which this Warrant may be exercised or modify any provision of this Section 11 without the consent of the Holder of this Warrant.

12. Governing Law. **THIS WARRANT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICTS OF LAW.**

13. Notices. Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be in writing and shall be deemed given and effective on the earlier of (i) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile telephone number specified for notice prior to 5:00 p.m., eastern time, on a Trading Day, (ii) the Trading Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile telephone number specified for notice later than 5:00 p.m., eastern time, on any date and earlier than 11:59 p.m., eastern time, on such date, or (iii) actual receipt by the party to whom such notice is required to be given. The addresses for such communications shall be with respect to the Holder of this Warrant or of Warrant Stock issued pursuant hereto, addressed t o such Holder at its last known address or facsimile number appearing on the books of the Issuer maintained for such purposes, or with respect to the Issuer, addressed to:

Chembio Diagnostics, Inc.
3661 Horseblock Road
Medford, NY 11763
Attention: Lawrence A. Siebert, President
Tel. No.: (631) 924-1135
Fax No.: (631) 924-6033

Copies of notices to the Issuer shall be sent to Patton Boggs LLP, 1660 Lincoln Street, Suite 1900, Denver, CO 80264, Attention: Alan Talesnick, Tel. No.: (303) 830-1776, Fax No.: (303) 894-9239. Copies of notices to the Holder shall be sent to Jenkens & Gilchrist Parker Chapin LLP, 405 Lexington Avenue, New York, New York 10174, Attention: Christopher S. Auguste, Facsimile No.: (212) 704-6288. Any party hereto may from time to time change its address for notices by giving at least ten (10) days written notice of such changed address to the other party hereto.

14. Warrant Agent. The Issuer may, by written notice to each Holder of this Warrant, appoint an agent for the purpose of issuing shares of Warrant Stock on the exercise of this Warrant pursuant to subsection (b) of Section 2 hereof, exchanging this Warrant pursuant to subsection (d) of Section 2 hereof or replacing this Warrant pursuant to subsection (d) of Section 3 hereof, or any of the foregoing, and thereafter any such issuance, exchange or replacement, as the case may be, shall be made at such office by such agent.

15. Remedies. The Issuer stipulates that the remedies at law of the Holder of this Warrant in the event of any default or threatened default by the Issuer in the performance of or compliance with any of the terms of this Warrant are not and will not be adequate and that, to the fullest extent permitted by law, such terms may be specifically enforced by a decree for the specific performance of any agreement contained herein or by an injunction against a violation of any of the terms hereof or otherwise.

16. Successors and Assigns. This Warrant and the rights evidenced hereby shall inure to the benefit of and be binding upon the successors and assigns of the Issuer, the Holder hereof and (to the extent provided herein) the Holders of Warrant Stock issued pursuant hereto, and shall be enforceable by any such Holder or Holder of Warrant Stock.

17. Modification and Severability. If, in any action before any court or agency legally empowered to enforce any provision contained herein, any provision hereof is found to be unenforceable, then such provision shall be deemed modified to the extent necessary to make it enforceable by such court or agency. If any such provision is not enforceable as set forth in the preceding sentence, the unenforceability of such provision shall not affect the other provisions of this Warrant, but this Warrant shall be construed as if such unenforceable provision had never been contained herein.

18. Headings. The headings of the Sections of this Warrant are for convenience of reference only and shall not, for any purpose, be deemed a part of this Warrant.

IN WITNESS WHEREOF, the Issuer has executed this Warrant as of the day and year first above written.

CHEMBIO DIAGNOSTICS, INC.

By:
Name:
Title:

964214_3

EXERCISE FORM

CHEMBIO DIAGNOSTICS, INC.

The undersigned _____, pursuant to the provisions of the within Warrant, hereby elects to purchase _____ shares of Common Stock of Chembio Diagnostics, Inc. covered by the within Warrant.

Dated: _____ Signature _____

Address _____
_____

Number of shares of Common Stock beneficially owned or deemed beneficially owned by the Holder on the date of Exercise: _____

ASSIGNMENT

FOR VALUE RECEIVED, _____ hereby sells, assigns and transfers unto _____ the within Warrant and all rights evidenced thereby and does irrevocably constitute and appoint _____, attorney, to transfer the said Warrant on the books of the within named corporation.

Dated: _____ Signature _____

Address _____
_____

PARTIAL ASSIGNMENT

FOR VALUE RECEIVED, _____ hereby sells, assigns and transfers unto _____ the right to purchase _____ shares of Warrant Stock evidenced by the within Warrant together with all rights therein, and does irrevocably constitute and appoint _____, attorney, to transfer that part of the said Warrant on the books of the within named corporation.

Dated: _____ Signature _____

Address _____
_____

FOR USE BY THE ISSUER ONLY:

This Warrant No. W-___ canceled (or transferred or exchanged) this _____ day of _____, _____, shares of Common Stock issued therefor in the name of _____, Warrant No. W-_____ issued for ____ shares of Common Stock in the name of _____.

VOID AFTER 5:00 P.M., EASTERN TIME ON MAY ____, 2009
COMMON STOCK PURCHASE WARRANT

For the Purchase of 425,000 Shares of
Common Stock, $0.001 Value of
Chembio Diagnostics, Inc.
A Nevada corporation
(formerly known as Trading Solutions.com, Inc.)

THIS CERTIFIES THAT, for value received, Mark L. Baum (the "Holder"), as registered owner of this Common Stock Purchase Warrant ("Warrant"), is entitled to, at any time at or before the Expiration Date (as defined below), but not thereafter, to subscribe for, purchase and receive 425,000 common shares of the fully paid and nonassessable shares of common stock (the "Common Stock"), of Chembio Diagnostics, Inc., a Nevada corporation (the "Company"), at $.90 per share (the "Exercise Price"), upon presentation and surrender of this Warrant and upon payment by cashier's check or wire transfer of the Exercise Price for such Common Stock to the Company at the principal office of the Company; provided, however, that upon the occurrence of any of the events specified in the Statement of Rights of Warrant Holder, a copy of which is attached as Ann ex 1 hereto, and by this reference made a part hereof, the rights granted by this Warrant shall be adjusted as therein specified.

Upon exercise of this Warrant, the form of election must be duly executed and the instructions for registration of the Shares acquired by such exercise must be completed.

The term Expiration Date means the earliest of (i) the fifth anniversary of the date hereof, (ii) immediately prior to the sale of all of substantially all of the Company's assets, or (iii) immediately prior to a merger or consolidation in which securities possessing more than 50% of the total combined voting power of the Company's outstanding securities are transferred to a person or persons different from the persons holding those securities immediately prior to such transaction; provided, that the Company shall give notice to the Holder at least 10 days prior to the events set forth in clauses (i), (ii) and (iii) above.

If the subscription rights represented hereby are not exercised at or before the Expiration Date, this Warrant shall become void, and all rights represented hereby shall cease and expire.

This Warrant may be exercised in accordance with its terms in whole or in part. In the event of the exercise or assignment hereof in part only, the Company shall cause to be delivered to the Holder a new Warrant of like tenor to this Warrant in the name of the Holder, evidencing the right of the Holder to purchase the number of Shares purchasable hereunder as to which this Warrant has not been exercised or assigned.

In no event shall this Warrant (or the Shares issuable, upon full or partial exercise hereof) be offered or sold except in conformity with the Securities Act of 1933; as amended.

IN WITNESS WHEREOF, the Company has caused this Warrant to be signed by its duly authorized officer this ____ day of May, 2004.

Chembio Diagnostics, Inc.

By:_____
Lawrence A. Siebert, C.E.O.

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Form to be used to exercise Warrant:

TO: Chembio Diagnostics, Inc. DATE:_____

The Undersigned hereby elects, irrevocably, to exercise the Warrant and to purchase _____ shares of Common Stock of the Company, and hereby makes payment by cashier's check of $_____ (at $____) in payment of the Exercise Price pursuant thereto. Please issue the Shares as to which this Warrant is exercised in the name of:

_____
(Name)

_____
(Address)

_____
(Taxpayer Number)

and if said number of Warrants exercised shall not be all the Warrants evidenced by the within Warrant Certificate, issue a new Warrant Certificate for the remaining balance of Warrants to the undersigned at the address stated below.

Name of Holder:_____
(Please Print)

Signature:_____

_____
(Address)

NOTICE: The signature to exercise must correspond with the name as written upon the face of the Warrant in every particular without alteration or enlargement or any change whatsoever.

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Form to be used to transfer Warrants:

TO: Chembio Diagnostics, Inc. DATE:_____

For value received, _____ hereby sells, assigns and transfers unto _____ (Tax ID No._____) the attached Warrant, together with all right, title and interest therein, and does hereby irrevocably constitute and appoint the Secretary of the Company attorney, to transfer said Warrant Certificate on the books of the company, with full power of substitution in the premises.

Name of Holder:_____
(Please Print)

Signature:_____

_____
(Address)

NOTICE: The signature to transfer must correspond with the name as written upon the face of the Warrant in every particular without alteration or enlargement or any change whatsoever.

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ANNEX 1 TO CHEMBIO DIAGNOSTICS, INC.
COMMON STOCK PURCHASE WARRANT

STATEMENT OF RIGHTS OF WARRANT HOLDER

1. Exercise of Warrant. This Warrant may be exercised in whole or in part at any time at or before the Expiration Date (as defined in the Warrant), by presentation and surrender hereof to the Company, with the Exercise Form annexed hereto duly executed and accompanied by payment by cashier's check or wire transfer of the Exercise Price for the number of shares specified in such form, together with all federal and state taxes applicable upon such exercise. If this Warrant should be exercised in part only, the Company shall, upon surrender of this Warrant for cancellation, execute and deliver a new Warrant evidencing the right of the Holder to purchase the balance of the shares purchasable hereunder. Upon receipt by the Company of this Warrant and the Exercise Price at the office or agency of the Company, in proper form for exercise, the Holder shall be deemed to be the holder of re cord of the common stock issuable upon such exercise, notwithstanding that the stock transfer books of the Company shall then be closed or that certificates representing such common stock shall not then be actually delivered to the Holder.

2. Rights of the Holder. The Holder shall not, by virtue hereof, be entitled to any rights of a member in the Company, either at law or equity, and the rights of the Holder are limited to those expressed in the Warrant and are not enforceable against the Company except to the extent set forth herein.

3. Adjustment in Number of Shares.

(A) Adjustment for Reclassifications. In case at any time or from time to time after May ___, 2004 ("Issue Date") the holders of the Common Stock of the Company (or any shares or other securities at the time receivable upon the exercise of this Warrant) shall have received, or, on or after the record date fixed for the determination of eligible members, shall have become entitled to receive, without payment therefore, other or additional shares or other securities or property (other than cash) by way of share-split, spinoff, reclassification, combination of shares or similar corporate rearrangement (exclusive of any dividend of its or any subsidiary's shares), then and in each such case, the Holder of this Warrant, upon the exercise hereof as provided in Section 1, shall be entitled to receive the amount of securities and property which such Holder would hold on the date of such exercise if on the Issue Date he had been the holder of record of the number of common stock shares of the Company called for on the face of this Warrant and had thereafter, during the period from the Issue Date, to and including the date of such exercise, retained such shares and/or all other or additional securities and property receivable by him as aforesaid during such period, giving effect to all adjustments called for during such period. In the event of a declaration of a dividend payable in shares of any equity security of a subsidiary of the Company, then the Company may cause to be issued a warrant to purchase shares of the subsidiary ("Springing Warrant") in an amount equal to such amount of the subsidiary's securities to which the Holder would have been entitled, but conditioned upon the exercise of this warrant as a prerequisite to receiving the shares issuable pursuant to the Springing Warrant.

(A) Adjustment for Reorganization, Consolidation, Merger. In case of any reorganization of the Company (or any other company the securities of which are at the time receivable on the exercise of this Warrant) after the Issue Date, or in case, after such date, the Company (or any such other company) shall consolidate with or merge into another company or convey all, or substantially all, of its assets to another company, then and in each such case the Holder of this Warrant, upon the exercise hereof as provided in Section 1 at any time after the consummation of such reorganization, consolidation, merger or conveyance, shall be entitled to receive, in lieu of the securities and property receivable upon the exercise of this Warrant prior to such consummation, the securities or property to which such Holder would be entitled had the Holder exercised this Warrant immediately prior thereto, all subject to further adjustment as provided herein; in each such case, the terms of this Warrant shall be applicable to the shares or other securities or property receivable upon the exercise of this Warrant after such consummation.

4. Notices to Warrant Holders. So long as this Warrant shall be outstanding and unexercised (i) if the Company shall take any action which would trigger an adjustment (as set forth in Section 3), then, in any such case, the Company shall cause to be delivered to the Holder, at least ten days prior to the date specified in (x) or (y) below, as the case may be, a notice containing a brief description of the proposed action and stating the date on which (x) a record is to be taken for the purpose of such dividend, distribution or rights, or (y) such reclassification, reorganization, consolidation, merger, conveyance; lease, dissolution, liquidation or winding up is to take place and the date, if any, is to be fixed, as of which the holders of Common Stock of record shall be entitled to exchange their common stock for securities or other property deliverable upon such reclassification, re organization, consolidation, merger, conveyance, dissolution, liquidation or winding up.

5. Officer's Certificate. Whenever the number of common stock issuable upon exercise of this Warrant or the Exercise Price shall be adjusted as required by the provisions hereof, the Company shall forthwith file in the custody of its Secretary or an Assistant Secretary at its principal office, and with its stock transfer agent, if any, an officer's certificate showing the adjusted number of common stock or Exercise Price determined as herein provided and setting forth in reasonable detail the facts requiring such adjustment. Each such officer's certificate shall be made available at all reasonable times for inspection by the Holder and the Company shall, forthwith after each such adjustment, deliver a copy of such certificate to the Holder. Such certificate shall be conclusive as to the correctness of such adjustment.

6. Restrictions on Transfer. The Holder of this Warrant, by acceptance thereof; agrees that, absent an effective notification under Regulation A or registration statement, in either case under the Securities Act of 1933 (the "Act"), covering the disposition of this Warrant or the Common Stock issued or issuable upon exercise hereof, such Holder will not sell or transfer any or all of this Warrant or such Common Stock without first providing the Company with an opinion of counsel reasonably satisfactory to the Company to the effect that such sale or transfer will be exempt from the registration and prospectus delivery requirements of the Act. Such Holder agrees that the Company may issue instructions to its transfer agent to place, or may itself place, a "stop order" on transfers with respect to the Warrant and Common Stock and that the certificates evidencing the Wa rrant and Common Stock which will be delivered to such Holder by the Company shall bear substantially the following legend:

THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND HAVE BEEN ISSUED IN RELIANCE UPON AN EXEMPTION FROM THE REQUIREMENTS FOR SUCH REGISTRATION FOR NONPUBLIC OFFERINGS. ACCORDINGLY, THE SALE, TRANSFER. PLEDGE, HYPOTHECATION OR OTHER DISPOSITION OF THE SECURITIES EVIDENCED HEREBY OR ANY PORTION THEREOF OR INTEREST THEREIN MAY NOT BE ACCOMPLISHED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER THAT ACT OR AN OPINION OF COUNSEL TO THE HOLDER OF THE SECURITIES (UNLESS THE COMPANY DETERMINES IN ITS SOLE

DISCRETION TO USE ITS OWN COUNSEL), WITH ANY SUCH COUNSEL AND OPINION OF COUNSEL TO BE REASONABLY ACCEPTABLE TO THE ISSUER, TO THE EFFECT THAT SUCH REGISTRATION IS NOT REQUIRED.

Each Holder of this Warrant, at the time all or a portion of such Warrant is exercised, agrees to make such written representations to the Company as counsel for the Company may reasonably request, in order that the Company may be reasonably satisfied that such exercise of the Warrant and consequent issuance of Common Stock will not violate the registration and prospectus delivery requirements of the Act, or other applicable state securities laws.

7. Piggyback Registration Rights. If, at any time after the Issue Date and expiring on the Expiration Date, the Company proposes to register any of its securities under the Act either for its own account or for the account of others, in connection with the public offering of such equity securities solely for cash, on a registration form that would also permit the registration of the common stock issuable upon exercise of this Warrant ("Warrant Shares"), the Company shall promptly give the Holder written notice of such proposal. Within thirty (30) days after the notice is given, the Holder shall give notice as to the number of Warrant Shares, if any, which have vested and which the Holder requests be registered simultaneously with such registration by the Company. The Company shall use its best efforts to include such Warrant Shares in such registration statement (or in a sepa rate registration statement concurrently filed) which the Holder requests to be so included and to cause such registration statement to become effective with respect to such shares in accordance with the registration procedures set forth in Section 8 hereof. If the underwriter believes that the total amount of securities sought to be registered by the Holder and any other holder of similar rights exceeds the amount of securities that the underwriter deems advisable to include in the offering, only the pro rata number of Warrant Shares requested by the Holder with all other holders of common stock requesting registration pursuant to piggyback registration rights, if any, shall be so registerable. Notwithstanding the foregoing, if at any time after giving written notice of its intention to register equity securities and before the effectiveness of the registration statement filed in connection with such registration, the Company determines for any reason either not to effect such registration or to delay such registration, the Company may, at its election, by delivery of written notice to the Holder, (i) in the case of a determination not to effect registration, relieve itself of its obligation to register the Warrant Shares under this Section 7 in connection with such registration, or (ii) in the case of a determination to delay registration, delay the registration of the Warrant Shares under this Section 7 for the same period as the delay in the registration of such other equity securities. Each Holder of Warrant Shares requesting inclusion in a registration pursuant to this Section 7 may, at any time before the effective date of the registration statement relating to such registration, revoke such request by delivering written notice of such revocation to the Company (which notice shall be effective only upon receipt by the Company); provided. However, that if the Company, in consultation with its financial and legal advisors, determines that such revocation would require a recirculation of the prospect us contained in the registration statement, then such Holder of Warrant Shares shall have no right to revoke its request.

8. Expenses and Procedures.

(A) Expenses of Registration. All registration expenses (exclusive of underwriting discounts and commissions) shall be borne by the Company; provided, however, that if a Holder revokes a registration request pursuant to the last sentence of Section 7, the registration expenses in connection with such revoked registration shall be borne by such Holder. Each Holder of Warrant Shares shall bear all underwriting discounts, selling commissions, sales concessions and similar expenses applicable to the sale of the Warrant Shares sold by such Holder.

(B) Registration Procedures. In the case of the registration, qualification or compliance effected by the Company pursuant to Section 7 hereof, the Company will keep the Holders of Warrant Shares advised as to the initiation of registration, qualification and compliance and as to the completion thereof. At its expense, the Company will furnish such number of prospectuses and other documents incident thereto as the holders or underwriters from time to time may reasonably request.

(C) Information. The Company may require each seller of Warrant Shares as to which any registration is being effected to furnish such information regarding the distribution of such Warrant Shares as the Company may from time to time reasonably request and the Company may exclude from such registration the Warrant Shares of any seller who unreasonably fails to furnish such information after receiving such request.

