

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**Form 10-QSB**

X QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

**For the quarterly and nine month periods ended March 31, 2002**

\_\_ TRANSITION REPORT UNDER SECTION 13 or 15 (d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
**Commission File Number 000-24541**

**CORGENIX MEDICAL CORPORATION**

(Name of Small Business Issuer in its Charter)

**Nevada**

**93-1223466**

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer Identification No.)

**12061 Tejon Street, Westminster, Colorado 80234**

(Address of principal executive offices, including zip code)

**(303) 457-4345**

(Issuer's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

The number of shares of Common Stock outstanding was **4,327,899 as of April 19, 2002.**

Transitional Small Business Disclosure Format. Yes  No

# CORGENIX MEDICAL CORPORATION

March 31, 2002

## TABLE OF CONTENTS

Page

### Part I

#### Financial Information

Item 1. Consolidated Financial Statements	3
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	9

### Part II

#### Other Information

Item 1. Legal Proceedings	18
Item 2. Changes in Securities and Use of Proceeds	18
Item 3. Defaults Upon Senior Securities	19
Item 4. Submission of Matters to a Vote of Security Holders	19
Item 5. Other Information	19
Item 6. Exhibits and Reports on Form 8-K	19

**PART I**  
**Item 1. Consolidated Financial Statements**

**CORGENIX MEDICAL CORPORATION**  
**AND SUBSIDIARIES**

**Consolidated Balance Sheets**

	<u>March 31, 2002</u>	<u>June 30, 2001</u>
	(Unaudited)	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 197,349	320,140
Accounts receivable, less allowance for doubtful accounts of \$14,000	834,998	585,704
Inventories	698,924	556,521
Prepaid expenses	<u>69,583</u>	<u>13,612</u>
Total current assets	1,800,854	1,475,977
Equipment:		
Machinery and laboratory equipment	513,697	
Software, furniture, fixtures and office equipment	<u>1,117,119</u>	<u>1,010,631</u>
	1,630,816	1,364,180
Accumulated depreciation and amortization	<u>(764,277)</u>	<u>(551,393)</u>
Net equipment	<u>866,539</u>	<u>812,787</u>
Intangible assets:		
Patents, net of accumulated amortization of \$851,858 and \$795,986, respectively	265,686	321,558
Goodwill, net of accumulated amortization of \$44,001 and \$41,067, respectively	<u>14,655</u>	<u>17,589</u>
Net intangible assets	280,341	<u>339,147</u>
Due from officer	12,000	12,000
Other assets	<u>9,686</u>	<u>65,179</u>
Total assets	\$ <u>2,969,420</u>	<u>2,705,090</u>
<b>Liabilities and Stockholders' Equity (Deficit)</b>		
Current liabilities:		
Current portion of notes payable	\$ 343,652	
Current portion of capital lease obligations	85,187	
Accounts payable	496,421	746,642
Accrued payroll and related liabilities	122,088	
Accrued interest payable	92,709	82,689
Other liabilities	126,166	72,642
Employee stock purchase plan payable	<u>3,915</u>	<u>2,235</u>
Total current liabilities	1,270,138	
Notes payable, excluding current portion	536,154	618,370
Capital lease obligations, excluding current portion	<u>122,080</u>	<u>49,379</u>
Total liabilities	1,928,372	<u>1,933,669</u>
Stockholders' equity (deficit):		
Preferred stock, \$0.001 par value. Authorized 5,000,000 shares, none issued or outstanding	-	-
Common stock, \$0.001 par value. Authorized 40,000,000 shares; issued and outstanding 4,327,899		

and 4,077,290 on March 31 and June 30, respectively	4,328	
4,077		
Additional paid-in capital	4,692,484	4,475,563
Accumulated deficit	(3,677,441)	(3,736,486)
Accumulated other comprehensive income	<u>21,677</u>	
<u>28,267</u>		
Total stockholders' equity	<u>1,041,048</u>	<u>771,421</u>
Total liabilities and stockholders' equity	<u>\$ 2,969,420</u>	<u>2,705,090</u>

See accompanying notes to consolidated financial statements.

