
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): December 20, 2007 (December 18, 2007)



CHEMBIO DIAGNOSTICS, INC.

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction
of Incorporation)

0-30379
(Commission File Number)

88-0425691
(IRS Employer
Identification Number)

3661 Horseblock Road
Medford, NY 11763
(Address of principal executive offices)
631-924-1135
(Registrant's Telephone Number)

N/A
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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In connection with the exercise of warrants on a cash basis pursuant to the Plan (defined below in Item 7.01), on December 19, 2007, the Company issued 2,723,403 shares of common stock. The Company received \$1,089,361 as consideration for these issuances. These issuances were completed in reliance on exemptions from registration under Section 4(2) of the Act and Rule 506 of Regulation D promulgated under the Securities Act of 1933, as amended (the “Act”). These transactions qualified for exemption from registration because (i) the securities were issued to accredited investors only; (ii) the Company did not engage in any general solicitation or advertising to market the securities; (iii) each purchaser was provided the opportunity to ask questions and receive answers from the Company regarding the offering; and (iv) the warrant exercisers received “restricted securities.”

In connection with the exercise of warrants on a cashless basis pursuant to the Plan, on December 19, 2007, the Company issued 963,163 shares of common stock. The Company did not receive any cash as consideration for these issuances, but rather these warrants were exercised on a cashless basis (described below in Item 7.01). These issuances were completed in reliance on exemptions from registration under Section 4(2) of the Act and Rule 506 of Regulation D promulgated under the Act. These transactions qualified for exemption from registration because (i) the securities were issued to accredited investors only; (ii) the Company did not engage in any general solicitation or advertising to market the securities; (iii) each purchaser was provided the opportunity to ask questions and receive answers from the Company regarding the offering; and (iv) the purchasers received “restricted securities.”

On December 19, 2007, the Company also issued 1,273,235 shares of common stock as payment of dividends to holders of its Series A, Series B and Series C Preferred Stock. No cash was exchanged in this issuance. These dividend shares were issued in connection with the Company’s sale of Series A Preferred Stock in May 2004, the Company’s sale of Series B Preferred Stock in January 2005 and March 2006, and its sale of Series C Preferred Stock in September and October 2006, which were exempt from registration under the Securities Act of 1933, as amended (the “Securities Act”) and applicable state laws pursuant to Section 4(2) of the Securities Act and Rule 506 of Regulation D. These issuances qualified for exemption from registration because (i) the securities were issued to accredited investors only; (ii) the Company did not engage in any general solicitation or advertising to market the securities; and (iii) each purchaser was provided the opportunity to ask questions and receive answers from the Company regarding the offering.

On December 19, 2007, the Company also issued 2,395,466 warrants to purchase shares of common stock to holders of certain of the Company’s Non-Employee Warrants that did not consent to the Plan transactions. No cash was exchanged in these issuances, and these warrants were issued pursuant to the application of the anti-dilution provisions existing in certain of the Non-Employee Warrants. The exercise prices of certain of the Non-Employee Warrants held by non-consenting holders was also reduced to \$0.40 pursuant to the terms of these warrants, and these non-consenting holders are permitted to exercise their warrants for cash only at \$0.40 per share until the expiration of the warrants. These issuances were exempt from registration under the Securities Act of 1933, as amended (the “Securities Act”) and applicable state laws pursuant to Section 4(2) of the Securities Act and Rule 506 of Regulation D. These issuances qualified for exemption from registration because (i) the securities were issued to accredited investors only; (ii) the Company did not engage in any general solicitation or advertising to market the securities; (iii) each purchaser was provided the opportunity to ask questions and receive answers from the Company regarding the offering; and (iv) the purchasers received “restricted securities.”