(D) Blue Sky. The Company will, as expeditiously as possible, use its best efforts to register or qualify the Warrant Shares covered by a registration statement at the expense of the Company in such jurisdictions as the holders of such Warrant Shares or, in the case of an underwritten public offering, the managing underwriter shall reasonably request at the expense of the Holders of the Warrant Shares being registered provided that the Company shall not be required in connection with any such registration or qualification or as a condition thereto to qualify to do business in any jurisdiction where it is not so qualified or to take any action which would subject it to taxation or service of process in any jurisdiction where it is not otherwise subject to such taxation or service of process.

(E) Notification of Material Events. The Company will, as expeditiously as possible, immediately notify each holder of Warrant Shares under a registration statement, at any time when a prospectus relating thereto is required to be delivered under the Act, of the happening of any event as a result of which the prospectus contained in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing and, as expeditiously as possible, amend or supplement such prospectus to eliminate the untrue statement or the omission.

9. Indemnification.

(A) Indemnification by Company. The Company shall, without limitation as to time, indemnify and hold harmless, to the full extent permitted by law, each holder of Warrant Shares, its officers, directors, agents and employees, each person who controls such holder (within the meaning of Section 15 of the Act or Section 20 of the Securities Exchange Act of 1934, as amended, hereinafter the "Exchange Act"), and the officers, directors, agents or employees of any such controlling person, from and against all losses, claims, damages, liabilities, costs (including, without limitation, all reasonable attorneys' fees) and expenses (collectively "Losses"), as incurred, arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained in any registration statement, prospectus or preliminary prospectus or any amendment or supplement the reto, or arising out of or based upon any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein in light of the circumstances under which they were made (in the case of any prospectus) not misleading, except insofar as the same are based solely upon information furnished to the Company by such holder for use therein; provided, however, that the Company shall not be liable in any such case to the extent that any such Loss arises out of or is based upon an untrue statement or alleged untrue statement or omission made in any preliminary prospectus or prospectus if (i) such holder failed to send or deliver a copy of the prospectus or prospectus supplement with or prior to the delivery of written confirmation of the sale of Warrant Shares and (ii) the prospectus or prospectus supplement would have corrected such untrue statement or omission. If requested, the Company shall also indemnify underwriters, selling brokers, dealer managers and similar securities industry professionals participating in the distribution, their officers, directors, agents and employees and each person who controls such persons (within the meaning of Section 15 of the Act or Section 20 of the Exchange Act) to the same extent as provided above with respect to the indemnification of the Holders of Warrant Shares. It is agreed that the indemnity agreement contained in this Section 9(A) shall not apply to amounts paid in settlement of any such Loss if such settlement is effected without the consent of the Company (which consent has not been unreasonably withheld).

(B) Indemnification by Holder of Warrant Shares. In connection with any registration statement in which a holder of Warrant Shares is participating, such holder of Warrant Shares shall furnish to the Company in writing such information as the Company may reasonably request for use in connection with any registration statement or prospectus. Such holder hereby agrees to indemnify and hold harmless, to the full extent permitted by law, the Company, and its officers, directors, agents and employees, each person who controls the Company (within the meaning of Section 15 of the Act or Section 20 of the Exchange Act), and the officers, directors, agents or employees of any such controlling person, from and against all losses, as incurred, arising out of or based upon any untrue statements or alleged untrue statement of material fact contained in any registration statement, prospectus or prel iminary prospectus, or arising out of or based upon any omission of a material fact required to be stated therein or necessary to make the statements therein in light of the circumstances under which they were made (in the case of any prospectus) not misleading, to the extent, but only to the extent, that such untrue statement or omission is contained in any information so furnished in writing by such holder to the Company for use in such registration statement, prospectus or preliminary prospectus. The Company shall be entitled to receive indemnities from accountants, underwriters, selling brokers, dealer managers and similar securities industry professionals participating in the distribution to the same extent as provided above with respect to information so furnished by such persons specifically for inclusion in any registration statement, prospectus or preliminary prospectus, provided, that the failure of the Company to obtain any such indemnity shall not relieve the Company of any of its obligations her eunder. Notwithstanding any provision of this Section 9 to the contrary, the liability of a holder of Warrant Shares under this Section 9 shall not exceed the purchase price received by such Holder for the Warrant Shares sold pursuant to a registration statement or prospectus.

(C) Conduct of Indemnification Proceedings. If any action or proceeding (including any governmental investigation or inquiry) shall be brought or any claim shall be asserted against any person entitled to indemnity hereunder (an "indemnified party"), such indemnified party shall promptly notify the party from which such indemnity is sought (the "indemnifying party") in writing, and the indemnifying party shall assume the defense thereof including the employment of counsel reasonably satisfactory to the indemnified party and the payment of all fees and expenses incurred in connection with the defense thereof. All such fees and expenses (including any fees and expenses incurred in connection with investigation or preparing to defend such action or proceeding) shall be paid to the indemnified party, as incurred, within 20 days of written notice thereof to the in demnifying party; provided, however, that if, in accordance with this Section 9, the indemnifying party is not liable to the indemnified party, such fees and expenses shall be returned promptly to the indemnifying party. Any such indemnified party shall have the right to employ separate counsel in any such action, claim or proceeding and to participate in the defense thereof, but the fees and expenses of such counsel shall be the expense of such indemnified party unless (a) the indemnifying party has agreed to pay such fees and expenses, (b) the indemnifying party shall have failed promptly to assume the defense of such action, claim or proceeding and to employ counsel reasonably satisfactory to the indemnified party in any such action, claim or proceeding, or (c) the named parties to any such action, claim or proceeding (including any impleaded parties) include both such indemnified party and the indemnifying party, and such indemnified party shall have been advised by counsel that there may be one or more legal defenses available to it which are different from or additional to those available to the indemnifying party (in which case, if such indemnified party notifies the indemnifying party in writing that it elects to employ separate counsel at the expense of the indemnifying party, the indemnifying party shall not have the right to assume the defense of such action, claim or proceeding on behalf of such indemnified party, it being understood, however, that the indemnifying party shall not, in connection with any one such action, claim or proceeding or separate but substantially similar or related actions, claims or proceedings in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of more than one separate firm of attorneys (together with appropriate local counsel) at any time for all such indemnified parties, unless in the opinion of counsel for such indemnified party a conflict of interest may exist between such indemnified par ty and any other of such indemnified parties with respect to such action, claim or proceeding, in which event the indemnifying party shall be obligated to pay the fees and expenses of such additional counsel or counsels). No indemnifying party will consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the release of such indemnified party from all liability in respect to such claim or litigation without the written consent (which consent will not be unreasonably withheld) of the indemnified party. No indemnified party shall consent to entry of any judgment or enter into any settlement without the written consent (which consent will not be unreasonably withheld) of the indemnifying party from which indemnify or contribution is sought.

(D) Contribution. If the indemnification provided for in this Section 9 is unavailable to an indemnified party under Section 9(A) or 9(B) hereof (other than by reason of exceptions provided in those Sections) in respect of any Losses, then each applicable indemnifying party in lieu of indemnifying such indemnified party shall contribute to the amount paid or payable by such indemnified party as a result of such Losses, in such proportion as is appropriate to reflect the relative fault of the indemnifying party and indemnified party in connection with the actions, statements or omissions which resulted in such Losses as well as any other relevant equitable considerations. The relative fault of such indemnifying party and the indemnified party shall be determined by reference to, among other things, whether any action in question, including any untrue statement or alleged untrue statement of a material fact or omission or alleged omission of a material fact, has been taken or made by, or relates to information supplied by such indemnifying party or indemnified party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action, statement or omission. The amount paid or payable by a party as a result of any Losses shall be deemed to include, subject to the limitations set forth in Section 9(C), any legal or other fees or expenses reasonably incurred by such party in connection with any action, suit, claim, investigation or proceeding.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 9(D) were determined by pro rata allocation or by any other method of allocation which does not take into account the equitable considerations referred to in the immediately preceding paragraph. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

10. Loss or Mutilation. Upon receipt by the Company of evidence satisfactory to it (in the exercise of reasonable discretion) of the ownership of and the loss, theft, destruction or mutilation of any Warrant and (in the case of loss, theft or destruction) of indemnity satisfactory to it (in the exercise of reasonable discretion), and (in the case of mutilation) upon surrender and cancellation thereof, the Company will execute

and deliver in lieu thereof a new Warrant of like tenor.

11. Reservation of Shares. The Company shall at all times reserve and keep available for issue upon the exercise of Warrants such number of its authorized but unissued common stock as will be sufficient to permit the exercise in full of all outstanding Warrants.

12. Notices. All notices and other communications from the Company to the Holder of this Warrant shall be mailed by first class registered or certified mail, postage prepaid, to the address furnished to the Company in writing by the last Holder of this Warrant who shall have furnished an address to the Company in writing.

13. Change; Waiver. Neither this Warrant nor any term hereof may be changed, waived, discharged or terminated orally but only by an instrument in writing signed by the party against which enforcement of the change, waiver, discharge or termination is sought.

14. Law Governing. This Warrant shall be construed and enforced in accordance with and governed by the laws of the State of Nevada.

DATED: May ___, 2004.

Chembio Diagnostics, Inc.
A Nevada corporation

By:_____
Lawrence A. Siebert, C.E.O.

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VOID AFTER 5:00 P.M., EASTERN TIME ON MAY ____, 2009
COMMON STOCK PURCHASE WARRANT

For the Purchase of 425,000 Shares of
Common Stock, $0.001 Value of
Chembio Diagnostics, Inc.
A Nevada corporation
(formerly known as Trading Solutions.com, Inc.)

THIS CERTIFIES THAT, for value received, Mark L. Baum (the "Holder"), as registered owner of this Common Stock Purchase Warrant ("Warrant"), is entitled to, at any time at or before the Expiration Date (as defined below), but not thereafter, to subscribe for, purchase and receive 425,000 common shares of the fully paid and nonassessable shares of common stock (the "Common Stock"), of Chembio Diagnostics, Inc., a Nevada corporation (the "Company"), at $.60 per share (the "Exercise Price"), upon presentation and surrender of this Warrant and upon payment by cashier's check or wire transfer of the Exercise Price for such Common Stock to the Company at the principal office of the Company; provided, however, that upon the occurrence of any of the events specified in the Statement of Rights of Warrant Holder, a copy of which is attached as Ann ex 1 hereto, and by this reference made a part hereof, the rights granted by this Warrant shall be adjusted as therein specified.

Upon exercise of this Warrant, the form of election must be duly executed and the instructions for registration of the Shares acquired by such exercise must be completed.

The term Expiration Date means the earliest of (i) the fifth anniversary of the date hereof, (ii) immediately prior to the sale of all of substantially all of the Company's assets, or (iii) immediately prior to a merger or consolidation in which securities possessing more than 50% of the total combined voting power of the Company's outstanding securities are transferred to a person or persons different from the persons holding those securities immediately prior to such transaction; provided, that the Company shall give notice to the Holder at least 10 days prior to the events set forth in clauses (i), (ii) and (iii) above.

If the subscription rights represented hereby are not exercised at or before the Expiration Date, this Warrant shall become void, and all rights represented hereby shall cease and expire.

This Warrant may be exercised in accordance with its terms in whole or in part. In the event of the exercise or assignment hereof in part only, the Company shall cause to be delivered to the Holder a new Warrant of like tenor to this Warrant in the name of the Holder, evidencing the right of the Holder to purchase the number of Shares purchasable hereunder as to which this Warrant has not been exercised or assigned.

In no event shall this Warrant (or the Shares issuable, upon full or partial exercise hereof) be offered or sold except in conformity with the Securities Act of 1933; as amended.

IN WITNESS WHEREOF, the Company has caused this Warrant to be signed by its duly authorized officer this ____ day of May, 2004.

Chembio Diagnostics, Inc.

By:_____
Lawrence A. Siebert, C.E.O.

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Form to be used to exercise Warrant:

TO: Chembio Diagnostics, Inc. DATE:_____

The Undersigned hereby elects, irrevocably, to exercise the Warrant and to purchase _____ shares of Common Stock of the Company, and hereby makes payment by cashier's check of $_____ (at $____) in payment of the Exercise Price pursuant thereto. Please issue the Shares as to which this Warrant is exercised in the name of:

_____
(Name)

_____
(Address)

_____
(Taxpayer Number)

and if said number of Warrants exercised shall not be all the Warrants evidenced by the within Warrant Certificate, issue a new Warrant Certificate for the remaining balance of Warrants to the undersigned at the address stated below.

Name of Holder:_____
(Please Print)

Signature:_____

_____
(Address)

NOTICE: The signature to exercise must correspond with the name as written upon the face of the Warrant in every particular without alteration or enlargement or any change whatsoever.

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Form to be used to transfer Warrants:

TO: Chembio Diagnostics, Inc. DATE:_____

For value received, _____ hereby sells, assigns and transfers unto _____ (Tax ID No._____) the attached Warrant, together with all right, title and interest therein, and does hereby irrevocably constitute and appoint the Secretary of the Company attorney, to transfer said Warrant Certificate on the books of the company, with full power of substitution in the premises.

Name of Holder:_____
(Please Print)

Signature:_____

_____
(Address)

NOTICE: The signature to transfer must correspond with the name as written upon the face of the Warrant in every particular without alteration or enlargement or any change whatsoever.

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ANNEX 1 TO CHEMBIO DIAGNOSTICS, INC.
COMMON STOCK PURCHASE WARRANT

STATEMENT OF RIGHTS OF WARRANT HOLDER

1. Exercise of Warrant. This Warrant may be exercised in whole or in part at any time at or before the Expiration Date (as defined in the Warrant), by presentation and surrender hereof to the Company, with the Exercise Form annexed hereto duly executed and accompanied by payment by cashier's check or wire transfer of the Exercise Price for the number of shares specified in such form, together with all federal and state taxes applicable upon such exercise. If this Warrant should be exercised in part only, the Company shall, upon surrender of this Warrant for cancellation, execute and deliver a new Warrant evidencing the right of the Holder to purchase the balance of the shares purchasable hereunder. Upon receipt by the Company of this Warrant and the Exercise Price at the office or agency of the Company, in proper form for exercise, the Holder shall be deemed to be the holder of re cord of the common stock issuable upon such exercise, notwithstanding that the stock transfer books of the Company shall then be closed or that certificates representing such common stock shall not then be actually delivered to the Holder.

2. Rights of the Holder. The Holder shall not, by virtue hereof, be entitled to any rights of a member in the Company, either at law or equity, and the rights of the Holder are limited to those expressed in the Warrant and are not enforceable against the Company except to the extent set forth herein.

3. Adjustment in Number of Shares.

(A) Adjustment for Reclassifications. In case at any time or from time to time after May ___, 2004 ("Issue Date") the holders of the Common Stock of the Company (or any shares or other securities at the time receivable upon the exercise of this Warrant) shall have received, or, on or after the record date fixed for the determination of eligible members, shall have become entitled to receive, without payment therefore, other or additional shares or other securities or property (other than cash) by way of share-split, spinoff, reclassification, combination of shares or similar corporate rearrangement (exclusive of any dividend of its or any subsidiary's shares), then and in each such case, the Holder of this Warrant, upon the exercise hereof as provided in Section 1, shall be entitled to receive the amount of securities and property which such Holder would hold on the date of such exercise if on the Issue Date he had been the holder of record of the number of common stock shares of the Company called for on the face of this Warrant and had thereafter, during the period from the Issue Date, to and including the date of such exercise, retained such shares and/or all other or additional securities and property receivable by him as aforesaid during such period, giving effect to all adjustments called for during such period. In the event of a declaration of a dividend payable in shares of any equity security of a subsidiary of the Company, then the Company may cause to be issued a warrant to purchase shares of the subsidiary ("Springing Warrant") in an amount equal to such amount of the subsidiary's securities to which the Holder would have been entitled, but conditioned upon the exercise of this warrant as a prerequisite to receiving the shares issuable pursuant to the Springing Warrant.

(A) Adjustment for Reorganization, Consolidation, Merger. In case of any reorganization of the Company (or any other company the securities of which are at the time receivable on the exercise of this Warrant) after the Issue Date, or in case, after such date, the Company (or any such other company) shall consolidate with or merge into another company or convey all, or substantially all, of its assets to another company, then and in each such case the Holder of this Warrant, upon the exercise hereof as provided in Section 1 at any time after the consummation of such reorganization, consolidation, merger or conveyance, shall be entitled to receive, in lieu of the securities and property receivable upon the exercise of this Warrant prior to such consummation, the securities or property to which such Holder would be entitled had the Holder exercised this Warrant immediately prior thereto, all subject to further adjustment as provided herein; in each such case, the terms of this Warrant shall be applicable to the shares or other securities or property receivable upon the exercise of this Warrant after such consummation.

4. Notices to Warrant Holders. So long as this Warrant shall be outstanding and unexercised (i) if the Company shall take any action which would trigger an adjustment (as set forth in Section 3), then, in any such case, the Company shall cause to be delivered to the Holder, at least ten days prior to the date specified in (x) or (y) below, as the case may be, a notice containing a brief description of the proposed action and stating the date on which (x) a record is to be taken for the purpose of such dividend, distribution or rights, or (y) such reclassification, reorganization, consolidation, merger, conveyance; lease, dissolution, liquidation or winding up is to take place and the date, if any, is to be fixed, as of which the holders of Common Stock of record shall be entitled to exchange their common stock for securities or other property deliverable upon such reclassification, re organization, consolidation, merger, conveyance, dissolution, liquidation or winding up.

5. Officer's Certificate. Whenever the number of common stock issuable upon exercise of this Warrant or the Exercise Price shall be adjusted as required by the provisions hereof, the Company shall forthwith file in the custody of its Secretary or an Assistant Secretary at its principal office, and with its stock transfer agent, if any, an officer's certificate showing the adjusted number of common stock or Exercise Price determined as herein provided and setting forth in reasonable detail the facts requiring such adjustment. Each such officer's certificate shall be made available at all reasonable times for inspection by the Holder and the Company shall, forthwith after each such adjustment, deliver a copy of such certificate to the Holder. Such certificate shall be conclusive as to the correctness of such adjustment.

6. Restrictions on Transfer. The Holder of this Warrant, by acceptance thereof; agrees that, absent an effective notification under Regulation A or registration statement, in either case under the Securities Act of 1933 (the "Act"), covering the disposition of this Warrant or the Common Stock issued or issuable upon exercise hereof, such Holder will not sell or transfer any or all of this Warrant or such Common Stock without first providing the Company with an opinion of counsel reasonably satisfactory to the Company to the effect that such sale or transfer will be exempt from the registration and prospectus delivery requirements of the Act. Such Holder agrees that the Company may issue instructions to its transfer agent to place, or may itself place, a "stop order" on transfers with respect to the Warrant and Common Stock and that the certificates evidencing the Wa rrant and Common Stock which will be delivered to such Holder by the Company shall bear substantially the following legend:

THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND HAVE BEEN ISSUED IN RELIANCE UPON AN EXEMPTION FROM THE REQUIREMENTS FOR SUCH REGISTRATION FOR NONPUBLIC OFFERINGS. ACCORDINGLY, THE SALE, TRANSFER. PLEDGE, HYPOTHECATION OR OTHER DISPOSITION OF THE SECURITIES EVIDENCED HEREBY OR ANY PORTION THEREOF OR INTEREST THEREIN MAY NOT BE ACCOMPLISHED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER THAT ACT OR AN OPINION OF COUNSEL TO THE HOLDER OF THE SECURITIES (UNLESS THE COMPANY DETERMINES IN ITS SOLE

DISCRETION TO USE ITS OWN COUNSEL), WITH ANY SUCH COUNSEL AND OPINION OF COUNSEL TO BE REASONABLY ACCEPTABLE TO THE ISSUER, TO THE EFFECT THAT SUCH REGISTRATION IS NOT REQUIRED.