**CORGENIX MEDICAL CORPORATION  
AND SUBSIDIARIES**

**Consolidated Statements of Operations and Comprehensive Income (Loss)**

	Three Months Ended		Nine Months Ended	
	March 31, 2002	March 31, 2001	March 31, 2002	March 31, 2001
	(Unaudited)		(Unaudited)	
Net sales	\$ 1,244,466	1,112,251	3,522,318	3,063,545
Cost of sales	457,644	398,153	1,218,386	1,096,329
<b>Gross profit</b>	<b>\$ 786,822</b>	<b>714,098</b>	<b>2,303,932</b>	<b>1,967,216</b>
Operating expenses:				
Selling and marketing	273,010	185,339	730,768	532,801
Research and development	145,460	84,224	420,953	262,120
General and administrative	332,863	274,966	978,752	659,430
<b>Total expenses</b>	<b>751,333</b>	<b>544,529</b>	<b>2,130,473</b>	<b>1,454,351</b>
<b>Operating income</b>	<b>\$ 35,489</b>	<b>169,569</b>	<b>173,459</b>	<b>512,865</b>
Interest expense, net	42,282	41,058	114,414	110,483
<b>Net income (loss)</b>	<b>\$ (6,793)</b>	<b>128,511</b>	<b>59,045</b>	<b>402,382</b>
Net income (loss) per share, basic	\$ -	0.04	.01	0.11
Net income (loss) per share, diluted	\$ -	0.04	.01	0.11
Weighted average shares outstanding, basic (note 3)	4,291,265	3,486,648	4,268,571	3,555,104
Weighted average shares outstanding, diluted (note 3)	<u>4,336,372</u>	<u>3,491,432</u>	<u>4,321,526</u>	<u>3,580,027</u>
<b>Net income (loss)</b>	<b>\$ (6,793)</b>	<b>128,511</b>	<b>59,045</b>	<b>402,382</b>
Foreign currency translation gain (loss)	<u>(1,428)</u>	<u>12,852</u>	<u>(6,590)</u>	<u>13,890</u>

Total comprehensive income (loss)	<u>\$ ( 8,221)</u>	<u>141,363</u>	<u>52,455</u>	<u>416,272</u>
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See accompanying notes to consolidated financial statements.

**CORGENIX MEDICAL CORPORATION  
AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

	Nine Months Ended	
	March 31, 2002	March 31, 2001
	(Unaudited)	
Cash flows from operating activities:		
Net income	\$ 59,045	402,382
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization	271,690	96,551
Equity instruments issued for services	34,753	-
Changes in operating assets and liabilities:		
Accounts receivable	(249,294)	(68,305)
Inventories	(142,403)	1,165
Prepaid expenses and other assets	(478)	(55,266)
Accounts payable	(250,221)	(60,766)
Accrued payroll and related liabilities	(19,440)	13,440
Employee stock purchase plan payable	1,680	(797)
Accrued interest and other liabilities	63,544	(146,425)
Net cash provided (used) by operating activities	<u>(231,124)</u>	<u>181,979</u>
Cash flows used by investing activities - purchase of equipment	<u>(85,103)</u>	<u>(228,735)</u>
Cash flows from financing activities:		
Proceeds from issuance of common stock	208,160	368,494
Proceeds from issuance of warrants	200	-
Proceeds from issuance of notes payable	203,659	-
Payments on notes payable	(131,221)	(80,861)
Payments on capital lease obligations	(54,831)	(25,875)
Payments for costs of issuance of common stock	(25,941)	-
Net cash provided by financing activities	<u>200,026</u>	<u>261,758</u>
Net increase (decrease) in cash and cash equivalents	(116,201)	215,002
Impact of foreign currency translation adjustment on cash	(6,590)	11,110
Cash and cash equivalents at beginning of period	320,140	46,698
Cash and cash equivalents at end of period	<u>\$ 197,349</u>	<u>272,810</u>

Supplemental cash flow disclosures:

Cash paid for interest	\$ <u>76,672</u>	<u>101,548</u>
Noncash investing and financing activity—		
Equipment acquired under capital leases	\$ <u>181,533</u>	<u>27,858</u>

See accompanying notes to consolidated financial statements.