On December 19, 2007, the Company issued 41,260,568 shares of Common Stock based on the conversion of the Company’s Series A, Series B and Series C Preferred Stock. No cash was exchanged in these issuances. These issuances were exempt from registration under the Securities Act of 1933, as amended (the “Securities Act”) and applicable state laws pursuant to Section 4(2) of the Securities Act and Rule 506 of Regulation D. These issuances qualified for exemption from registration because (i) the securities were issued to accredited investors only; (ii) the Company did not engage in any general solicitation or advertising to market the securities; (iii) each purchaser was provided the opportunity to ask questions and receive answers from the Company regarding the offering; and (iv) the purchasers received “restricted securities.”

On December 19, 2007, the Company's Board of Directors amended its bylaws to adopt a new bylaw to limit the application of Nevada Revised Statutes 78.378 to 78.3793, inclusive, to the Company. The Company's adoption of the new bylaw will exempt the Company from the provisions of the Nevada Revised Statutes applicable to the acquisition of a controlling interest by existing or future stockholders.

ITEM 7.01. REGULATION FD DISCLOSURE.

On December 18, 2007 (the "Proposed Plan Closing Date"), the Company extended the date for the voting period to December 19, 2007, on the proposed amendments to the governing documents for the Company's Series A, Series B and Series C Convertible Preferred Stock (collectively, the "Preferred Stock") and for certain warrants and options (collectively, the "Non-Employee Warrants") not including options or warrants issued to employees or directors in their capacity as such (these actions collectively, the "Plan"). On December 19, 2007 (the "Closing Date"), the Plan transactions were approved by the Company and the requisite percentages of the holders of the Preferred Stock and the Non-Employee Warrants, and the Plan was consummated. The results of the Plan and the modified terms of the Preferred Stock and the Non-Employee Warrants are set forth below.

Pursuant to the terms of the Plan, on the Closing Date, all of the outstanding Series A and Series B Preferred Stock, other than the Series A Preferred and Series B Preferred held by the Company's Chief Executive Officer, Lawrence A. Siebert, was converted into 21,538,479 shares of the Company's \$.01 par value common stock (the "Common Stock") at a conversion rate of \$0.40 per share of Common Stock. The Series A Preferred and Series B Preferred held by Mr. Siebert was converted at the rate of \$0.48 per share into 2,534,593 shares of Common Stock. All of the outstanding Series C Preferred Stock was also converted into 17,187,496 shares of Common Stock at the rate of \$0.48 per share, and the Company issued 1,273,235 shares of Common Stock as payment for any accrued but unpaid dividends on any shares of the Preferred Stock outstanding on the Closing Date.

On the Closing Date, the holders of all the Non-Employee Warrants were permitted to exercise their Non-Employee Warrants for cash at a reduced exercise price of \$0.40 per share, or on a cashless basis at an exercise price of \$0.45 per share. The exercise of these Non-Employee Warrants on a cash and cashless basis resulted in the Company issuing 3,686,566 shares of Common Stock. Non-Employee Warrant Holders that exercised at least 10% of their Non-Employee Warrants for cash at \$0.40 per share on the Closing Date are now permitted, but not required, to exercise the remaining balance of their Non-Employee Warrants for cash or on a cashless basis at an exercise price of \$0.45 per share at any time on or before June 30, 2008.

Pursuant to the terms of the approved Plan, if a Non-Employee Warrant holder exercised at least 10% of its warrants for cash at the Closing Date, but does not exercise the remaining balance of its warrants for cash or on a cashless basis on or before June 30, 2008, the exercise price of its remaining warrants will revert to the original exercise price on July 1, 2008, at which time they will be permitted to exercise their Non-Employee Warrants on a cash or a cashless basis.

For a consenting Non-Employee Warrant holder that did not exercise at least 10% of its warrants for cash at the Closing Date, the exercise price of its warrants will revert to the original exercise price, subject to any applicable adjustment, on December 20, 2007. Beginning April 1, 2008, in addition to being exercisable for cash, a Non-Employee Warrant holder that did not exercise at least 10% of its warrants for cash at the Closing Date will be permitted to exercise their warrants on a cashless basis based on the VWAP for the ten-trading day period that ends on the first trading day immediately preceding the date of such warrant exercise. The Plan amendments also provide that for those Non-Employee Warrant holders that consented to the Plan, the anti-dilution and price reduction provisions of the Non-Employee Warrants will not cause any adjustment to the exercise price or number of shares issuable based on any issuance or other action taken in connection with the Plan.