Each Holder of this Warrant, at the time all or a portion of such Warrant is exercised, agrees to make such written representations to the Company as counsel for the Company may reasonably request, in order that the Company may be reasonably satisfied that such exercise of the Warrant and consequent issuance of Common Stock will not violate the registration and prospectus delivery requirements of the Act, or other applicable state securities laws.

7. Piggyback Registration Rights. If, at any time after the Issue Date and expiring on the Expiration Date, the Company proposes to register any of its securities under the Act either for its own account or for the account of others, in connection with the public offering of such equity securities solely for cash, on a registration form that would also permit the registration of the common stock issuable upon exercise of this Warrant ("Warrant Shares"), the Company shall promptly give the Holder written notice of such proposal. Within thirty (30) days after the notice is given, the Holder shall give notice as to the number of Warrant Shares, if any, which have vested and which the Holder requests be registered simultaneously with such registration by the Company. The Company shall use its best efforts to include such Warrant Shares in such registration statement (or in a sepa rate registration statement concurrently filed) which the Holder requests to be so included and to cause such registration statement to become effective with respect to such shares in accordance with the registration procedures set forth in Section 8 hereof. If the underwriter believes that the total amount of securities sought to be registered by the Holder and any other holder of similar rights exceeds the amount of securities that the underwriter deems advisable to include in the offering, only the pro rata number of Warrant Shares requested by the Holder with all other holders of common stock requesting registration pursuant to piggyback registration rights, if any, shall be so registerable. Notwithstanding the foregoing, if at any time after giving written notice of its intention to register equity securities and before the effectiveness of the registration statement filed in connection with such registration, the Company determines for any reason either not to effect such registration or to delay such registration, the Company may, at its election, by delivery of written notice to the Holder, (i) in the case of a determination not to effect registration, relieve itself of its obligation to register the Warrant Shares under this Section 7 in connection with such registration, or (ii) in the case of a determination to delay registration, delay the registration of the Warrant Shares under this Section 7 for the same period as the delay in the registration of such other equity securities. Each Holder of Warrant Shares requesting inclusion in a registration pursuant to this Section 7 may, at any time before the effective date of the registration statement relating to such registration, revoke such request by delivering written notice of such revocation to the Company (which notice shall be effective only upon receipt by the Company); provided. However, that if the Company, in consultation with its financial and legal advisors, determines that such revocation would require a recirculation of the prospect us contained in the registration statement, then such Holder of Warrant Shares shall have no right to revoke its request.

8. Expenses and Procedures.

(A) Expenses of Registration. All registration expenses (exclusive of underwriting discounts and commissions) shall be borne by the Company; provided, however, that if a Holder revokes a registration request pursuant to the last sentence of Section 7, the registration expenses in connection with such revoked registration shall be borne by such Holder. Each Holder of Warrant Shares shall bear all underwriting discounts, selling commissions, sales concessions and similar expenses applicable to the sale of the Warrant Shares sold by such Holder.

(B) Registration Procedures. In the case of the registration, qualification or compliance effected by the Company pursuant to Section 7 hereof, the Company will keep the Holders of Warrant Shares advised as to the initiation of registration, qualification and compliance and as to the completion thereof. At its expense, the Company will furnish such number of prospectuses and other documents incident thereto as the holders or underwriters from time to time may reasonably request.

(C) Information. The Company may require each seller of Warrant Shares as to which any registration is being effected to furnish such information regarding the distribution of such Warrant Shares as the Company may from time to time reasonably request and the Company may exclude from such registration the Warrant Shares of any seller who unreasonably fails to furnish such information after receiving such request.

(D) Blue Sky. The Company will, as expeditiously as possible, use its best efforts to register or qualify the Warrant Shares covered by a registration statement at the expense of the Company in such jurisdictions as the holders of such Warrant Shares or, in the case of an underwritten public offering, the managing underwriter shall reasonably request at the expense of the Holders of the Warrant Shares being registered provided that the Company shall not be required in connection with any such registration or qualification or as a condition thereto to qualify to do business in any jurisdiction where it is not so qualified or to take any action which would subject it to taxation or service of process in any jurisdiction where it is not otherwise subject to such taxation or service of process.

(E) Notification of Material Events. The Company will, as expeditiously as possible, immediately notify each holder of Warrant Shares under a registration statement, at any time when a prospectus relating thereto is required to be delivered under the Act, of the happening of any event as a result of which the prospectus contained in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing and, as expeditiously as possible, amend or supplement such prospectus to eliminate the untrue statement or the omission.

9. Indemnification.

(A) Indemnification by Company. The Company shall, without limitation as to time, indemnify and hold harmless, to the full extent permitted by law, each holder of Warrant Shares, its officers, directors, agents and employees, each person who controls such holder (within the meaning of Section 15 of the Act or Section 20 of the Securities Exchange Act of 1934, as amended, hereinafter the "Exchange Act"), and the officers, directors, agents or employees of any such controlling person, from and against all losses, claims, damages, liabilities, costs (including, without limitation, all reasonable attorneys' fees) and expenses (collectively "Losses"), as incurred, arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained in any registration statement, prospectus or preliminary prospectus or any amendment or supplement the reto, or arising out of or based upon any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein in light of the circumstances under which they were made (in the case of any prospectus) not misleading, except insofar as the same are based solely upon information furnished to the Company by such holder for use therein; provided, however, that the Company shall not be liable in any such case to the extent that any such Loss arises out of or is based upon an untrue statement or alleged untrue statement or omission made in any preliminary prospectus or prospectus if (i) such holder failed to send or deliver a copy of the prospectus or prospectus supplement with or prior to the delivery of written confirmation of the sale of Warrant Shares and (ii) the prospectus or prospectus supplement would have corrected such untrue statement or omission. If requested, the Company shall also indemnify underwriters, selling brokers, dealer managers and similar securities industry professionals participating in the distribution, their officers, directors, agents and employees and each person who controls such persons (within the meaning of Section 15 of the Act or Section 20 of the Exchange Act) to the same extent as provided above with respect to the indemnification of the Holders of Warrant Shares. It is agreed that the indemnity agreement contained in this Section 9(A) shall not apply to amounts paid in settlement of any such Loss if such settlement is effected without the consent of the Company (which consent has not been unreasonably withheld).

(B) Indemnification by Holder of Warrant Shares. In connection with any registration statement in which a holder of Warrant Shares is participating, such holder of Warrant Shares shall furnish to the Company in writing such information as the Company may reasonably request for use in connection with any registration statement or prospectus. Such holder hereby agrees to indemnify and hold harmless, to the full extent permitted by law, the Company, and its officers, directors, agents and employees, each person who controls the Company (within the meaning of Section 15 of the Act or Section 20 of the Exchange Act), and the officers, directors, agents or employees of any such controlling person, from and against all losses, as incurred, arising out of or based upon any untrue statements or alleged untrue statement of material fact contained in any registration statement, prospectus or prel iminary prospectus, or arising out of or based upon any omission of a material fact required to be stated therein or necessary to make the statements therein in light of the circumstances under which they were made (in the case of any prospectus) not misleading, to the extent, but only to the extent, that such untrue statement or omission is contained in any information so furnished in writing by such holder to the Company for use in such registration statement, prospectus or preliminary prospectus. The Company shall be entitled to receive indemnities from accountants, underwriters, selling brokers, dealer managers and similar securities industry professionals participating in the distribution to the same extent as provided above with respect to information so furnished by such persons specifically for inclusion in any registration statement, prospectus or preliminary prospectus, provided, that the failure of the Company to obtain any such indemnity shall not relieve the Company of any of its obligations her eunder. Notwithstanding any provision of this Section 9 to the contrary, the liability of a holder of Warrant Shares under this Section 9 shall not exceed the purchase price received by such Holder for the Warrant Shares sold pursuant to a registration statement or prospectus.

(C) Conduct of Indemnification Proceedings. If any action or proceeding (including any governmental investigation or inquiry) shall be brought or any claim shall be asserted against any person entitled to indemnity hereunder (an "indemnified party"), such indemnified party shall promptly notify the party from which such indemnity is sought (the "indemnifying party") in writing, and the indemnifying party shall assume the defense thereof including the employment of counsel reasonably satisfactory to the indemnified party and the payment of all fees and expenses incurred in connection with the defense thereof. All such fees and expenses (including any fees and expenses incurred in connection with investigation or preparing to defend such action or proceeding) shall be paid to the indemnified party, as incurred, within 20 days of written notice thereof to the in demnifying party; provided, however, that if, in accordance with this Section 9, the indemnifying party is not liable to the indemnified party, such fees and expenses shall be returned promptly to the indemnifying party. Any such indemnified party shall have the right to employ separate counsel in any such action, claim or proceeding and to participate in the defense thereof, but the fees and expenses of such counsel shall be the expense of such indemnified party unless (a) the indemnifying party has agreed to pay such fees and expenses, (b) the indemnifying party shall have failed promptly to assume the defense of such action, claim or proceeding and to employ counsel reasonably satisfactory to the indemnified party in any such action, claim or proceeding, or (c) the named parties to any such action, claim or proceeding (including any impleaded parties) include both such indemnified party and the indemnifying party, and such indemnified party shall have been advised by counsel that there may be one or more legal defenses available to it which are different from or additional to those available to the indemnifying party (in which case, if such indemnified party notifies the indemnifying party in writing that it elects to employ separate counsel at the expense of the indemnifying party, the indemnifying party shall not have the right to assume the defense of such action, claim or proceeding on behalf of such indemnified party, it being understood, however, that the indemnifying party shall not, in connection with any one such action, claim or proceeding or separate but substantially similar or related actions, claims or proceedings in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of more than one separate firm of attorneys (together with appropriate local counsel) at any time for all such indemnified parties, unless in the opinion of counsel for such indemnified party a conflict of interest may exist between such indemnified par ty and any other of such indemnified parties with respect to such action, claim or proceeding, in which event the indemnifying party shall be obligated to pay the fees and expenses of such additional counsel or counsels). No indemnifying party will consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the release of such indemnified party from all liability in respect to such claim or litigation without the written consent (which consent will not be unreasonably withheld) of the indemnified party. No indemnified party shall consent to entry of any judgment or enter into any settlement without the written consent (which consent will not be unreasonably withheld) of the indemnifying party from which indemnify or contribution is sought.

(D) Contribution. If the indemnification provided for in this Section 9 is unavailable to an indemnified party under Section 9(A) or 9(B) hereof (other than by reason of exceptions provided in those Sections) in respect of any Losses, then each applicable indemnifying party in lieu of indemnifying such indemnified party shall contribute to the amount paid or payable by such indemnified party as a result of such Losses, in such proportion as is appropriate to reflect the relative fault of the indemnifying party and indemnified party in connection with the actions, statements or omissions which resulted in such Losses as well as any other relevant equitable considerations. The relative fault of such indemnifying party and the indemnified party shall be determined by reference to, among other things, whether any action in question, including any untrue statement or alleged untrue statement of a material fact or omission or alleged omission of a material fact, has been taken or made by, or relates to information supplied by such indemnifying party or indemnified party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action, statement or omission. The amount paid or payable by a party as a result of any Losses shall be deemed to include, subject to the limitations set forth in Section 9(C), any legal or other fees or expenses reasonably incurred by such party in connection with any action, suit, claim, investigation or proceeding.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 9(D) were determined by pro rata allocation or by any other method of allocation which does not take into account the equitable considerations referred to in the immediately preceding paragraph. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

10. Loss or Mutilation. Upon receipt by the Company of evidence satisfactory to it (in the exercise of reasonable discretion) of the ownership of and the loss, theft, destruction or mutilation of any Warrant and (in the case of loss, theft or destruction) of indemnity satisfactory to it (in the exercise of reasonable discretion), and (in the case of mutilation) upon surrender and cancellation thereof, the Company will execute

and deliver in lieu thereof a new Warrant of like tenor.

11. Reservation of Shares. The Company shall at all times reserve and keep available for issue upon the exercise of Warrants such number of its authorized but unissued common stock as will be sufficient to permit the exercise in full of all outstanding Warrants.

12. Notices. All notices and other communications from the Company to the Holder of this Warrant shall be mailed by first class registered or certified mail, postage prepaid, to the address furnished to the Company in writing by the last Holder of this Warrant who shall have furnished an address to the Company in writing.

13. Change; Waiver. Neither this Warrant nor any term hereof may be changed, waived, discharged or terminated orally but only by an instrument in writing signed by the party against which enforcement of the change, waiver, discharge or termination is sought.

14. Law Governing. This Warrant shall be construed and enforced in accordance with and governed by the laws of the State of Nevada.

DATED: May ___, 2004.

Chembio Diagnostics, Inc.
A Nevada corporation

By:_____
Lawrence A. Siebert, C.E.O.

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SERIES A CONVERTIBLE PREFERRED STOCK AND WARRANT PURCHASE

AGREEMENT

Dated as of May 5, 2004

among

CHEMBIO DIAGNOSTICS, INC.

and

THE PURCHASERS LISTED ON EXHIBIT A

964206_3

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SERIES A CONVERTIBLE PREFERRED STOCK AND WARRANT PURCHASE AGREEMENT

This SERIES A CONVERTIBLE PREFERRED STOCK AND WARRANT PURCHASE AGREEMENT (the "Agreement") is dated as of May 5, 2004 by and among Chembio Diagnostics, Inc., a Nevada corporation (the "Company"), and each of the Purchasers of shares of Series A Convertible Preferred Stock of the Company whose names are set forth on Exhibit A hereto (individually, a "Purchaser" and collectively, the "Purchasers").

The parties hereto agree as follows:

ARTICLE I

Purchase and Sale of Preferred Stock

Section 1.1 Purchase and Sale of Preferred Stock. Upon the following terms and conditions, the Company shall issue and sell to the Purchasers and each of the Purchasers shall purchase from the Company, the number of shares of the Company's Series A Convertible Preferred Stock, par value $.01 per share (the "Preferred Shares"), at a purchase price of $30,000 per share, set forth opposite such Purchaser's name on Exhibit A hereto. Upon the following terms and conditions, each of the Purchasers shall be issued Warrants, in substantially the form attached hereto as Exhibit B (the "Warrants"), to purchase the number of shares of the Company's Common Stock, par value $.01 per share (the "Common Stock") set forth opposite such Purchaser's name on Exhibit A hereto. The aggregate purchase price for the Preferred Shares and t he Warrants shall be $1,710,000. The designation, rights, preferences and other terms and provisions of the Series A Convertible Preferred Stock are set forth in the Certificate of Designation of the Relative Rights and Preferences of the Series A Convertible Preferred Stock attached hereto as Exhibit C (the "Certificate of Designation"). The Company and the Purchasers are executing and delivering this Agreement in accordance with and in reliance upon the exemption from securities registration afforded by Rule 506 of Regulation D ("Regulation D") as promulgated by the United States Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Securities Act") or Section 4(2) of the Securities Act.

Section 1.2 The Conversion Shares. The Company has authorized and has reserved and covenants to continue to reserve, free of preemptive rights and other similar contractual rights of stockholders, such number of shares of Common Stock as shall from time to time be sufficient to effect the conversion of all of the Preferred Shares and exercise of the Warrants then outstanding; provided that the number of shares of Common Stock so reserved shall at no time be less than the aggregate number of shares of Common Stock necessary to effect conversion of the Preferred Shares and exercise of the Warrants. Any shares of Common Stock issuable upon conversion of the Preferred Shares and exercise of the Warrants (and such shares when issued) are herein referred to as the "Conversion Shares" and the "Warrant Shares", respectively. The Preferred Shares, the Conversion Share s and the Warrant Shares are sometimes collectively referred to as the "Shares".

Section 1.3 Purchase Price and Closing. The Company agrees to issue and sell to the Purchasers and, in consideration of and in express reliance upon the representations, warranties, covenants, terms and conditions of this Agreement, the Purchasers, severally but not jointly, agree to purchase that number of the Preferred Shares and Warrants set forth opposite their respective names on Exhibit A. The aggregate purchase price of the Preferred Shares and Warrants being acquired by each Purchaser is set forth opposite such Purchaser's name on Exhibit A (for each such Purchaser, the "Purchase Price" and collectively referred to as the "Purchase Prices"). The closing of the purchase and sale of the Preferred Shares and Warrants shall take place at the offices of Jenkens & Gilchrist Parker Chapin LLP, The Chrysler Building, 405 Lexington Avenue , New York, New York 10174 (the "Closing") at 1:00 p.m. (eastern time) upon the satisfaction of each of the conditions set forth in Article IV hereof or such other date as the parties may mutually agree (the "Closing Date"). Funding with respect to the Closing shall take place by wire transfer of immediately available funds on or prior to the Closing Date.

Section 1.4 Escrow. On or prior to the Closing Date, each Purchaser shall fund its portion of the Purchase Price into an escrow account maintained by Jenkens & Gilchrist Parker Chapin LLP as escrow agent (the "Escrow Agent"). Upon the Closing and delivery to the Escrow Agent of written instructions executed by the Company and the placement agent, the Escrow Agent shall promptly wire transfer the funds according to such written instructions to an account designated by the Company.

Section 1.5 Warrants. The Company agrees to issue to each of the Purchasers a Warrant to purchase 60,000 shares of Common Stock for each Preferred Share purchased. The Warrants shall expire five (5) years from the Closing Date and shall have an exercise price per share equal to $.90. The number of Warrants each Purchaser shall be issued pursuant to this Agreement is set forth opposite such Purchaser's name on Exhibit A hereto.

Section 1.6 Cancellation or Exchange of Convertible Promissory Notes and Other Indebtedness. Prior to or at the Closing, each Purchaser who holds Convertible Promissory Notes (the "Convertible Notes") of Chembio Diagnostic Systems, Inc., a Delaware corporation ("Chembio"), issued pursuant to the Note Purchase Agreement dated as of March 22, 2004, may surrender to the Company its Convertible Note for cancellation and upon the Closing, such Purchaser shall receive in exchange for the surrender of its Convertible Note, a number of Preferred Shares as set forth on Schedule 1.6 attached hereto. Prior to or at the Closing, at least $1,300,000 of additional outstanding indebtedness of the Company shall be exchanged for such number of Preferred Shares as set forth on Schedule 1.6 attached hereto.

ARTICLE II

Representations and Warranties

Section 2.1 Representations and Warranties of the Company. The Company hereby makes the following representations and warranties to the Purchasers, except as set forth in the Company's disclosure schedule delivered with this Agreement as follows:

(a) Organization, Good Standing and Power. The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Nevada and has the requisite corporate power to own, lease and operate its properties and assets and to conduct its business as it is now being conducted. The Company does not have any subsidiaries except for Chembio. The Company and each such subsidiary is duly qualified as a foreign corporation to do business and is in good standing in every jurisdiction in which the nature of the business conducted or property owned by it makes such qualification necessary except for any jurisdiction(s) (alone or in the aggregate) in which the failure to be so qualified will not have a Material Adverse Effect (as defined in Section 2.1(c) hereof) on the Company's financial condition.