**CORGENIX MEDICAL CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION**

Corgenix Medical Corporation (Corgenix or the Company) develops, manufactures and markets diagnostic products for the serologic diagnosis of certain vascular diseases and autoimmune disorders using proprietary technology. We market our products to hospitals and free-standing laboratories worldwide through a network of sales representatives, distributors, and private label (OEM) agreements. Our headquarters office and manufacturing facility are located in Westminster, Colorado.

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Corgenix, Inc., Corgenix UK Limited (Corgenix UK) and health-outfitters.com, Inc. Corgenix UK was established as a United Kingdom company during 1996 to market the Company's products in Europe. Transactions are generally denominated in US dollars.

The accompanying consolidated financial statements have been prepared without audit and in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of the Company, the financial statements include all adjustments (consisting of normal recurring accruals and adjustments) required to present fairly the Company's financial position at March 31, 2002 and June 30, 2001 and the results of operations for each of the three and nine month periods ended March 31, 2002 and 2001, and the cash flows for each of the nine month periods then ended. The operating results for the three and nine months ended March 31, 2002 are not necessarily indicative of the results that may be expected for the year ended June 30, 2002. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-KSB for the fiscal year ended June 30, 2001.

**2. SOFTWARE**

In the year ended June 30, 2000 we began development of a web site for selling healthcare and fitness products directly to consumers. The internal and external costs of developing and enhancing the software, other than initial design and other costs incurred during the preliminary project stage, were capitalized through the fourth fiscal quarter of the fiscal year ended June 30, 2001. To date, all products and enhancements thereto have utilized proven technology. Such capitalized amounts are amortized on the straight-line method over the estimated economic life, estimated to be three years beginning July 1, 2001. Although it is possible that management's estimate for the future net realizable value could change in the near future, management is not currently aware of any events that would result in a change to its estimate which would be material to our financial position or our results of operations.

In the quarter ended December 31, 2001, we began development of a business-to-business web site (Corgenix On Line) for reference laboratory and hospital customers and potential customers worldwide. The web site, when completed, will allow customers to place orders for our diagnostic products, pay for said orders, and track the status of such orders. It will also give full specifications and details on all of our diagnostic test kits. As was the case in the paragraph above, the internal and external costs of developing and enhancing the software, other than initial design and other costs incurred during the preliminary project stage have been capitalized and will continue to be capitalized until the software has been completed. To date, all products and enhancements thereto have utilized proven technology. Such capitalized amounts (approximately \$75,000 as of March 31, 2002) will be amortized commencing when the website is placed in service on a straight line basis over a three-year period.

### 3. EARNINGS PER SHARE

On January 15, 2002, the Company effected a one-for-five reverse stock split. Previously reported share and earnings per share amounts have been retroactively adjusted to reflect the reverse split for all periods. Basic and diluted net income (loss) per share is presented based on the weighted average number of common shares outstanding during the period. Diluted net income per share is computed on the basis of the weighted average number of common shares outstanding plus the effect of outstanding warrants and stock options using the "treasury stock" method unless the impact is anti-dilutive. The difference between basic income per share and diluted income per share is due to the effect of outstanding warrants and stock options.

The components of basic and diluted income (loss) per share are as follows:

	3 months ended March 31, 2002	3 months ended March 31, 2001	9 months ended March 31, 2002	9 months ended March 31, 2001
Numerator:				
Net income (loss)	<u>\$ (6.793)</u>	<u>\$ 128.511</u>	<u>\$ 59.045</u>	<u>\$ 402.382</u>
Denominator:				
Historical common shares outstanding for basic income (loss) per share at beginning of period	4,281,246	3,488,235	4,077,290	3,370,423
Impact of shares issued during the period	10,019	(1,587)	191,281	184,681
Denominator for basic income per share – weighted average shares	4,291,265	3,486,648	4,268,571	3,555,104
Incremental common shares attributable to shares issuable under equity incentive plans (treasury stock method)	<u>45,107</u>	<u>4,784</u>	<u>52,955</u>	<u>24,923</u>
Denominator for diluted net income per share – weighted average shares	4,336,372	3,491,432	4,321,526	3,580,027
Basic income (loss) per share	<u>\$ (0.00)</u>	<u>\$ 0.04</u>	<u>\$ .01</u>	<u>\$ 0.11</u>
Diluted earnings (loss) per share	<u>\$ (0.00)</u>	<u>\$ 0.04</u>	<u>\$ .01</u>	<u>\$ 0.11</u>