Certain holders of the Non-Employee Warrants did not consent to the Plan transactions. Pursuant to the anti-dilution terms existing in certain of the Non-Employee Warrants held by these non-consenting holders, the number of warrants that theses non-consenting holders are permitted to exercise has been increased by 2,395,466. In addition, the exercise prices of certain of the Non-Employee Warrants held by non-consenting holders was reduced to \$0.40 pursuant to the terms of these warrants, and these non-consenting holders are permitted to exercise their warrants for cash only at \$0.40 per share until the expiration of the warrants.

The Plan’s cashless exercise provision permits Non-Employee Warrant holders to use any excess of the market price of the Company’s Common Stock over the exercise price of a Non-Employee Warrant as part of the exercise price for another Warrant by submitting both warrants at the time of exercise. Pursuant to the Plan, Non-Employee Warrant holders were permitted at the Closing Date to use the greater of (i) \$0.53 or (ii) the VWAP for the ten-trading day period that ended on December 17, 2007 as the value of the Common Stock, so that each Non-Employee Warrant used as part of the exercise price payment on the Closing Date represented the difference between the greater of these two values and the \$0.45 Non-Employee Warrant exercise price. In addition, Non-Employee Holders that exercised at least 10% of all of such holder's Non-Employee Warrants for cash on the Closing Date are permitted between the Closing Date and June 30, 2008 to use the difference between the greater of these two values and the \$0.45 Non-Employee Warrant exercise price as part of their exercise price payment. Non-Employee Warrant Holders that did not exercise (x) at least 10% of all of such holder's Non-Employee Warrants for cash at the Closing Date, or (y) its Non-Employee Warrants on cashless basis at \$0.45 per share on the Closing Date will only be permitted to exercise its Non-Employee Warrants on a cashless basis beginning on April 1, 2008, and at that point the value of a warrant to be used as part of the exercise price payment in such cashless exercise will equal the excess of the VWAP for the ten-trading day period that ends on the first trading day immediately preceding the date of such warrant exercise over the exercise price of a warrant.

In connection the Plan closing, the Company obtained \$1,089,361 of Non-Employee Warrant cash exercises on the Closing Date.

The Company worked with Collins Stewart LLC (“Collins Stewart”), an investment banking advisor, with respect to the Plan transactions. As compensation for the services rendered by Collins Stewart, the Company will pay Collins Stewart certain cash fees, as well as reimbursement, up to specified thresholds, for its reasonable counsel and out-of-pocket expenses related to the Plan.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS

Exhibits.

- 3New Article VI of Bylaws for Chembio Diagnostics, Inc.
- 99.1Press Release titled “Chembio Diagnostics Completes Plan To Simplify Its Capital Structure, Raises Approximately \$1.1 Million” issued December 20, 2007.

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In accordance with General Instruction B.2 of Form 8-K, the information in this Current Report on Form 8-K shall not be deemed “filed” for the purpose of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any filing. This Current Report on Form 8-K does not constitute a determination of whether any information included herein is material.

SIGNATURES

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

Date: December 20, 2007

Chembio Diagnostics, Inc.

By: /s/ Lawrence A. Siebert

Lawrence A. Siebert

Chief Executive Officer

Article VI: The Corporation elects not to be governed by the provisions of Nevada Revised Statutes 78.378 to 78.3793, inclusive, and Nevada Revised Statutes 78.378 to 78.3793, inclusive, do not apply to the Company or to an acquisition of a controlling interest in the Company by all existing stockholders and classes of stockholders of the Company and all future stockholders and classes of stockholders of the Company.