(b) Authorization; Enforcement. The Company has the requisite corporate power and authority to enter into and perform this Agreement, the Registration Rights Agreement attached hereto as Exhibit D (the "Registration Rights Agreement"), the Lock-Up Agreement (as defined in Section 3.20 hereof) attached hereto as Exhibit E, the Irrevocable Transfer Agent Instructions (as defined in Section 3.14) attached hereto as Exhibit F, the Certificate of Designation, and the Warrants (collectively, the "Transaction Documents") and to issue and sell the Shares and

the Warrants in accordance with the terms hereof. The execution, delivery and performance of the Transaction Documents by the Company and the consummation by it of the transactions contemplated hereby and thereby have been duly and validly authorized by all necessary c orporate action, and no further consent or authorization of the Company or its board of directors (the "Board of Directors") or stockholders is required. This Agreement has been duly executed and delivered by the Company. The other Transaction Documents will have been duly executed and delivered by the Company at the Closing. Each of the Transaction Documents constitutes, or shall constitute when executed and delivered, a valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, liquidation, conservatorship, receivership or similar laws relating to, or affecting generally the enforcement of, creditor's rights and remedies or by other equitable principles of general application.

(c) Capitalization. The authorized capital stock of the Company and the shares thereof currently issued and outstanding as of April __, 2004 are set forth on Schedule 2.1(c) hereto. All of the outstanding shares of the Company's Common Stock and Series A Convertible Preferred Stock have been duly and validly authorized. Except as set forth in this Agreement and the Registration Rights Agreement and as set forth on Schedule 2.1(c) hereto, no shares of Common Stock are entitled to preemptive rights or registration rights and there are no outstanding options, warrants, scrip, rights to subscribe to, call or commitments of any character whatsoever relating to, or securities or rights convertible into, any shares of capital stock of the Company. Furthermore, except as set forth in this Agreement and the Registration Rights Agreem ent or on Schedule 2.1(c), there are no contracts, commitments, understandings, or arrangements by which the Company is or may become bound to issue additional shares of the capital stock of the Company or options, securities or rights convertible into shares of capital stock of the Company. Except for customary transfer restrictions contained in agreements entered into by the Company in order to sell restricted securities or as set forth on Schedule 2.1(c) hereto, the Company is not a party to any agreement granting registration or anti-dilution rights to any person with respect to any of its equity or debt securities. The Company is not a party to, and it has no knowledge of, any agreement restricting the voting or transfer of any shares of the capital stock of the Company. The offer and sale of all capital stock, convertible securities, rights, warrants, or options of the Company issued prior to the Closing complied with all applicable Federal and state securities laws, and no stockholder has a right of rescission or claim for damages with respect thereto which would have a Material Adverse Effect (as defined below) on the Company's financial condition or operating results. The Company has furnished or made available to the Purchasers true and correct copies of the Company's Articles of Incorporation as in effect on the date hereof (the "Articles"), and the Company's Bylaws as in effect on the date hereof (the "Bylaws"). For the purposes of this Agreement, "Material Adverse Effect" means any material adverse effect on the business, operations, properties, prospects, or financial condition of the Company and its subsidiaries and/or any condition, circumstance, or situation that would prohibit or otherwise materially interfere with the ability of the Company to perform any of its obligations under this Agreement in any material respect.

(d) Issuance of Shares. The Preferred Shares and the Warrants to be issued at the Closing have been duly authorized by all necessary corporate action and the Preferred Shares, when paid for or issued in accordance with the terms hereof, shall be validly issued and outstanding, fully paid and nonassessable and entitled to the rights and preferences set forth in the Certificate of Designation. When the Conversion Shares and the Warrant Shares are issued in accordance with the terms of the Certificate of Designation and the Warrants, respectively, such shares will be duly authorized by all necessary corporate action and validly issued and outstanding, fully paid and nonassessable, and the holders shall be entitled to all rights accorded to a holder of Common Stock.

(e) No Conflicts. The execution, delivery and performance of the Transaction Documents by the Company, the performance by the Company of its obligations under the Certificate of Designation and the consummation by the Company of the transactions contemplated herein and therein do not and will not (i) violate any provision of the Company's Articles or Bylaws, (ii) conflict with, or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, mortgage, deed of trust, indenture, note, bond, license, lease agreement, instrument or obligation to which the Company is a party or by which it or its properties or assets are bound, (iii) create or impose a lien, mortgage, security interest, charge or encumbrance of an y nature on any property of the Company under any agreement or any commitment to which the Company is a party or by which the Company is bound or by which any of its respective properties or assets are bound, or (iv) result in a violation of any federal, state, local or foreign statute, rule, regulation, order, judgment or decree (including Federal and state securities laws and regulations) applicable to the Company or any of its subsidiaries or by which any property or asset of the Company or any of its subsidiaries are bound or affected, except, in all cases other than violations pursuant to clauses (i) and (iv) above, for such conflicts, defaults, terminations, amendments, accelerations, cancellations and violations as would not, individually or in the aggregate, have a Material Adverse Effect. The business of the Company and its subsidiaries is not being conducted in violation of any laws, ordinances or regulations of any governmental entity, except for possible violations which singularly or in th e aggregate do not and will not have a Material Adverse Effect. The Company is not required under Federal, state or local law, rule or regulation to obtain any consent, authorization or order of, or make any filing or registration with, any court or governmental agency in order for it to execute, deliver or perform any of its obligations under the Transaction Documents, or issue and sell the Preferred Shares, the Warrants, the Conversion Shares and the Warrant Shares in accordance with the terms hereof or thereof (other than any filings which may be required to be made by the Company with the Commission or state securities administrators subsequent to the Closing, any registration statement which may be filed pursuant hereto, and the Certificate of Designation); provided that, for purposes of the representation made in this sentence, the Company is assuming and relying upon the accuracy of the relevant representations and agreements of the Purchasers herein.

(f) Commission Documents, Financial Statements. The Common Stock is registered pursuant to Section 12(b) or 12(g) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and, since December 31, 2003, the Company has timely filed all reports, schedules, forms, statements and other documents required to be filed by it with the Commission pursuant to the reporting requirements of the Exchange Act, including material filed pursuant to Section 13(a) or 15(d) of the Exchange Act (all of the foregoing including filings incorporated by reference therein being referred to herein as the "Commission Documents"). The Company has delivered or made available to each of the Purchasers true and complete copies of the Commission Documents filed with the Commission since December 31, 2003. The Company has not provided to the Purch asers any material non-public information or other information which, according to applicable law, rule or regulation, was required to have been disclosed publicly by the Company but which has not been so disclosed, other than with respect to the transactions contemplated by this Agreement. At the times of their respective filings, the Company's Form 10-KSB for the year ended September 30, 2003, including the accompanying financial statements (the "Form 10-KSB"), and the Company's Form 10-QSB for the fiscal quarters ended December 31, 2003, June 30, 2003 or March 31, 2003 (collectively, the "Form 10-QSB"), complied in all material respects with the requirements of the Exchange Act and the rules and regulations of the Commission promulgated thereunder and other federal, state and local laws, rules and regulations applicable to such documents, and, as of their respective dates, none of the Form 10-KSB and the Form 10-QSB contained any untrue statement of a material fact or o mitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The financial statements of the Company included in the Commission Documents comply as to form in all material respects with applicable accounting requirements and the published rules and regulations of the Commission or other applicable rules and regulations with respect thereto. Such financial statements have been prepared in accordance with United States generally accepted accounting principles ("GAAP") applied on a consistent basis during the periods involved (except (i) as may be otherwise indicated in such financial statements or the notes thereto or (ii) in the case of unaudited interim statements, to the extent they may not include footnotes or may be condensed or summary statements), and fairly present in all material respects the financial position of the Company and its subsidiaries as of the dates thereof and the results of operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments).

(g) Subsidiaries. Schedule 2.1(g) hereto sets forth each subsidiary of the Company, showing the jurisdiction of its incorporation or organization and showing the percentage of each person's ownership. For the purposes of this Agreement, "subsidiary" shall mean any corporation or other entity of which at least a majority of the securities or other ownership interest having ordinary voting power (absolutely or contingently) for the election of directors or other persons performing similar functions are at the time owned directly or indirectly by the Company and/or any of its other subsidiaries. All of the outstanding shares of capital stock of each subsidiary have been duly authorized and validly issued, and are fully paid and nonassessable. There are no outstanding preemptive, conversion or other rights, options, warrants or agreements granted or issued by or binding upon any subsidiary for the purchase or acquisition of any shares of capital stock of any subsidiary or any other securities convertible into, exchangeable for or evidencing the rights to subscribe for any shares of such capital stock. Neither the Company nor any subsidiary is subject to any obligation (contingent or otherwise) to repurchase or otherwise acquire or retire any shares of the capital stock of any subsidiary or any convertible securities, rights, warrants or options of the type described in the preceding sentence. Neither the Company nor any subsidiary is party to, nor has any knowledge of, any agreement restricting the voting or transfer of any shares of the capital stock of any subsidiary.

(h) No Material Adverse Change. Since December 31, 2003, the Company has not experienced or suffered any Material Adverse Effect.

(i) No Undisclosed Liabilities. Except as set forth on Schedule 2.1(i) hereto, neither the Company nor any of its subsidiaries has any liabilities, obligations, claims or losses (whether liquidated or unliquidated, secured or unsecured, absolute, accrued, contingent or otherwise) other than those incurred in the ordinary course of the Company's or its subsidiaries respective businesses since December 31, 2003 and which, individually or in the aggregate, do not or would not have a Material Adverse Effect on the Company or its subsidiaries.

(j) No Undisclosed Events or Circumstances. No event or circumstance has occurred or exists with respect to the Company or its subsidiaries or their respective businesses, properties, prospects, operations or financial condition, which, under applicable law, rule or regulation, requires public disclosure or announcement by the Company but which has not been so publicly announced or disclosed.

(k) Indebtedness. The Form 10-KSB, Form 10-QSB or Schedule 2.1(k) hereto sets forth as of a recent date all outstanding secured and unsecured Indebtedness of the Company or any subsidiary, or for which the Company or any subsidiary has commitments. For the purposes of this Agreement, "Indebtedness" shall mean (a) any liabilities for borrowed money or amounts owed in excess of $100,000 (other than trade accounts payable incurred in the ordinary course of business), (b) all guaranties, endorsements and other contingent obligations in respect of Indebtedness of others, whether or not the same are or should be reflected in the Company's balance sheet (or the notes thereto), except guaranties by endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business; and (c) the present v alue of any lease payments in excess of $25,000 due under leases required to be capitalized in accordance with GAAP. Except as set forth on Schedule 2.1(k), neither the Company nor any subsidiary is in default with respect to any Indebtedness.

(l) Title to Assets. Each of the Company and the subsidiaries has good and marketable title to all of its real and personal property reflected in the Form 10-KSB, free and clear of any mortgages, pledges, charges, liens, security interests or other encumbrances, except for those indicated in the Form 10-KSB, Form 10-QSB or on Schedule 2.1(l) hereto or such that, individually or in the aggregate, do not cause a Material Adverse Effect on the Company's financial condition or operating results. All said leases of the Company and each of its subsidiaries are valid and subsisting and in full force and effect.

(m) Actions Pending. There is no action, suit, claim, investigation, arbitration, alternate dispute resolution proceeding or any other proceeding pending or, to the knowledge of the Company, threatened against the Company or any subsidiary which questions the validity of this Agreement or any of the other Transaction Documents or the transactions contemplated hereby or thereby or any action taken or to be taken pursuant hereto or thereto. Except as set forth in the Form 10-KSB, Form 10-QSB or on Schedule 2.1(m) hereto, there is no action, suit, claim, investigation, arbitration, alternate dispute resolution proceeding or any other proceeding pending or, to the knowledge of the Company, threatened, against or involving the Company, any subsidiary or any of their respective properties or assets. Except as set forth in the Form 10-KSB, Form 10-Q SB or Schedule 2.1(m) hereto, there are no outstanding orders, judgments, injunctions, awards or decrees of any court, arbitrator or governmental or regulatory body against the Company or any subsidiary or any officers or directors of the Company or subsidiary in their capacities as such.

(n) Compliance with Law. The business of the Company and the subsidiaries has been and is presently being conducted in accordance with all applicable federal, state and local governmental laws, rules, regulations and ordinances, except as set forth in the Form 10-KSB, Form 10-QSB, or such that, individually or in the aggregate, do not cause a Material Adverse Effect. The Company and each of its subsidiaries have all franchises, permits, licenses, consents and other governmental or regulatory authorizations and approvals necessary for the conduct of its business

as now being conducted by it unless the failure to possess such franchises, permits, licenses, consents and other governmental or regulatory authorizations and approvals, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

(o) Taxes. Except as set forth in the Form 10-KSB or in the Form 10-QSB, the Company and each of the subsidiaries has accurately prepared and filed all federal, state and other tax returns required by law to be filed by it, has paid or made provisions for the payment of all taxes shown to be due and all additional assessments, and adequate provisions have been and are reflected in the financial statements of the Company and the subsidiaries for all current taxes and other charges to which the Company or any subsidiary is subject and which are not currently due and payable. None of the federal income tax returns of the Company or any subsidiary have been audited by the Internal Revenue Service. The Company has no knowledge of any additional assessments, adjustments or contingent tax liability (whether federal or state) of any nature whatsoever, wheth er pending or threatened against the Company or any subsidiary for any period, nor of any basis for any such assessment, adjustment or contingency.

(p) Certain Fees. Except as set forth in this Agreement or on Schedule 2.1(p) hereto, no brokers, finders or financial advisory fees or commissions will be payable by the Company or any subsidiary or any Purchaser with respect to the transactions contemplated by this Agreement.

(q) Disclosure. To the best of the Company's knowledge, neither this Agreement or the Schedules hereto nor any other documents, certificates or instruments furnished to the Purchasers by or on behalf of the Company or any subsidiary in connection with the transactions contemplated by this Agreement contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein or therein, in the light of the circumstances under which they were made herein or therein, not misleading.

(r) Operation of Business. The Company and each of the subsidiaries owns or possesses all patents, trademarks, domain names (whether or not registered) and any patentable improvements or copyrightable derivative works thereof, websites and intellectual property rights relating thereto, service marks, trade names, copyrights, licenses and authorizations as set forth in the Form 10-KSB, Form 10-QSB and on Schedule 2.1(r) hereto, and all rights with respect to the foregoing, which are necessary for the conduct of its business as now conducted without any conflict with the rights of others.

(s) Environmental Compliance. The Company and each of its subsidiaries have obtained all material approvals, authorization, certificates, consents, licenses, orders and permits or other similar authorizations of all governmental authorities, or from any other person, that are required under any Environmental Laws. The Form 10-KSB or Form 10-QSB describes all material permits, licenses and other authorizations issued under any Environmental Laws to the Company or its subsidiaries. "Environmental Laws" shall mean all applicable laws relating to the protection of the environment including, without limitation, all requirements pertaining to reporting, licensing, permitting, controlling, investigating or remediating emissions, discharges, releases or threatened releases of hazardous substances, chemical substances, pollutants, contaminant s or toxic substances, materials or wastes, whether solid, liquid or gaseous in nature, into the air, surface water, groundwater or land, or relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of hazardous substances, chemical substances, pollutants, contaminants or toxic substances, material or wastes, whether solid, liquid or gaseous in nature. The Company has all necessary governmental approvals required under all Environmental Laws and used in its business or in the business of any of its subsidiaries. The Company and each of its subsidiaries are also in compliance with all other limitations, restrictions, conditions, standards, requirements, schedules and timetables required or imposed under all Environmental Laws. Except for such instances as would not individually or in the aggregate have a Material Adverse Effect, there are no past or present events, conditions, circumstances, incidents, actions or omissions relating to or in any way affecting the Company or its subsidiaries that violate or may violate any Environmental Law after the Closing Date or that may give rise to any environmental liability, or otherwise form the basis of any claim, action, demand, suit, proceeding, hearing, study or investigation (i) under any Environmental Law, or (ii) based on or related to the manufacture, processing, distribution, use, treatment, storage (including without limitation underground storage tanks), disposal, transport or handling, or the emission, discharge, release or threatened release of any hazardous substance.

(t) Books and Record Internal Accounting Controls. The books and records of the Company and its subsidiaries accurately reflect in all material respects the information relating to the business of the Company and the subsidiaries, the location and collection of their assets, and the nature of all transactions giving rise to the obligations or accounts receivable of the Company or any subsidiary. The Company and each of its subsidiaries maintain a system of internal accounting controls sufficient, in the judgment of the Company, to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management's general or specific authorization and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate actions is taken with respect to any differences.

(u) Material Agreements. Except as set forth in the Form 10-KSB, Form 10-QSB or on Schedule 2.1(u) hereto, neither the Company nor any subsidiary is a party to any written or oral contract, instrument, agreement, commitment, obligation, plan or arrangement, a copy of which would be required to be filed with the Commission as an exhibit to a registration statement on Form SB-2 or applicable form (collectively, "Material Agreements") if the Company or any subsidiary were registering securities under the Securities Act. Except as set forth on Schedule 2.1(u) or in the Commission Documents, the Company and each of its subsidiaries has in all material respects performed all the obligations required to be performed by them to date under the foregoing agreements, have received no notice of default and, to the best of the Company's kn owledge are not in default under any Material Agreement now in effect, the result of which could cause a Material Adverse Effect. Except as set forth on Schedule 2.1(u) or in the Commission Documents, no written or oral contract, instrument, agreement, commitment, obligation, plan or arrangement of the Company or of any subsidiary limits or shall limit the payment of dividends on the Company's Preferred Shares, other Preferred Stock, if any, or its Common Stock.

(v) Transactions with Affiliates. Except as set forth in the Form 10-KSB, Form 10-QSB or on Schedule 2.1(v) hereto, there are no loans, leases, agreements, contracts, royalty agreements, management contracts or arrangements or other continuing transactions between (a) the Company, any subsidiary or any of their respective customers or suppliers on the one hand, and (b) on the other hand, any officer, employee, consultant or director of the Company, or any of its subsidiaries, or any person owning any capital stock of the Company or any subsidiary or any member of the immediate family of such officer, employee, consultant, director or stockholder or any corporation or other entity controlled by such officer, employee, consultant, director or stockholder, or a member of the immediate family of such officer, employee, consultant, director or stockholder.

(w) Securities Act of 1933. Based in material part upon the representations herein of the Purchasers, the Company has complied and will comply with all applicable federal and state securities laws in connection with the offer, issuance and sale of the Shares and the Warrants hereunder. Neither the Company nor anyone acting on its behalf, directly or indirectly, has or will sell, offer to sell or solicit offers to buy any of the Shares, the Warrants or similar securities to, or solicit offers with respect thereto from, or enter into any preliminary conversations or negotiations relating thereto with, any person, or has taken or will take any action so as to bring the issuance and sale of any of the Shares and the Warrants under the registration provisions of the Securities Act and applicable state securities laws, and neither the Company nor any of its aff iliates, nor any person acting on its or their behalf, has engaged in any form of general solicitation or general advertising (within the meaning of Regulation D under the Securities Act) in connection with the offer or sale of any of the Shares and the Warrants.

(x) Governmental Approvals. Except as set forth in the Form 10-KSB or Form 10-QSB, and except for the filing of any notice prior or subsequent to the Closing Date that may be required under applicable state and/or Federal securities laws (which if required, shall be filed on a timely basis), including the filing of a Form D and a registration statement or statements pursuant to the Registration Rights Agreement, and the filing of the Certificate of Designation with the Secretary of State for the State of Nevada, no authorization, consent, approval, license, exemption of, filing or registration with any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, is or will be necessary for, or in connection with, the execution or delivery of the Preferred Shares and the Warrants, or for the performance by the Comp any of its obligations under the Transaction Documents.

(y) Employees. Neither the Company nor any subsidiary has any collective bargaining arrangements or agreements covering any of its employees, except as set forth in the Form 10-KSB, Form 10-QSB or on Schedule 2.1(y) hereto. Except as set forth in the Form 10-KSB, Form 10-QSB or on Schedule 2.1(y) hereto, neither the Company nor any subsidiary has any employment contract, agreement regarding proprietary information, non-competition agreement, non-solicitation agreement, confidentiality agreement, or any other similar contract or restrictive covenant, relating to the right of any officer, employee or consultant to be employed or engaged by the Company or such subsidiary. Since September 30, 2003, no officer, consultant or key employee of the Company or any subsidiary whose termination, either individually or in the aggregate, could have a Material Adverse Effect, has terminated or, to the knowledge of the Company, has any present intention of terminating his or her employment or engagement with the Company or any subsidiary.

(z) Absence of Certain Developments. Except as provided on Schedule 2.1(z) hereto, since December 31, 2003, neither the Company nor any subsidiary has:

(i) issued any stock, bonds or other corporate securities or any rights, options or warrants with respect thereto;

(ii) borrowed any amount or incurred or become subject to any liabilities (absolute or contingent) except current liabilities incurred in the ordinary course of business which are comparable in nature and amount to the current liabilities incurred in the ordinary course of business during the comparable portion of its prior fiscal year, as adjusted to reflect the current nature and volume of the Company's or such subsidiary's business;

(iii) discharged or satisfied any lien or encumbrance or paid any obligation or liability (absolute or contingent), other than current liabilities paid in the ordinary course of business;

(iv) declared or made any payment or distribution of cash or other property to stockholders with respect to its stock, or purchased or redeemed, or made any agreements so to purchase or redeem, any shares of its capital stock;

(v) sold, assigned or transferred any other tangible assets, or canceled any debts or claims, except in the ordinary course of business;

(vi) sold, assigned or transferred any patent rights, trademarks, trade names, copyrights, trade secrets or other intangible assets or intellectual property rights, or disclosed any proprietary confidential information to any person except to customers in the ordinary course of business or to the Purchasers or their representatives;

(vii) suffered any substantial losses or waived any rights of material value, whether or not in the ordinary course of business, or suffered the loss of any material amount of prospective business;

(viii) made any changes in employee compensation except in the ordinary course of business and consistent with past practices;

(ix) made capital expenditures or commitments therefor that aggregate in excess of $100,000;

(x) entered into any other transaction other than in the ordinary course of business, or entered into any other material transaction, whether or not in the ordinary course of business;

(xi) made charitable contributions or pledges in excess of $25,000;

(xii) suffered any material damage, destruction or casualty loss, whether or not covered by insurance;

(xiii) experienced any material problems with labor or management in connection with the terms and conditions of their employment;

(xiv) effected any two or more events of the foregoing kind which in the aggregate would be material to the Company or its subsidiaries; or

(xv) entered into an agreement, written or otherwise, to take any of the foregoing actions.

(aa) Public Utility Holding Company Act and Investment Company Act Status. The Company is not a "holding company" or a "public utility company" as such terms are defined in the Public Utility Holding Company Act of 1935, as amended. The Company is not, and as a result of and immediately upon the Closing will not be, an "investment company" or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended.

(bb) ERISA. No liability to the Pension Benefit Guaranty Corporation has been incurred with respect to any Plan by the Company or any of its subsidiaries which is or would be materially adverse to the Company and its subsidiaries. The execution and delivery of this Agreement and the issuance and sale of the Preferred Shares will not involve any transaction which is subject to the prohibitions of Section 406 of ERISA or in connection with which a tax could be imposed pursuant to Section 4975 of the Internal Revenue Code of 1986, as amended, provided that, if any of the Purchasers, or any person or entity that owns a beneficial interest in any of the Purchasers, is an "employee pension benefit plan" (within the meaning of Section 3(2) of ERISA) with respect to which the Company is a "party in interest" (within the meaning of Section 3(14) of ERISA), the requirements of Sections 407(d)(5) and 408(e) of ERISA, if applicable, are met. As used in this Section 2.1(ac), the term "Plan" shall mean an "employee pension benefit plan" (as defined in Section 3 of ERISA) which is or has been established or maintained, or to which contributions are or have been made, by the Company or any subsidiary or by any trade or business, whether or not incorporated, which, together with the Company or any subsidiary, is under common control, as described in Section 414(b) or (c) of the Code.

(cc) Dilutive Effect. The Company understands and acknowledges that the number of Conversion Shares issuable upon conversion of the Preferred Shares and the Warrant Shares issuable upon exercise of the Warrants will increase in certain circumstances. The Company further acknowledges that its obligation to issue Conversion Shares upon conversion of the Preferred Shares in accordance with this Agreement and the Certificate of Designation and its obligations to issue the Warrant Shares upon the exercise of the Warrants in accordance with this Agreement and the Warrants, is, in each case, absolute and unconditional regardless of the dilutive effect that such issuance may have on the ownership interest of other stockholders of the Company.

(dd) Independent Nature of Purchasers. The Company acknowledges that the obligations of each Purchaser under the Transaction Documents are several and not joint with the obligations of any other Purchaser, and no Purchaser shall be responsible in any way for the performance of the obligations of any other Purchaser under the Transaction Documents. The Company acknowledges that the decision of each Purchaser to purchase Securities pursuant to this Agreement has been made by such Purchaser independently of any other purchase and independently of any information, materials, statements or opinions as to the business, affairs, operations, assets, properties, liabilities, results of operations, condition (financial or otherwise) or prospects of the Company or of its Subsidiaries which may have made or given by any other Purchaser or by any agent or employee of a ny other Purchaser, and no Purchaser or any of its agents or employees shall have any liability to any Purchaser (or any other person) relating to or arising from any such information, materials, statements or opinions. The Company acknowledges that nothing contained herein, or in any Transaction Document, and no action taken by any Purchaser pursuant hereto or thereto, shall be deemed to constitute the Purchasers as a partnership, an association, a joint venture or any other kind of entity, or create a presumption that the Purchasers are in any way acting in concert or as a group with respect to such obligations or the transactions contemplated by the Transaction Documents. The Company acknowledges that each Purchaser shall be entitled to independently protect and enforce its rights, including without limitation, the rights arising out of this Agreement or out of the other Transaction Documents, and it shall not be necessary for any other Purchaser to be joined as an additional party in any proc eeding for such purpose. The Company acknowledges that for reasons of administrative convenience only, the Transaction Documents have been prepared by counsel for one of the Purchasers and such counsel does not represent all of the Purchasers but only such Purchaser and the other Purchasers have retained their own individual counsel with respect to the transactions contemplated hereby. The Company acknowledges that it has elected to provide all Purchasers with the same terms and Transaction Documents for the convenience of the Company and not because it was required or requested to do so by the Purchasers. The Company acknowledges that such procedure with respect to the Transaction Documents in no way creates a presumption that the Purchasers are in any way acting in concert or as a group with respect to the Transaction Documents or the transactions contemplated hereby or thereby.

(ee) No Integrated Offering No Integrated Offering" \f C \l "2" . Neither the Company, nor any of its affiliates, nor any person acting on its or their behalf, has directly or indirectly made any offers or sales of any security or solicited any offers to buy any security under circumstances that would cause the offering of the Shares pursuant to this Agreement to be integrated with prior offerings by the Company for purposes of the Securities Act which would prevent the Company from selling the Shares pursuant to Rule 506 under the Securities Act, or any applicable exchange-related stockholder approval provisions, nor will the Company or any of its affiliates or subsidiaries take any action or steps that would cause the offering of the Shares to be integrated with other offerings. The Company does not have any registration statement pending before the Commission or curre ntly under the Commission's review.

(ff) Sarbanes-Oxley Act

(gg) . The Company is in substantial compliance with the applicable provisions of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), and the rules and regulations promulgated thereunder, that are effective and intends to comply substantially with other applicable provisions of the Sarbanes-Oxley Act, and the rules and regulations promulgated thereunder, upon the effectiveness of such provisions.

Section 2.2 Representations and Warranties of the Purchasers. Each of the Purchasers hereby makes the following representations and warranties to the Company with respect solely to itself and not with respect to any other Purchaser:

(a) Organization and Standing of the Purchasers. If the Purchaser is an entity, such Purchaser is a corporation or partnership duly incorporated or organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization.

(b) Authorization and Power. Each Purchaser has the requisite power and authority to enter into and perform this Agreement and to purchase the Preferred Shares and Warrants being sold to it hereunder. The execution, delivery and performance of this Agreement and the Registration Rights Agreement by such Purchaser and the consummation by it of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate or partnership action, and no further consent or authorization of such Purchaser or its Board of Directors, stockholders, or partners, as the case may be, is required. Each of this Agreement and the Registration Rights Agreement has been duly authorized, executed and delivered by such Purchaser and constitutes, or shall constitute when executed and delivered, a valid and binding obligation of the Purchaser enfo rceable against the Purchaser in accordance with the terms thereof.

(c) No Conflicts. The execution, delivery and performance of this Agreement and the Registration Rights Agreement and the consummation by such Purchaser of the transactions contemplated hereby and thereby or relating hereto do not and will not (i) result in a violation of such Purchaser's charter documents or bylaws or other organizational documents or (ii) conflict with, or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of any agreement, indenture or instrument or obligation to which such Purchaser is a party or by which its properties or assets are bound, or result in a violation of any law, rule, or regulation, or any order, judgment or decree of any court or governmental agency applicable to such Purchaser or its properties (except for such conflicts, defaults and violations as would not, individually or in the aggregate, have a material adverse effect on such Purchaser). Such Purchaser is not required to obtain any consent, authorization or order of, or make any filing or registration with, any court or governmental agency in order for it to execute, deliver or perform any of its obligations under this Agreement or the Registration Rights Agreement or to purchase the Preferred Shares or acquire the Warrants in accordance with the terms hereof, provided that for purposes of the representation made in this sentence, such Purchaser is assuming and relying upon the accuracy of the relevant representations and agreements of the Company herein.

(d) Acquisition for Investment. Each Purchaser is acquiring the Preferred Shares and the Warrants solely for its own account for the purpose of investment and not with a view to or for sale in connection with distribution. Each Purchaser does not have a present intention to sell the Preferred Shares or the Warrants, nor a present arrangement (whether or not legally binding) or intention to effect any distribution of the Preferred Shares or the Warrants to or through any person or entity; provided, however, that by making the representations herein and subject to Section 2.2(f) below, such Purchaser does not agree to hold the Shares or the Warrants for any minimum or other specific term and reserves the right to dispose of the Shares or the Warrants at any time in accordance with Federal and state securities laws applicable to such dispositio n. Each Purchaser acknowledges that it is able to bear the financial risks associated with an investment in the Preferred Shares and the Warrants and that it has been given full access to such records of the Company and the subsidiaries and to the officers of the Company and the subsidiaries and received such information as it has deemed necessary or appropriate to conduct its due diligence investigation and has sufficient knowledge and experience in investing in companies similar to the Company in terms of the Company's stage of development so as to be able to evaluate the risks and merits of its investment in the Company.

(e) Status of Purchasers. Such Purchaser is an "accredited investor" as defined in Regulation D promulgated under the Securities Act. Such Purchaser is not required to be registered as a broker-dealer under Section 15 of the Exchange Act and such Purchaser is not a broker-dealer.

(f) Opportunities for Additional Information. Each Purchaser acknowledges that such Purchaser has had the opportunity to ask questions of and receive answers from, or obtain additional information from, the executive officers of the Company concerning the financial and other affairs of the Company, and to the extent deemed necessary in light of such Purchaser's personal knowledge of the Company's affairs, such Purchaser has asked such questions and received answers to the full satisfaction of such Purchaser, and such Purchaser desires to invest in the Company.

(g) No General Solicitation. Each Purchaser acknowledges that the Preferred Shares and the Warrants were not offered to such Purchaser by means of any form of general or public solicitation or general advertising, or publicly disseminated advertisements or sales literature, including (i) any advertisement, article, notice or other communication published in any newspaper, magazine, or similar media, or broadcast over television or radio, or (ii) any seminar or meeting to which such Purchaser was invited by any of the foregoing means of communications.

(h) Rule 144. Such Purchaser understands that the Shares must be held indefinitely unless such Shares are registered under the Securities Act or an exemption from registration is available. Such Purchaser acknowledges that such Purchaser is familiar with Rule 144 of the rules and regulations of the Commission, as amended, promulgated pursuant to the Securities Act ("Rule 144"), and that such person has been advised that Rule 144 permits resales only under certain circumstances. Such Purchaser understands that to the extent that Rule 144 is not available, such Purchaser will be unable to sell any Shares without either registration under the Securities Act or the existence of another exemption from such registration requirement.

(i) General. Such Purchaser understands that the Shares are being offered and sold in reliance on a transactional exemption from the registration requirement of Federal and state securities laws and the Company is relying upon the truth and accuracy of the representations, warranties, agreements, acknowledgments and understandings of such Purchaser set forth herein in order to determine the applicability of such exemptions and the suitability of such Purchaser to acquire the Shares.

(j) Independent Investment. No Purchaser has agreed to act with any other Purchaser for the purpose of acquiring, holding, voting or disposing of the Shares purchased hereunder for purposes of Section 13(d) under the Exchange Act, and each Purchaser is acting independently with respect to its investment in the Shares.

ARTICLE III

Covenants

The Company covenants with each of the Purchasers as follows, which covenants are for the benefit of the Purchasers and their permitted assignees (as defined herein).

Section 3.1 Securities Compliance. The Company shall notify the Commission in accordance with their rules and regulations, of the transactions contemplated by any of the Transaction Documents, including filing a Form D with respect to the Preferred Shares, Warrants, Conversion Shares and Warrant Shares as required under Regulation D, and shall take all other necessary action and proceedings as may be required and permitted by applicable law, rule and regulation, for the legal and valid issuance of the Preferred Shares, the Warrants, the Conversion Shares and the Warrant Shares to the Purchasers or subsequent holders.

Section 3.2 Registration and Listing. The Company will cause its Common Stock to continue to be registered under Sections 12(b) or 12(g) of the Exchange Act, will comply in all respects with its reporting and filing obligations under the Exchange Act, will comply with all requirements related to any registration statement filed pursuant to this Agreement or the Registration Rights Agreement, and will not take any action or file any document (whether or not permitted by the Securities Act or the rules promulgated thereunder) to terminate or suspend such registration or to terminate or suspend its reporting and filing obligations under the Exchange Act or Securities Act, except as permitted herein. The Company will take all action necessary to continue the listing or trading of its Common Stock on the OTC Bulletin Board.

Section 3.3 Inspection Rights. The Company shall permit, during normal business hours and upon reasonable request and reasonable notice, each Purchaser or any employees, agents or representatives thereof, so long as such Purchaser shall be obligated hereunder to purchase the Preferred Shares or shall beneficially own any Preferred Shares, or shall own Conversion Shares which, in the aggregate, represent more than 2% of the total combined voting power of all voting securities then outstanding, for purposes reasonably related to such Purchaser's interests as a stockholder to examine and make reasonable copies of and extracts from the records and books of account of, and visit and inspect the properties, assets, operations and business of the Company and any subsidiary, and to discuss the affairs, finances and accounts of the Company and any subsidiary with any of its officers, consultants , directors, and key employees.

Section 3.4 Compliance with Laws. The Company shall comply, and cause each subsidiary to comply, with all applicable laws, rules, regulations and orders, noncompliance with which could have a Material Adverse Effect.

Section 3.5 Keeping of Records and Books of Account. The Company shall keep and cause each subsidiary to keep adequate records and books of account, in which complete entries will be made in accordance with GAAP consistently applied, reflecting all financial transactions of the Company and its subsidiaries, and in which, for each fiscal year, all proper reserves for depreciation, depletion, obsolescence, amortization, taxes, bad debts and other purposes in connection with its business shall be made.

Section 3.6 Reporting Requirements. If the Commission ceases making periodic reports filed under Section 13 of the Exchange Act available via EDGAR, then at a Purchaser's request the Company shall furnish the following to such Purchaser so long as such Purchaser shall be obligated hereunder to purchase the Preferred Shares or shall beneficially own any Preferred Shares, or shall own Conversion Shares which, in the aggregate, represent more than 2% of the total combined voting power of all voting securities then outstanding:

(a) Quarterly Reports filed with the Commission on Form 10-QSB as soon as practical after the document is filed with the Commission, and in any event within fifty-five (55) days after the end of each of the first three fiscal quarters of the Company;

(b) Annual Reports filed with the Commission on Form 10-KSB as soon as practical after the document is filed with the Commission, and in any event within one hundred five (105) days after the end of each fiscal year of the Company; and

(c) Copies of all notices and information, including without limitation notices and proxy statements in connection with any meetings, that are provided to holders of shares of Common Stock, contemporaneously with the delivery of such notices or information to such holders of Common Stock.

Section 3.7 Amendments. The Company shall not amend or waive any provision of the Articles or Bylaws of the Company in any way that would adversely affect the liquidation preferences, dividends rights, conversion rights, voting rights or redemption rights of the Preferred Shares; provided, however, that any creation and issuance of another series of Junior Stock (as defined in the Certificate of Designation) or any other class or series of equity securities which by its terms shall rank on parity with the Preferred Shares shall not be deemed to materially and adversely affect such rights, preferences or privileges.

Section 3.8 Other Agreements. The Company shall not enter into any agreement in which the terms of such agreement would restrict or impair the right or ability to perform of the Company or any subsidiary under any Transaction Document.

Section 3.9 Distributions. So long as any Preferred Shares or Warrants remain outstanding, the Company agrees that it shall not (i) declare or pay any dividends or make any distributions to any holder(s) of Common Stock or (ii) purchase or otherwise acquire for value, directly or indirectly, any Common Stock or other equity security of the Company.