CHEMBIO COMPLETES PLAN TO SIMPLIFY ITS CAPITAL STRUCTURE, RAISES APPROXIMATELY \$1.1 MILLION

Conference Call Scheduled Today at 11a.m. ET

MEDFORD, N.Y. (December 20, 2007) – Chembio Diagnostics, Inc. (OTC BB: CEMI) (“Chembio” or the “Company”) today announced that it has completed its plan (the “Plan”) to simplify its capital structure. Under the terms of the Plan, all of the Company’s shares of Series A, Series B and Series C convertible preferred stock were converted into shares of Chembio common stock. As a result of the Plan transactions, the Company’s capital structure now consists of approximately 60.5 million shares of common stock outstanding, and 21.9 million warrants and options outstanding.

A condition to finalizing the Plan was that the Company had to raise at least \$1.0 million through the cash exercise of outstanding warrants. The Company satisfied this condition, and through the Plan closing date, approximately \$1.1 million had been raised through cash exercises of warrants. Additionally, as part of the Plan, approximately 9.2 million warrants are eligible to be exercised at a reduced price of \$0.45 per share for approximately 6 months.

“The Plan transactions significantly simplify our capital structure, and also improve our financial condition as we grow our business and progress toward profitability,” said Lawrence Siebert, Chairman and Chief Executive Officer of Chembio Diagnostics. “We believe that the Plan was accomplished in a way that limits dilution to common stockholders, and in a way that will allow the capital markets to more accurately value our Company.”

Please see a copy of our 8-K for a full discussion of all the Plan transactions completed yesterday.

Collins Stewart LLC advised the Company on the transaction.

CONFERENCE CALL

The Company has scheduled a conference call and web-cast for 11 a.m. ET this morning. Participants may access the call by dialing toll free (877) 407-0782 in the U.S. or (201) 689-8567 outside the U.S. The conference call also will be available via the internet at <http://www.vcall.com/IC/CEPage.asp?ID=124334> or through the Investor Center section of www.chembio.com, and will be archived on the Company’s website for 90 days.

ABOUT CHEMBIO DIAGNOSTICS

Chembio Diagnostics, Inc., a developer and manufacturer of proprietary rapid diagnostic tests, participates in the growing \$5 billion point-of-care testing market. Chembio’s two FDA PMA-approved, CLIA-waived, rapid HIV tests are marketed in the U.S. by Inverness Medical Innovations, Inc. Chembio markets its HIV STAT-PAK® line of rapid HIV tests internationally to government and donor-funded programs directly and through distributors. Chembio also has rapid tests for veterinary tuberculosis and Chagas disease. In 2007 Chembio received a U.S. patent for its Dual Path Platform (DPP™) technology which has significant advantages over currently available lateral-flow technologies. This technology is providing Chembio with a significant pipeline of business opportunities for the development and manufacture of new products based on DPP™. Headquartered in Medford, N.Y. with approximately 100 employees, Chembio is licensed by the U.S. Food and Drug Administration (FDA) as well as the U.S. Department of Agriculture (USDA), and is certified for the global market under the International Standards Organization (ISO) directive 13.485.

FORWARD-LOOKING STATEMENTS

Statements contained herein that are not historical facts may be forward-looking statements within the meaning of the Securities Act of 1933, as amended. Forward-looking statements include statements regarding the intent, belief or current expectations of the Company and its management. Such statements are estimates only, as the Company has not completed the preparation of its financial statements for those periods, nor has its auditor completed the audit of those results. Actual revenue may differ materially from those anticipated in this press release. Such statements reflect management's current views, are based on certain assumptions and involve risks and uncertainties. Actual results, events, or performance may differ materially from the above forward-looking statements due to a number of important factors, and will be dependent upon a variety of factors, including, but not limited to Chembio's ability to obtain additional financing, to obtain regulatory approvals in a timely manner and the demand for Chembio's products. Chembio undertakes no obligation to publicly update these forward-looking statements to reflect events or circumstances that occur after the date hereof or to reflect any change in Chembio's expectations with regard to these forward-looking statements or the occurrence of unanticipated events. Factors that may impact Chembio's success are more fully disclosed in Chembio's most recent public filings with the U.S. Securities and Exchange Commission.

Contacts:

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