Section 3.10 Status of Dividends. The Company covenants and agrees that (i) no Federal income tax return or claim for refund of Federal income tax or other submission to the Internal Revenue Service will adversely affect the Preferred Shares, any other series of its Preferred Stock, or the Common Stock, and any deduction shall not operate to jeopardize the availability to Purchasers of the dividends received deduction provided by Section 243(a)(1) of the Code or any successor provision, (ii) in no report to shareholders or to any governmental body having jurisdiction over the Company or otherwise will it treat the Preferred Shares other than as equity capital or the dividends paid thereon other than as dividends paid on equity capital unless required to do so by a governmental body having jurisdiction over the accounts of the Company or by a change in generally accepted accounting principles required as a result of action by an authoritative accounting standards setting body, and (iii) other than pursuant to this Agreement or the Certificate of Designation, it will take no action which would result in the dividends paid by the Company on the Preferred Shares out of the Company's current or accumulated earnings and profits being ineligible for the dividends received deduction provided by Section 243(a)(1) of the Code. The preceding sentence shall not be deemed to prevent the Company from designating the Preferred Stock as "Convertible Preferred Stock" in its annual and quarterly financial statements in accordance with its prior practice concerning other series of preferred stock of the Company. Notwithstanding the foregoing, the Company shall not be required to restate or modify its tax returns for periods prior to the Closing Date. In the event that the Purchasers have reasonable cause to believe that dividends paid by the Company on the Preferred Shares out of t he Company's current or accumulated earnings and profits will not be treated as eligible for the dividends received deduction provided by Section 243(a)(1) of the Code, or any successor provision, the Company will, at the reasonable request of the Purchasers of 51% of the outstanding Preferred Shares, join with the Purchasers in the submission to the Service of a request for a ruling that dividends paid on the Shares will be so eligible for Federal income tax purposes, at the Purchasers expense. In addition, the Company will reasonably cooperate with the Purchasers (at Purchasers' expense) in any litigation, appeal or other proceeding challenging or contesting any ruling, technical advice, finding or determination that earnings and profits are not eligible for the dividends received deduction provided by Section 243(a)(1) of the Code, or any successor provision to the extent that the position to be taken in any such litigation, appeal, or other proceeding is not contrary to any provisio n of the Code or incurred in connection with any such submission, litigation, appeal or other proceeding. Notwithstanding the foregoing, nothing herein contained shall be deemed to preclude the Company from claiming a deduction with respect to such dividends if (i) the Code shall hereafter be amended, or final Treasury regulations thereunder are issued or modified, to provide that dividends on the Preferred Shares or Conversion Shares should not be treated as dividends for Federal income tax purposes or that a deduction with respect to all or a portion of the dividends on the Shares is allowable for Federal income tax purposes, or (ii) in the absence of such an amendment, issuance or modification and after a submission of a request for ruling or technical advice, the service shall rule or advise that dividends on the shares should not be treated as dividends for Federal income tax purposes. If the Service determines that the Preferred Shares or Conversion Shares constitute debt, the Company may f ile protective claims for refund.

Section 3.11 Use of Proceeds. The proceeds from the sale of the Preferred Shares will be used by the Company for working capital and general corporate purposes, excluding acquisitions.

Section 3.12 Future Financings; Right of First Offer and Refusal.

(a) During the period commencing on the Closing Date and ending one hundred twenty (120) days following the Closing Date, the Company covenants and agrees that it will not, without the prior written consent of the holders of three-fourths (3/4) of the Preferred Shares outstanding at the time consent is required, enter into any subsequent offer or sale to, or exchange with (or other type of distribution to), any third party (a "Subsequent Financing"), of Common Stock or any securities convertible, exercisable or exchangeable into Common Stock, including convertible debt securities (collectively, the "Financing Securities"). For purposes of this Agreement, a Permitted Financing (as defined hereinafter) shall not be considered a Subsequent Financing. A "Permitted Financing" shall mean any transaction involving (i) the Company's issuance of any Financing Securities (other than for cash) in connection with a merger, acquisition or consolidation, (ii) the Company's issuance of Financing Securities in connection with strategic alliances or other partnering arrangements so long as such issuances are not for the purpose of raising capital, (iii) the Company's issuance of Financing Securities in connection with bona fide firm underwritten public offerings of its securities, (iv) the Company's issuance of Common Stock or the issuance or grants of options to purchase Common Stock pursuant to the Company's stock option plans and employee stock purchase plans outstanding on the date hereof, (v) as a result of the exercise of options or warrants or conversion of convertible securities which are granted or issued as of the date of this Agreement, (vi) any Warrants issued to the Purchasers and any warrants issued to the placement agent for the transactions contemplated by this Agreement, or (vii) the payment of any dividend on the Preferred Shares. & nbsp;

(b) During the period commencing on the Closing Date and ending on the date that is twelve (12) months following the Closing Date, the Company covenants and agrees to promptly notify (in no event later than five (5) days after making or receiving an applicable offer) in writing (a "Rights Notice") each Purchaser of the terms and conditions of any proposed Subsequent Financing. The Rights Notice shall describe, in reasonable detail, the proposed Subsequent Financing, the proposed closing date of the Subsequent Financing, which shall be within thirty (30) calendar days from the date of the Rights Notice, including, without limitation, all of the terms and conditions thereof and proposed definitive documentation to be entered into in connection therewith. The Rights Notice shall provide each Purchaser an option (the "Rights Option") during the t en (10) trading days following delivery of the Rights Notice (the "Option Period") to inform the Company whether such Purchaser will purchase up its pro rata portion for the securities being offered in such Subsequent Financing on the same, absolute terms and conditions as contemplated by such Subsequent Financing (the "First Refusal Rights"). If any Purchaser elects not to participate in such Subsequent Financing, the other Purchasers may participate on a pro-rata basis so long as

such participation in the aggregate does not exceed the total Purchase Price hereunder. For purposes of this Section, all references to "pro rata" means, for any Purchaser electing to participate in such Subsequent Financing, the percentage obtained by dividing (x) the total number of Preferred Shares purchased by such Purchaser at the Closing by (y) the total number of Preferred Shares purchased by all of the participating Purchasers at the Closing. Delivery of any Rights Notice con stitutes a representation and warranty by the Company that there are no other material terms and conditions, arrangements, agreements or otherwise except for those disclosed in the Rights Notice, to provide additional compensation to any party participating in any proposed Subsequent Financing, including, but not limited to, additional compensation based on changes in the Purchase Price or any type of reset or adjustment of a purchase or conversion price or to issue additional securities at any time after the closing date of a Subsequent Financing. If the Company does not receive notice of exercise of the Rights Option from the Purchasers within the Option Period, the Company shall have the right to close the Subsequent Financing on the scheduled closing date with a third party; provided that all of the material terms and conditions of the closing are the same as those provided to the Purchasers in the Rights Notice. If the closing of the proposed Subsequent Financing does not occur on tha t date, any closing of the contemplated Subsequent Financing or any other Subsequent Financing shall be subject to all of the provisions of this Section 3.12, including, without limitation, the delivery of a new Rights Notice. The provisions of this Section 3.12(b) shall not apply to issuances of Financing Securities in a Permitted Financing.

(c) For a period of two (2) years following the Closing Date, if the Company enters into any Subsequent Financing (other than issuances of Common Stock) on terms more favorable than the terms governing the Preferred Shares, then the Purchasers in their sole discretion may exchange the Preferred Shares, valued at their stated value, together with accrued but unpaid dividends (which dividends shall be payable, at the sole option of the Purchasers, in cash or in the form of the new securities to be issued in the Subsequent Financing), for the securities issued or to be issued in the Subsequent Financing. The Company covenants and agrees to promptly notify in writing the Purchasers of the terms and conditions of any such proposed Subsequent Financing.

Section 3.13 Reservation of Shares. So long as any of the Preferred Shares or Warrants remain outstanding, the Company shall take all action necessary to at all times have authorized, and reserved for the purpose of issuance, no less than the aggregate number of shares of Common Stock needed to provide for the issuance of the Conversion Shares and the Warrant Shares.

Section 3.14 Transfer Agent Instructions. The Company shall issue irrevocable instructions to its transfer agent, and any subsequent transfer agent, to issue certificates, registered in the name of each Purchaser or its respective nominee(s), for the Conversion Shares and the Warrant Shares in such amounts as specified from time to time by each Purchaser to the Company upon conversion of the Preferred Shares or exercise of the Warrants in the form of Exhibit F attached hereto (the "Irrevocable Transfer Agent Instructions"). Prior to registration of the Conversion Shares and the Warrant Shares under the Securities Act, all such certificates shall bear the restrictive legend specified in Section 6.1 of this Agreement. The Company warrants that no instruction other than the Irrevocable Transfer Agent Instructions referred to in this Section 3.14 will be given by the Company to its transfer agent and that the Shares shall otherwise be freely transferable on the books and records of the Company as and to the extent provided in this Agreement and the Registration Rights Agreement. Nothing in this Section 3.14 shall affect in any way each Purchaser's obligations and agreements set forth in Section 6.1 to comply with all applicable prospectus delivery requirements, if any, upon resale of the Shares. If a Purchaser provides the Company with an opinion of counsel, in a generally acceptable form, to the effect that a public sale, assignment or transfer of the Shares may be made without registration under the Securities Act or the Purchaser provides the Company with reasonable assurances that the Shares can be sold pursuant to Rule 144 without any restriction as to the number of securities acquired as of a particular date that can then be immediately sold, the Company shall permit the transfer, and, in the case of the Conversion Shares and the Warrant Shares, pr omptly instruct its transfer agent to issue one or more certificates in such name and in such denominations as specified by such Purchaser and without any restrictive legend. The Company acknowledges that a breach by it of its obligations under this Section 3.14 will cause irreparable harm to the Purchasers by vitiating the intent and purpose of the transaction contemplated hereby. Accordingly, the Company acknowledges that the remedy at law for a breach of its obligations under this Section 3.14 will be inadequate and agrees, in the event of a breach or threatened breach by the Company of the provisions of this Section 3.14, that the Purchasers shall be entitled, in addition to all other available remedies, to an order and/or injunction restraining any breach and requiring immediate issuance and transfer, without the necessity of showing economic loss and without any bond or other security being required.

Section 3.15 Disposition of Assets. So long as the Preferred Shares remain outstanding, neither the Company nor any Subsidiary shall sell, transfer or otherwise dispose of any of its properties, assets and rights including, without limitation, its software and intellectual property, to any person except for sales to customers in the ordinary course of business or with the prior written consent of the holders of a majority of the Preferred Shares then outstanding.

Section 3.16 Reporting Status. So long as a Purchaser beneficially owns any of the Securities, the Company shall timely file all reports required to be filed with the Commission pursuant to the Exchange Act, and the Company shall not terminate its status as an issuer required to file reports under the Exchange Act even if the Exchange Act or the rules and regulations thereunder would permit such termination.

Section 3.17 Disclosure of Transaction. The Company shall issue a press release describing the material terms of the transactions contemplated hereby (the "Press Release") as soon as practicable after the Closing; provided, however, that if Closing occurs after 4:00 P.M. Eastern Time on any Trading Day but in no event later than one hour after the Closing, the Company shall issue the Press Release no later than 9:00 A.M. Eastern Time on the first Trading Day following the Closing Date. The Company shall also file with the Commission a Current Report on Form 8-K (the "Form 8-K") describing the material terms of the transactions contemplated hereby (and attaching as exhibits thereto this Agreement, the Registration Rights Agreement and the form of Warrant) as soon as practicable following the Closing Date but in no event more than two (2) Trading Da ys following the Closing Date, which Press Release and Form 8-K shall be subject to prior review and comment by Jenkens & Gilchrist Parker Chapin LLP. "Trading Day" means any day during which the OTC Bulletin Board (or other principal exchange on which the Common Stock is traded) shall be open for trading.

Section 3.18 Disclosure of Material Information. The Company covenants and agrees that neither it nor any other person acting on its behalf has provided or will provide any Purchaser or its agents or counsel with any information that the Company believes constitutes material non-public information, unless prior thereto such Purchaser shall have executed a written agreement regarding the confidentiality and use of such information. The Company understands and confirms that each Purchaser shall be relying on the foregoing representations in effecting transactions in securities of the Company.

Section 3.19 Pledge of Securities. The Company acknowledges and agrees that the Securities may be pledged by a Purchaser in connection with a bona fide margin agreement or other loan or financing arrangement that is secured by the Common Stock. The pledge of Common Stock shall not be deemed to be a transfer, sale or assignment of the Common Stock hereunder, and no Purchaser effecting a pledge of Common Stock shall be required to provide the Company with any notice thereof or otherwise make any delivery to the Company pursuant to this Agreement or any other Transaction Document; provided that a Purchaser and its pledgee shall be required to comply with the provisions of Article V hereof in order to effect a sale, transfer or assignment of Common Stock to such pledgee. At the Purchasers' expense, the Company hereby agrees to execute and deliver such documentation as a pledge e of the Common Stock may reasonably request in connection with a pledge of the Common Stock to such pledgee by a Purchaser.

Section 3.20 Insiders Lock-Up. The persons listed on Schedule 3.20 attached hereto shall be subject to the terms and provisions of a lock-up agreement in substantially the form as Exhibit E hereto (the "Lock-Up Agreement"), which shall provide the manner in which such persons will sell, transfer or dispose of their shares of Common Stock.

Section 3.21 Board Observer Rights. The Company agrees that Victus Capital, LP ("Victus") shall have the right to serve as an observer of the Board of Directors. In addition, the Company agrees that so long as Victus owns ___% of the issued and outstanding shares of Common Stock on a fully diluted basis, Victus shall have the right to nominate or appoint an individual to serve as a member of the Board of Directors. The Company acknowledges its understanding that Victus is acting independently and solely on its own behalf and not in conjunction with any other Purchaser.

ARTICLE IV

CONDITIONS

Section 4.1 Conditions Precedent to the Obligation of the Company to Sell the Shares. The obligation hereunder of the Company to issue and sell the Preferred Shares and the Warrants to the Purchasers is subject to the satisfaction or waiver, at or before the Closing, of each of the conditions set forth below. These conditions are for the Company's sole benefit and may be waived by the Company at any time in its sole discretion.

(a) Accuracy of Each Purchaser's Representations and Warranties. The representations and warranties of each Purchaser shall be true and correct in all material respects as of the date when made and as of the Closing Date as though made at that time, except for representations and warranties that are expressly made as of a particular date, which shall be true and correct in all material respects as of such date.

(b) Performance by the Purchasers. Each Purchaser shall have performed, satisfied and complied in all material respects with all covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by such Purchaser at or prior to the Closing.

(c) No Injunction. No statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by any court or governmental authority of competent jurisdiction which prohibits the consummation of any of the transactions contemplated by this Agreement.

(d) Delivery of Purchase Price. The Purchase Price for the Preferred Shares and Warrants has been delivered to the Company at the Closing Date.

(e) Delivery of Transaction Documents. The Transaction Documents have been duly executed and delivered by the Purchasers to the Company.

Section 4.2 Conditions Precedent to the Obligation of the Purchasers to Purchase the Shares. The obligation hereunder of each Purchaser to acquire and pay for the Preferred Shares and the Warrants is subject to the satisfaction or waiver, at or before the Closing, of each of the conditions set forth below. These conditions are for each Purchaser's sole benefit and may be waived by such Purchaser at any time in its sole discretion.

(a) Accuracy of the Company's Representations and Warranties. Each of the representations and warranties of the Company in this Agreement and the Registration Rights Agreement shall be true and correct in all material respects as of the date when made and as of the Closing Date as though made at that time (except for representations and warranties that are expressly made as of a particular date), which shall be true and correct in all material respects as of such date.

(b) Performance by the Company. The Company shall have performed, satisfied and complied in all respects with all covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Company at or prior to the Closing.

(c) No Suspension, Etc. Trading in the Company's Common Stock shall not have been suspended by the Commission or the OTC Bulletin Board (except for any suspension of trading of limited duration agreed to by the Company, which suspension shall be terminated prior to the applicable Closing), and, at any time prior to the Closing Date, trading in securities generally as reported by Bloomberg Financial Markets ("Bloomberg") shall not have been suspended or limited, or minimum prices shall not have been established on securities whose trades are reported by Bloomberg, or on the New York Stock Exchange, nor shall a banking moratorium have been declared either by the United States or New York State authorities, nor shall there have occurred any material outbreak or escalation of hostilities or other national or international calamity or crisis of such m agnitude in its effect on, or any material adverse change in any financial market which, in each case, in the judgment of such Purchaser, makes it impracticable or inadvisable to purchase the Preferred Shares.

(d) No Injunction. No statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by any court or governmental authority of competent jurisdiction which prohibits the consummation of any of the transactions contemplated by this Agreement.

(e) No Proceedings or Litigation. No action, suit or proceeding before any arbitrator or any governmental authority shall have been commenced, and no investigation by any governmental authority shall have been threatened, against the Company or any subsidiary, or any of the officers, directors or affiliates of the Company or any subsidiary seeking to restrain, prevent or change the transactions contemplated by this Agreement, or seeking damages in connection with such transactions.

(f) Certificate of Designation of Rights and Preferences. Prior to the Closing, the Certificate of Designation in the form of Exhibit C attached hereto shall have been filed with the Secretary of State of Nevada.

(g) Opinion of Counsel, Etc. At the Closing, the Purchasers shall have received an opinion of counsel to the Company, dated the date of the Closing, in the form of Exhibit G hereto, and such other certificates and documents as the Purchasers or its counsel shall reasonably require incident to the Closing.

(h) Registration Rights Agreement. At the Closing, the Company shall have executed and delivered the Registration Rights Agreement to each Purchaser.

(i) Certificates. The Company shall have executed and delivered to the Purchasers the certificates (in such denominations as such Purchaser shall request) for the Preferred Shares and Warrants being acquired by such Purchaser at the Closing.

(j) Resolutions. The Board of Directors of the Company shall have adopted resolutions consistent with Section 2.1(b) hereof in a form reasonably acceptable to such Purchaser (the "Resolutions").

(k) Reservation of Shares. As of the Closing Date, the Company shall have reserved out of its authorized and unissued Common Stock, solely for the purpose of effecting the conversion of the Preferred Shares and the exercise of the Warrants, a number of shares of Common Stock equal to the aggregate number of Conversion Shares issuable upon conversion of the Preferred Shares outstanding on the Closing Date and the number of Warrant Shares issuable upon exercise of the number of Warrants assuming such Warrants were granted on the Closing Date (after giving effect to the Preferred Shares and the Warrants to be issued on the Closing Date and assuming all such Preferred Shares and Warrants were fully convertible or exercisable on such date regardless of any limitation on the timing or amount of such conversions or exercises).

(l) Transfer Agent Instructions. The Irrevocable Transfer Agent Instructions, in the form of Exhibit F attached hereto, shall have been delivered to and acknowledged in writing by the Company's transfer agent.

(m) Secretary's Certificate. The Company shall have delivered to such Purchaser a secretary's certificate, dated as of the Closing Date, as to (i) the Resolutions, (ii) the Articles, (iii) the Bylaws, (iv) the Certificate of Designation, each as in effect at the Closing, and (iv) the authority and incumbency of the officers of the Company executing the Transaction Documents and any other documents required to be executed or delivered in connection therewith.

(n) Officer's Certificate. The Company shall have delivered to the Purchasers a certificate of an executive officer of the Company, dated as of the Closing Date, confirming the accuracy of the Company's representations, warranties and covenants as of such Closing Date and confirming the compliance by the Company with the conditions precedent set forth in this Section 4.2 as of the Closing Date.

(o) Lock-Up Agreement. As of the Closing Date, the persons listed on Schedule 3.20 hereto shall have delivered to the Purchasers a fully executed Lock-Up Agreement in the form of Exhibit E attached hereto.

(p) Material Adverse Effect. No Material Adverse Effect shall have occurred at or before the Closing Date.

(q) Consummation of Merger and Delivery of Merger Documents. The Company shall have consummated the merger of New Trading Solutions, Inc., a Nevada Corporation with and into Chembio (the "Merger"), and shall have provided the Purchasers with certified copies of the certificates or articles of merger filed in connection with the Merger and all other agreements and documents executed and delivered in connection with the Merger (collectively, the "Merger Documents").

ARTICLE V

Stock Certificate Legend

Section 5.1 Legend. Each certificate representing the Preferred Shares and the Warrants, and, if appropriate, securities issued upon conversion thereof, shall be stamped or otherwise imprinted with a legend substantially in the following form (in addition to any legend required by applicable state securities or "blue sky" laws):

> "THE SECURITIES REPRESENTED BY THIS CERTIFICATE (THE "SECURITIES") HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR ANY STATE SECURITIES LAWS AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF UNLESS REGISTERED UNDER THE SECURITIES ACT AND UNDER APPLICABLE STATE SECURITIES LAWS OR THE ISSUER SHALL HAVE RECEIVED AN OPINION OF COUNSEL TO THE HOLDER OF THE SECURITIES (UNLESS THE ISSUER IN ITS SOLE DISCRETION DETERMINES TO USE ITS OWN COUNSEL), WITH ANY SUCH COUNSEL TO THE HOLDER AND ANY SUCH OPINION OF SUCH COUNSEL TO BE REASONABLY ACCEPTABLE TO THE ISSUER, THAT REGISTRATION OF SUCH SECURITIES UNDER THE SECURITIES ACT AND UNDER THE PROVISIONS OF APPLICABLE STATE SECURITIES LAWS IS NOT REQUIRED."

The Company agrees to reissue certificates representing any of the Conversion Shares and the Warrant Shares, without the legend set forth above if at such time, prior to making any transfer of any such securities, such holder thereof shall give written notice to the Company describing the manner and terms of such transfer and removal as the Company may reasonably request. Such proposed transfer and removal will not be effected until: (a) either (i) the Company has received an opinion of counsel reasonably satisfactory to the Company, to the effect that the registration of the Conversion Shares or the Warrant Shares under the Securities Act is not required in connection with such proposed transfer, (ii) a registration statement under the Securities Act covering such proposed disposition has been filed by the Company with the Commission and has become effective unde r the Securities Act, (iii) the Company has received other evidence reasonably satisfactory to the Company that such registration and qualification under the Securities Act and state securities laws are not required, or (iv) the holder provides the Company with reasonable assurances that such security can be sold pursuant to Rule 144 under the Securities Act; and (b) either (i) the Company has received an opinion of counsel reasonably satisfactory to the Company, to the effect that registration or qualification under the securities or "blue sky" laws of any state is not required in connection with such proposed disposition, or (ii) compliance with applicable state securities or "blue sky" laws has been effected or a valid exemption exists with respect thereto. The Company will respond to any such notice from a holder within five (5) business days. In the case of any proposed transfer under this Section 5.1, the Company will use reasonable efforts to comply with any such applic able state securities or "blue sky" laws, but shall in no event be required, (x) to qualify to do business in any state where it is not then qualified, (y) to take any action that would subject it to tax or to the general service of process in any state where it is not then subject, or (z) to comply with state securities or "blue sky" laws of any state for which registration by coordination is unavailable to the Company. The restrictions on transfer contained in this Section 5.1 shall be in addition to, and not by way of limitation of, any other restrictions on transfer contained in any other section of this Agreement. Whenever a certificate representing the Conversion Shares or Warrant Shares is required to be issued to a Purchaser without a legend, in lieu of delivering physical certificates representing the Conversion Shares or Warrant Shares, provided the Company's transfer agent is participating in the Depository Trust Company ("DTC") Fast Automate d Securities Transfer program, the Company shall use its reasonable best efforts to cause its transfer agent to electronically transmit the Conversion Shares or Warrant Shares to a Purchaser by crediting the account of such Purchaser's Prime Broker with DTC through its Deposit Withdrawal Agent Commission ("DWAC") system (to the extent not inconsistent with any provisions of this Agreement).

ARTICLE VI

Indemnification

Section 6.1 General Indemnity. The Company agrees to indemnify and hold harmless the Purchasers and any finder (and their respective directors, officers, affiliates, agents, successors and assigns) from and against any and all losses, liabilities, deficiencies, costs, damages and expenses (including, without limitation, reasonable attorneys' fees, charges and disbursements) incurred by the Purchasers as a result of any inaccuracy in or breach of the representations, warranties or covenants made by the Company herein. Each Purchaser severally but not jointly agrees to indemnify and hold harmless the Company and its directors, officers, affiliates, agents, successors and assigns from and against any and all losses, liabilities, deficiencies, costs, damages and expenses (including, without limitation, reasonable attorneys' fees, charges and disbursements) incurred by the Company as result of any inaccuracy in or breach of the representations, warranties or covenants made by such Purchaser herein. The maximum aggregate liability of each Purchaser pursuant to its indemnification obligations under this Article VI shall not exceed the portion of the Purchase Price paid by such Purchaser hereunder.

Section 6.2 Indemnification Procedure. Any party entitled to indemnification under this Article VI (an "indemnified party") will give written notice to the indemnifying party of any matters giving rise to a claim for indemnification; provided, that the failure of any party entitled to indemnification hereunder to give notice as provided herein shall not relieve the indemnifying party of its obligations under this Article VI except to the extent that the indemnifying party is actually prejudiced by such failure to give notice. In case any action, proceeding or claim is brought against an indemnified party in respect of which indemnification is sought hereunder, the indemnifying party shall be entitled to participate in and, unless in the reasonable judgment of the indemnified party a conflict of interest between it and the indemnifying party may exist with respect of such acti on, proceeding or claim, to assume the defense thereof with counsel reasonably satisfactory to the indemnified party. In the event that the indemnifying party advises an indemnified party that it will contest such a claim for indemnification hereunder, or fails, within thirty (30)

days of receipt of any indemnification notice to notify, in writing, such person of its election to defend, settle or compromise, at its sole cost and expense, any action, proceeding or claim (or discontinues its defense at any time after it commences such defense), then the indemnified party may, at its option, defend, settle or otherwise compromise or pay such action or claim. In any event, unless and until the indemnifying party elects in writing to assume and does so assume the defense of any such claim, proceeding or action, the indemnified party's costs and expenses arising out of the defense, settlement or compromise of any such action, claim or proceeding shall be losses subject to indemnification hereunder . The indemnified party shall cooperate fully with the indemnifying party in connection with any negotiation or defense of any such action or claim by the indemnifying party and shall furnish to the indemnifying party all information reasonably available to the indemnified party which relates to such action or claim. The indemnifying party shall keep the indemnified party fully apprised at all times as to the status of the defense or any settlement negotiations with respect thereto. If the indemnifying party elects to defend any such action or claim, then the indemnified party shall be entitled to participate in such defense with counsel of its choice at its sole cost and expense. The indemnifying party shall not be liable for any settlement of any action, claim or proceeding effected without its prior written consent. Notwithstanding anything in this Article VI to the contrary, the indemnifying party shall not, without the indemnified party's prior written consent, settle or compromise any claim or consent to entry of any judgment in respect thereof which imposes any future obligation on the indemnified party or which does not include, as an unconditional term thereof, the giving by the claimant or the plaintiff to the indemnified party of a release from all liability in respect of such claim. The indemnification required by this Article VI shall be made by periodic payments of the amount thereof during the course of investigation or defense, as and when bills are received or expense, loss, damage or liability is incurred, so long as the indemnified party irrevocably agrees to refund such moneys if it is ultimately determined by a court of competent jurisdiction that such party was not entitled to indemnification. The indemnity agreements contained herein shall be in addition to (a) any cause of action or similar rights of the indemnified party against the indemnifying party or others, and (b) any liabilities the indemnifying party may be subject to pursuant to th e law.

ARTICLE VII

Miscellaneous

Section 7.1 Fees and Expenses. Except as otherwise set forth in this Agreement, the Registration Rights Agreement or the Certificate of Designation, each party shall pay the fees and expenses of its advisors, counsel, accountants and other experts, if any, and all other expenses, incurred by such party incident to the negotiation, preparation, execution, delivery and performance of this Agreement, provided that the Company shall pay all actual attorneys' fees and expenses (including disbursements and out-of-pocket expenses) incurred by the Purchasers in connection with (i) the preparation, negotiation, execution and delivery of this Agreement, the Registration Rights Agreement and the transactions contemplated thereunder, which payment shall be made at Closing and shall not exceed $30,000 (exclusive of disbursements and out-of-pocket expenses), (ii) the filing and declaration of effectiveness by the Commission of the Registration Statement (as defined in the Registration Rights Agreement) and (iii) any amendments, modifications or waivers of this Agreement or any of the other Transaction Documents. In addition, the Company shall pay all reasonable fees and expenses incurred by the Purchasers in connection with the enforcement of this Agreement or any of the other Transaction Documents, including, without limitation, all reasonable attorneys' fees and expenses. The Company shall pay all stamp or other similar taxes and duties levied in connection with issuance of the Preferred Shares pursuant hereto.

Section 7.2 Specific Enforcement, Consent to Jurisdiction.

(a) The Company and the Purchasers acknowledge and agree that irreparable damage would occur in the event that any of the provisions of this Agreement, the Certificate of Designation or the Registration Rights Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent or cure breaches of the provisions of this Agreement or the Registration Rights Agreement and to enforce specifically the terms and provisions hereof or thereof, this being in addition to any other remedy to which any of them may be entitled by law or equity.

(b) Each of the Company and the Purchasers (i) hereby irrevocably submits to the jurisdiction of the United States District Court sitting in the Southern District of New York and the courts of the State of New York located in New York county for the purposes of any suit, action or proceeding arising out of or relating to this Agreement or any of the other Transaction Documents or the transactions contemplated hereby or thereby and (ii) hereby waives, and agrees not to assert in any such suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of such court, that the suit, action or proceeding is brought in an inconvenient forum or that the venue of the suit, action or proceeding is improper. Each of the Company and the Purchasers consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing in this Section 7.2 shall affect or limit any right to serve process in any other manner permitted by law.

Section 7.3 Entire Agreement; Amendment. This Agreement and the Transaction Documents contains the entire understanding and agreement of the parties with respect to the matters covered hereby and, except as specifically set forth herein or in the Transaction Documents or the Certificate of Designation, neither the Company nor any of the Purchasers makes any representations, warranty, covenant or undertaking with respect to such matters and they supersede all prior understandings and agreements with respect to said subject matter, all of which are merged herein. No provision of this Agreement may be waived or amended other than by a written instrument signed by the Company and the holders of at least three-fourths (3/4) of the Preferred Shares then outstanding, and no provision hereof may be waived other than by an a written instrument signed by the party against whom enforcement of any such amendment or waiver is sought. No such amendment shall be effective to the extent that it applies to less than all of the holders of the Preferred Shares then outstanding. No consideration shall be offered or paid to any person to amend or consent to a waiver or modification of any provision of any of the Transaction Documents or the Certificate of Designation unless the same consideration is also offered to all of the parties to the Transaction Documents or holders of Preferred Shares, as the case may be.

Section 7.4 Notices. Any notice, demand, request, waiver or other communication required or permitted to be given hereunder shall be in writing and shall be effective (a) upon hand delivery by telex (with correct answer back received), telecopy or facsimile at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be:

If to the Company:
Chembio Diagnostics, Inc.
3661 Horseblock Road
Medford, NY 11763
Attention: Lawrence A. Siebert, President
Tel. No.: (631) 924-1135
Fax No.: (631) 924-6033

with copies to:
Patton Boggs LLP
1660 Lincoln Street; Suite 1900
Denver, CO 80264
Attention: Alan Talesnick
Tel. No.: (303) 830-1776
Fax No.: (303) 894-9239

If to any Purchaser:
At the address of such Purchaser set forth on Exhibit A to this Agreement, with copies to Purchaser's counsel as set forth on Exhibit A or as specified in writing by such Purchaser with copies to:

Jenkens & Gilchrist Parker Chapin LLP
The Chrysler Building
405 Lexington Avenue
New York, NY 10174
Attention: Christopher S. Auguste, Esq.
Tel No.: (212) 704-6000
Fax No.: (212) 704-6288

Any party hereto may from time to time change its address for notices by giving at least ten (10) days written notice of such changed address to the other party hereto.

Section 7.5 Waivers. No waiver by either party of any default with respect to any provision, condition or requirement of this Agreement shall be deemed to be a continuing waiver in the future or a waiver of any other provisions, condition or requirement hereof, nor shall any delay or omission of any party to exercise any right hereunder in any manner impair the exercise of any such right accruing to it thereafter.

Section 7.6 Headings. The article, section and subsection headings in this Agreement are for convenience only and shall not constitute a part of this Agreement for any other purpose and shall not be deemed to limit or affect any of the provisions hereof.

Section 7.7 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and assigns.

Section 7.8 No Third Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective permitted successors and assigns and is not for the benefit of, nor may any provision hereof be enforced by, any other person.

Section 7.9 Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York, without giving effect to the choice of law provisions. This Agreement shall not interpreted or construed with any presumption against the party causing this Agreement to be drafted.

Section 7.10 Survival. The representations and warranties of the Company and the Purchasers contained in Sections 2.1(o) and (s) should survive indefinitely and those contained in Article II, with the exception of Sections 2.1(o) and (s), shall survive the execution and delivery hereof and the Closing until the date two (2) years from the Closing Date, and the agreements and

covenants set forth in Articles I, III, VI and VII of this Agreement shall survive the execution and delivery hereof and the Closing hereunder until the Purchasers in the aggregate beneficially own (determined in accordance with Rule 13d-3 under the Exchange Act) less than 10% of the total combined voting power of all voting securities then outstanding, provided, that Sections 3.1, 3.2, 3.4, 3.5, 3.7, 3.8, 3.9, 3.10, 3.11, 3.13, 3.14, 3.15, 3.16, and 3.18 shall not expire until the Registration Statement required by Secti on 2 of the Registration Rights Agreement is no longer required to be effective under the terms and conditions of Registration Rights Agreement.

Section 7.11 Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and shall become effective when counterparts have been signed by each party and delivered to the other parties hereto, it being understood that all parties need not sign the same counterpart. In the event any signature is delivered by facsimile transmission, the party using such means of delivery shall cause four additional executed signature pages to be physically delivered to the other parties within five days of the execution and delivery hereof.

Section 7.12 Publicity. The Company agrees that it will not disclose, and will not include in any public announcement, the name of the Purchasers without the consent of the Purchasers unless and until such disclosure is required by law or applicable regulation, and then only to the extent of such requirement.

Section 7.13 Severability. The provisions of this Agreement, the Certificate of Designation and the Registration Rights Agreement are severable and, in the event that any court of competent jurisdiction shall determine that any one or more of the provisions or part of the provisions contained in this Agreement, the Certificate of Designation or the Registration Rights Agreement shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision or part of a provision of this Agreement, the Certificate of Designation or the Registration Rights Agreement shall be reformed and construed as if such invalid or illegal or unenforceable provision, or part of such provision, had never been contained herein, so that such provisions would be valid, legal and enforceable to the maximum extent possible .

Section 7.14 Further Assurances. From and after the date of this Agreement, upon the request of any Purchaser or the Company, each of the Company and the Purchasers shall execute and deliver such instrument, documents and other writings as may be reasonably necessary or desirable to confirm and carry out and to effectuate fully the intent and purposes of this Agreement, the Preferred Shares, the Conversion Shares, the Warrants, the Warrant Shares, the Certificate of Designation, and the Registration Rights Agreement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officer as of the date first above written.

CHEMBIO DIAGNOSTICS, INC.

By:
Name: Title:

PURCHASER

By:
Name:
Title:

EXHIBIT A to the
SERIES A CONVERTIBLE PREFERRED STOCK AND WARRANT PURCHASE AGREEMENT FOR
CHEMBIO DIAGNOSTICS, INC.

Names and Addresses of Purchasers	**Number of Preferred Shares & Warrants Purchased**	**Dollar Amount of Investment**

[SEE ATTACHED SPREADSHEET]

EXHIBIT B to the
SERIES A CONVERTIBLE PREFERRED STOCK AND WARRANT PURCHASE AGREEMENT FOR
CHEMBIO DIAGNOSTICS, INC.

FORM OF WARRANT

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EXHIBIT C to the
SERIES A CONVERTIBLE PREFERRED STOCK AND WARRANT PURCHASE AGREEMENT FOR
CHEMBIO DIAGNOSTICS, INC.

FORM OF CERTIFICATE OF DESIGNATION

964206_3

EXHIBIT D to the
SERIES A CONVERTIBLE PREFERRED STOCK AND WARRANT PURCHASE AGREEMENT FOR
CHEMBIO DIAGNOSTICS, INC.

FORM OF REGISTRATION RIGHTS AGREEMENT

964206_3

EXHIBIT E to the
SERIES A CONVERTIBLE PREFERRED STOCK AND WARRANT PURCHASE AGREEMENT FOR
CHEMBIO DIAGNOSTICS, INC.

FORM OF LOCK-UP AGREEMENT

964206_3

EXHIBIT F to the
SERIES A CONVERTIBLE PREFERRED STOCK AND WARRANT PURCHASE AGREEMENT FOR
CHEMBIO DIAGNOSTICS, INC.

FORM OF IRREVOCABLE TRANSFER AGENT INSTRUCTIONS

CHEMBIO DIAGNOSTICS, INC.

as of May 5, 2004

[Name and address of Transfer Agent]
Attn: _____

Ladies and Gentlemen:

Reference is made to that certain Series A Convertible Preferred Stock Purchase Agreement (the "Purchase Agreement"), dated as of May 5, 2004, by and among Chembio Diagnostics, Inc., a Nevada corporation (the "**Company**"), and the purchasers named therein (collectively, the "**Purchasers**") pursuant to which the Company is issuing to the Purchasers shares of its Series A Convertible Preferred Stock, par value $.01 per share, (the "**Preferred Shares**") and warrants (the "**Warrants**") to purchase shares of the Company's common stock, par value $.01 per share (the "**Common Stock**"). This letter shall serve as our irrevocable authorization and direction to you (subject to Section 3.1(a) of the Purchase Agreement and provided that you are the transfer agent of the Company at such t ime) to issue shares of Common Stock upon conversion of the Preferred Shares (the "**Conversion Shares**") and exercise of the Warrants (the "**Warrant Shares**") to or upon the order of a Purchaser or assignee or transferee of a Purchaser (a "**Holder**") from time to time upon (i) surrender to you of a properly completed and duly executed Conversion Notice or Exercise Notice, as the case may be, in the form attached hereto as Exhibit I and Exhibit II, respectively, (ii) in the case of the conversion of Preferred Shares, a copy of the certificates (with the original certificates delivered to the Company) representing Preferred Shares being converted or, in the case of Warrants being exercised, a copy of the Warrants (with the original Warrants delivered to the Company) being exercised (or, in each case, an indemnification undertaking with respect to such share certificates or the warrants in the case of their loss, theft or destruction), and (iii) delivery of a t reasury order or other appropriate order duly executed by a duly authorized officer of the Company. So long as you have previously received (x) written confirmation from counsel to the Company that a registration statement covering resales of the Conversion Shares or Warrant Shares, as applicable, has been declared effective by the Securities and Exchange Commission (the "**SEC**") under the Securities Act of 1933, as amended (the "**1933 Act**"), and no subsequent notice by the Company or its counsel of the suspension or termination of its effectiveness and (y) a copy of such registration statement, and if the Holder represents in writing that the Conversion Shares or the Warrant Shares, as the case may be, were sold pursuant to the Registration Statement, then certificates representing the Conversion Shares and the Warrant Shares, as the case may be, shall not bear any legend restricting transfer of the Conversion Shares and the Warrant Shares, as the case may be, thereby an d should not be subject to any stop-transfer restriction. Provided, however, that if you have not previously received (i) written confirmation from counsel to the Company that a registration statement covering resales of the Conversion Shares or Warrant Shares, as applicable, has been declared effective by the SEC under the 1933 Act, and (ii) a copy of such registration statement, then the certificates for the Conversion Shares and the Warrant Shares shall bear the following legend:

> "THE SECURITIES REPRESENTED BY THIS CERTIFICATE (THE "SECURITIES") HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR ANY STATE SECURITIES LAWS AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF UNLESS REGISTERED UNDER THE SECURITIES ACT AND UNDER APPLICABLE STATE SECURITIES LAWS OR THE ISSUER SHALL HAVE RECEIVED AN OPINION OF COUNSEL TO THE HOLDER OF THE SECURITIES (UNLESS THE ISSUER IN ITS SOLE DISCRETION DETERMINES TO USE ITS OWN COUNSEL), WITH ANY SUCH COUNSEL TO THE HOLDER AND ANY SUCH OPINION OF SUCH COUNSEL TO BE REASONABLY ACCEPTABLE TO THE ISSUER, THAT REGISTRATION OF SUCH SECURITIES UNDER THE SECURITIES ACT AND UNDER THE PROVISIONS OF APPLICABLE STATE SECURITIES LAWS IS NOT REQUIRED."

and, provided further, that the Company may from time to time notify you to place stop-transfer restrictions on the certificates for the Conversion Shares and the Warrant Shares in the event a registration statement covering the Conversion Shares and the Warrant Shares is subject to amendment for events then current.

A form of written confirmation from counsel to the Company that a registration statement covering resales of the Conversion Shares and the Warrant Shares has been declared effective by the SEC under the 1933 Act is attached hereto as Exhibit III.

Please be advised that the Purchasers are relying upon this letter as an inducement to enter into the Securities Purchase Agreement and, accordingly, each Purchaser is a third party beneficiary to these instructions.

Please execute this letter in the space indicated to acknowledge your agreement to act in accordance with these instructions. Should you have any questions concerning this matter, please contact me at _____.

Very truly yours,

CHEMBIO DIAGNOSTICS, INC.

By:
Name:
Title:

ACKNOWLEDGED AND AGREED:

[TRANSFER AGENT]

By:
Name:
Title:
Date:

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EXHIBIT I

CHEMBIO DIAGNOSTICS, INC.
CONVERSION NOTICE

Reference is made to the Certificate of Designation of the Relative Rights and Preferences of the Series A Preferred Stock of Chembio Diagnostics, Inc. (the "Certificate of Designation"). In accordance with and pursuant to the Certificate of Designation, the undersigned hereby elects to convert the number of shares of Series A Preferred Stock, par value $.01 per share (the "Preferred Shares"), of Chembio Diagnostics, Inc., a Nevada corporation (the "Company"), indicated below into shares of Common Stock, par value $.01 per share (the "Common Stock"), of the Company, by tendering the stock certificate(s) representing the share(s) of Preferred Shares specified below as of the date specified below.

Date of Conversion:

Number of Preferred Shares to be converted:

Stock certificate no(s). of Preferred Shares to be converted:

The Common Stock have been sold pursuant to the Registration Statement (as defined in the Registration Rights Agreement): YES ____ NO____

Please confirm the following information:

Conversion Price:

Number of shares of Common Stock
to be issued:

Number of shares of Common Stock beneficially owned or deemed beneficially owned by the Holder on the Date of Conversion: _____

Please issue the Common Stock into which the Preferred Shares are being converted and, if applicable, any check drawn on an account of the Company in the following name and to the following address:

Issue to:

Facsimile Number:

Authorization:

By:
Title:

Dated:

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EXHIBIT II

FORM OF EXERCISE NOTICE

EXERCISE FORM

CHEMBIO DIAGNOSTICS, INC.

The undersigned _____, pursuant to the provisions of the within Warrant, hereby elects to purchase _____ shares of Common Stock of Chembio Diagnostics, Inc. covered by the within Warrant.

Dated: _____ Signature _____

Address _____
_____

Number of shares of Common Stock beneficially owned or deemed beneficially owned by the Holder on the date of Exercise: _____

ASSIGNMENT

FOR VALUE RECEIVED, _____ hereby sells, assigns and transfers unto _____ the within Warrant and all rights evidenced thereby and does irrevocably constitute and appoint _____, attorney, to transfer the said Warrant on the books of the within named corporation.

Dated: _____ Signature _____

Address _____
_____

PARTIAL ASSIGNMENT

FOR VALUE RECEIVED, _____ hereby sells, assigns and transfers unto _____ the right to purchase _____ shares of Warrant Stock evidenced by the within Warrant together with all rights therein, and does irrevocably constitute and appoint _____, attorney, to transfer that part of the said Warrant on the books of the within named corporation.

Dated: _____ Signature _____

Address _____
_____

FOR USE BY THE ISSUER ONLY:

This Warrant No. W-_____ canceled (or transferred or exchanged) this _____ day of _____, _____, shares of Common Stock issued therefor in the name of _____, Warrant No. W-_____ issued for ____ shares of Common Stock in the name of _____.

964206_3

EXHIBIT III

FORM OF NOTICE OF EFFECTIVENESS OF REGISTRATION STATEMENT

[Name and address of Transfer Agent]
Attn: _____

Re: **Chembio Diagnostics, Inc.**

Ladies and Gentlemen:

We are counsel to Chembio Diagnostics, Inc., a Nevada corporation (the "**Company**"), and are aware of that certain Series A Convertible Preferred Stock Purchase Agreement (the "**Purchase Agreement**"), dated as of May 5, 2004, by and among the Company and the purchasers named therein (collectively, the "**Purchasers**") pursuant to which the Company issued to the Purchasers shares of its Series A Convertible Preferred Stock, par value $.01 per share, (the "**Preferred Shares**") and warrants (the "**Warrants**") to purchase shares of the Company's common stock, par value $.01 per share (the "**Common Stock**"). Pursuant to the Purchase Agreement, the Company has also entered into a Registration Rights Agreement with the Purchasers (the "**Registration Rights Agreement**&# 148;), dated as of May 5, 2004, pursuant to which the Company agreed, among other things, to register the Registrable Securities (as defined in the Registration Rights Agreement), including the shares of Common Stock issuable upon conversion of the Preferred Shares and exercise of the Warrants, under the Securities Act of 1933, as amended (the "**1933 Act**"). In connection with the Company's obligations under the Registration Rights Agreement, on _____, 2004, the Company filed a Registration Statement on Form SB-2 (File No. 333-_____) (the "**Registration Statement**") with the Securities and Exchange Commission (the "**SEC**") relating to the resale of the Registrable Securities which names each of the present Purchasers as a selling stockholder thereunder.

In connection with the foregoing, we advise you that a member of the SEC's staff has advised us by telephone that the SEC has entered an order declaring the Registration Statement effective under the 1933 Act at **[ENTER TIME OF EFFECTIVENESS]** on **[ENTER DATE OF EFFECTIVENESS]** and we have no knowledge, after telephonic inquiry of a member of the SEC's staff, that any stop order suspending its effectiveness has been issued or that any proceedings for that purpose are pending before, or threatened by, the SEC and accordingly, the Registrable Securities are available for resale under the 1933 Act pursuant to the Registration Statement.

Very truly yours,

[COMPANY COUNSEL]

By:

cc: **[LIST NAMES OF PURCHASERS]**

964206_3

EXHIBIT G to the
SERIES A CONVERTIBLE PREFERRED STOCK AND WARRANT PURCHASE AGREEMENT FOR CHEMBIO DIAGNOSTICS, INC.

FORM OF OPINION OF COUNSEL

1. The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the state of Nevada and has the requisite corporate power to own, lease and operate its properties and assets, and to carry on its business as presently conducted. The Company is duly qualified as a foreign corporation to do business and is in good standing in every jurisdiction in which the nature of the business conducted or property owned by it makes such qualification necessary except for any jurisdiction(s) (alone or in the aggregate) in which the failure to be so qualified will not have a Material Adverse Effect.

2. The Company has the requisite corporate power and authority to enter into and perform its obligations under the Transaction Documents and to issue the Preferred Stock, the Warrants and the Common Stock issuable upon conversion of the Preferred Stock and exercise of the Warrants. The execution, delivery and performance of each of the Transaction Documents by the Company and the consummation by it of the transactions contemplated thereby have been duly and validly authorized by all necessary corporate action and no further consent or authorization of the Company or its Board of Directors or stockholders is required. Each of the Transaction Documents has been duly executed and delivered, and the Preferred Stock and the Warrants have been duly executed, issued and delivered by the Company. Each of the Transaction Documents constitutes a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its respective terms. The Common Stock issuable upon conversion of the Preferred Stock and exercise of the Warrants are not subject to any preemptive rights under the Articles of Incorporation or the Bylaws.

3. The Preferred Stock and the Warrants have been duly authorized and, when delivered against payment in full as provided in the Purchase Agreement, will be validly issued, fully paid and nonassessable. The shares of Common Stock issuable upon conversion of the Preferred Stock and exercise of the Warrants, have been duly authorized and reserved for issuance, and, when delivered upon conversion or against payment in full as provided in the Certificate of Designation and the Warrants, as applicable, will be validly issued, fully paid and nonassessable.

4. The execution, delivery and performance of and compliance with the terms of the Transaction Documents and the issuance of the Preferred Stock, the Warrants and the Common Stock issuable upon conversion of the Preferred Stock and exercise of the Warrants do not (i) violate any provision of the Articles of Incorporation or Bylaws, (ii) conflict with, or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any material agreement, mortgage, deed of trust, indenture, note, bond, license, lease agreement, instrument or obligation to which the Company is a party and which is known to us, (iii) create or impose a lien, charge or encumbrance on any property of the Company under any agreement or any commitment to which the Company is a party or by which the Com pany is bound or by which any of its

respective properties or assets are bound and which is known to us, or (iv) result in a violation of any federal, state, local or foreign statute, rule, regulation, order, judgment, injunction or decree (including Federal and state securities laws and regulations) applicable to the Company or by which any property or asset of the Company is bound or affected, except, in all cases other than violations pursuant to clause (i) above, for such conflicts, default, terminations, amendments, acceleration, cancellations and violations as would not, individually or in the aggregate, have a Material Adverse Effect.

5. No consent, approval or authorization of or designation, declaration or filing with any governmental authority on the part of the Company is required under Federal, state or local law, rule or regulation in connection with the valid execution and delivery of the Transaction Documents, or the offer, sale or issuance of the Preferred Stock, the Warrants or the Common Stock issuable upon conversion of the Preferred Stock and exercise of the Warrants other than the Certificate of Designation and the Registration Statement.

6. To our knowledge, there is no action, suit, claim, investigation or proceeding pending or threatened against the Company which questions the validity of the Purchase Agreement or the transactions contemplated thereby or any action taken or to be taken pursuant hereto or thereto. Except as disclosed in the Disclosure Schedules to the Purchase Agreement, there is no action, suit, claim, investigation or proceeding pending, or to our knowledge, threatened, against or involving the Company or any of its properties or assets and which, if adversely determined, is reasonably likely to result in a Material Adverse Effect. There are no outstanding orders, judgments, injunctions, awards or decrees of any court, arbitrator or governmental or regulatory body against the Company or any officers or directors of the Company in their capacities as such.

7. The Merger Documents have been duly authorized, executed and delivered by the Company and such Merger Documents constitute a legal, valid and binding obligation of the Company enforceable against the Company in accordance with their respective terms. The Certificate of Merger has been filed and receipt acknowledged by the Nevada Secretary of State.

8. Conditioned upon the accuracy of each Purchaser's representations and warranties contained in the Purchase Agreement, the offer, issuance and sale of the Preferred Stock and the Warrants and the offer, issuance and sale of the shares of Common Stock issuable upon conversion of the Preferred Stock and exercise of the Warrants pursuant to the Purchase Agreement, the Certificate of Designation and the Warrants, as applicable, are exempt from the registration requirements of the Securities Act.

Very truly yours,

964206_3

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the "Agreement"), is effective as of this May 5, 2004 between:

Chembio Diagnostics, Inc. (the “Company”)
3661 Horseblock Road
Medford, New York 11763
Fax (631) 924-6033

and

Mark L. Baum ("Employee")
249 South Highway 101, Suite 432
Solana Beach, California 92075
Fax (858) 523-9619

WITNESSETH

WHEREAS, the Company requires and will continue to require services relating management advisement, strategic planning and marketing in connection with its business, and additional services related to the Company becoming a publicly trading and reporting company; and

WHEREAS, the Company wishes to engage Employee to provide these services and Employee wishes to be employed by the Company regarding the same,

NOW, THEREFORE, in consideration of the mutual covenants hereinafter stated, it is agreed as follows:

1. APPOINTMENT.

The Company hereby engages Employee and Employee agrees to be employed by the Company upon the terms and conditions hereinafter set forth.

2. TERM.

The term of this Employment Agreement began as of the date of this Agreement, and shall terminate 270 days thereafter, unless earlier terminated in accordance with paragraph 7 herein or extended as agreed to between the parties.

3. SERVICES.

During the term of this Agreement, Employee shall provide advice concerning management, marketing, strategic planning, corporate organization and structure, matters in connection with the operation of the businesses of the Company, advisement on issues confronted by publicly trading and publicly reporting companies, expansion of services, acquisitions and business opportunities, and shall review and advise the Company regarding its overall progress, needs and condition. Employee agrees to provide on a timely basis the following enumerated services plus any additional services contemplated thereby.

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4. DUTIES OF THE COMPANY.

Employee shall have access on a regular and timely basis to all approved data and information about the Company, its subsidiaries, its management, its products and services and its operations as shall be reasonably requested by Employee, and the Company shall provide Employee of any facts which would affect the accuracy of any data and information previously supplied pursuant to this paragraph. Employee also shall have access to full and complete copies of all financial reports, all fillings with all federal and state securities agencies, all stockholder reports, any data and information supplied by any financial analyst, and any brochures or other sales materials relating to the Company’s products or services.

5. COMPENSATION.

a. 400,000 shares of freely tradable common stock ("Stock") which are deemed fully earned as of the date hereof, but which shall not be delivered to Employee until the effective date of the SB-2 referred to below. The common shares related to the Stock shall be registered on and included in the Form SB-2 registration statement (the “SB-2”) to be filed in connection with the Company’s Series A Convertible Preferred Stock financing. Upon the effectiveness of the SB-2, the Company shall deliver to Employee four (4) common stock certificates for 100,000 Company common shares each. The Stock shall be deemed completely earned, due, payable and non-assessable as of the date of the execution of this Agreement. There shall be no refunds or diminishment of Employee's right to the Stock regardless of any event.

b. Upon the execution of this Agreement, Employee shall be issued two common stock warrants (hereinafter collectively referred to as "Warrants" and attached hereto as Exhibit "A") which shall entitle Employee the right to purchase for a period of five (5) years after the execution of this Agreement: (i) 425,000 Company common shares for $.60 per share, and (ii) 425,000 Company common shares for $.90 per share. The shares underlying these Section 5(b) Warrants shall be registered in the SB-2. Except for the exercise price of the Warrants being tendered to the Company, the Warrants and all of the rights related thereto shall be deemed completely earned, due, payable and non-assessable as of the date of the execution of this Agreement. There shall be no refunds or diminishment of Employee's right to the Warrants regardless of any event.

c. Within two days after delivery pursuant to paragraph 5a above of the certificates representing the Stock, Employee shall pay the Company all amounts necessary to cover required tax withholdings and deductions, including the Company’s share of all social security taxes related to Employee’s employment.

6. REPRESENTATION AND INDEMNIFICATION.

The Company shall be deemed to have made a continuing representation of the accuracy of any and all facts, material information and data which it supplies to Employee and acknowledges its awareness that Employee will rely on such continuing representation in disseminating such information and otherwise performing its advisory functions. Employee, in the absence of notice in writing from the Company, will rely on the continuing accuracy of material, information and data supplied by the Company. Employee represents that he has knowledge of and is experienced in providing the aforementioned services.

1.1 COMPLIANCE WITH SECURITIES LAWS.

The Company understands that any and all compensation outlined in Section 5 shall be paid solely and exclusively as consideration for the aforementioned employment duties. Any monies transferred to Company by Employee to pay for the exercise of Warrants are not made with the intent to provide the Company with capital. Employee has been engaged to provide the Company with

traditional business, management, technical and operational advice, and related business services. Employee's engagement does not involve the promotion or marketing of any Company securities, nor does it involve raising money for the Company.

7. MISCELLANEOUS.

a. Termination: The Company may terminate this Employment Agreement upon written notice to Employee for any reason which shall be effective five (5) business days from the date of such notice. This Agreement shall be terminated immediately upon written notice for material breach of this Agreement. Any termination, regardless of fault or circumstances, shall not diminish Employee's rights to the Stock or Warrants.

b. Modification: This Employment Agreement sets forth the entire understanding of the Parties with respect to the subject matter hereof. This Employment Agreement may be amended only in writing signed by both Parties.

c. Notices: Any notice required or permitted to be given hereunder shall be in writing and shall be mailed or otherwise delivered in person or by facsimile transmission at the address of such Party set forth above or to such other address or facsimile telephone number as the Party shall have furnished in writing to the other Party.

d. Waiver: Any waiver by either Party of a breach of any provision of this Employment Agreement shall not operate as or be construed to be a waiver of any other breach of that provision or of any breach of any other provision of this Employment Agreement. The failure of a Party to insist upon strict adherence to any term of this Employment Agreement on one or more occasions will not be considered a waiver or deprive that Party of the right thereafter to insist upon adherence to that term of any other term of this Employment Agreement.

e. Assignment: Compensation under this Agreement are assignable at the discretion of the Employee.

f. Severability: If any provision of this Employment Agreement is invalid, illegal, or unenforceable, the balance of this Employment Agreement shall remain in effect, and if any provision is inapplicable to any person or circumstance, it shall nevertheless remain applicable to all other persons and circumstances.

g. Disagreements: Any dispute or other disagreement arising from or out of this Employment Agreement shall be submitted to arbitration under the rules of the American Arbitration Association and the decision of the arbiter(s) shall be enforceable in any court having jurisdiction thereof. In the event any dispute is arbitrated, the prevailing Party (as determined by the arbiter(s)) shall be entitled to recover that Party's reasonable attorney's fees incurred (as determined by the arbiter(s)).

h. Specific Performance: Employee shall have the right to demand specific performance of the terms, and each of them, of this Agreement.

IN WITNESS WHEREOF, this Employment Agreement has been executed by the Parties as of the date first above written.

Chembio Diagnostics, Inc.

/s/ Larry Siebert
Larry Siebert
Chief Executive Officer

Employee

/s/ Mark L. Baum
Mark L. Baum

List of Subsidiaries

Chembio Diagnostic Systems Inc. (Delaware)