### 4. INCOME TAXES

The Company recognized a net loss for the three months and net income for the nine months ended March 31, 2002. Although the Company recognized net income in the years ended June 30, 2001 and 2000, it historically has incurred losses, and accordingly no income tax benefit has been recognized. The Company will continue to assess when it is appropriate to reverse some or all of the valuation allowance for deferred income taxes based on projecting net income in the future or utilization of tax planning strategies.

### 5. SEGMENT INFORMATION

The Company has two segments of business: the domestic segment, which includes revenues generated by sales to customers in the United States, Canada, Mexico and Japan, and includes all expenses in the Denver, Colorado headquarters including corporate expenses; and the international segment, which includes sales to customers worldwide except for those covered in the domestic segment, and includes all expenses of the Corgenix subsidiary in the UK. The Company's other subsidiary, health-outfitters.com, Inc. had insignificant revenue for the three and nine months ended March 31, 2002 (approximately \$3,500 and \$5,000 respectively) and no revenue for the three and nine months ended March 31, 2001. The expenses for health-outfitters.com, Inc., are included in the domestic segment. The following table sets forth selected financial data for these segments for the three and nine month periods ended March 31, 2002 and 2001.

		<u>Three Months Ended March 31,</u>			<u>Nine Months Ended March 31,</u>		
		<i>Domestic</i>	<i>International</i>	<i>Total</i>	<i>Domestic</i>	<i>International</i>	<i>Total</i>
Net sales	2002	\$ 966,467	277,999	1,244,466	2,670,812	851,506	3,522,318
	2001	\$ 824,863	287,388	1,112,251	2,361,667	701,878	3,063,545
Gross profit	2002	\$ 611,097	175,725	786,822	1,746,029	557,903	2,303,932
	2001	\$ 529,562	184,536	714,098	1,518,552	448,664	1,967,216
Net income (loss)	2002	\$ (98,330)	91,537	(6,793)	(102,522)	161,567	59,045
	2001	\$ 13,121	115,390	128,511	235,905	166,477	402,382
Depreciation and Amortization	2002	\$ 89,093	923	90,016	269,844	1,846	271,690
	2001	\$ 30,579	-	30,579	96,551	-	96,551
Interest expense	2002	\$ (29,369)	(12,913)	(42,282)	(87,325)	(27,089)	(114,414)
	2001	\$ 32,331	8,727	41,058	85,772	24,711	110,483
Long-lived assets	2002	\$ 1,146,880	7,861	1,146,880	1,139,019	7,861	1,146,880
	2001	\$ 1,200,949	9,880	1,210,829	1,200,949	9,880	2,798,947

Included in domestic revenues above are sales to one customer, Chugai, which represented 14.5% and 12% for the three months ended March 31, 2002 and 2001, respectively and 16% and 12% for the nine months ended March 31, 2002 and 2001, respectively.

## 6. PROPOSED ACQUISITION

On January 9, 2002, the Company announced that it had signed a letter of intent to acquire Affinity Biologicals, Inc., a privately-owned Canadian company which is a primary manufacturer of quality antibodies and plasmas for use in hemostasis research and medical diagnostics.

Under the terms of the letter of intent, the Company will purchase Affinity for \$2 million in cash, stock and notes payable. The acquisition is expected to close on or about June 30, 2002.

### Item 2.

## CORGENIX MEDICAL CORPORATION Management's Discussion and Analysis Of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the consolidated financial statements and accompanying notes included elsewhere herein.

## **General**

Since the Company's inception, we have been primarily involved in the research, development, manufacturing and marketing/distribution of diagnostic tests for sale to clinical laboratories. We currently market 140 products covering autoimmune disorders, vascular diseases, infectious diseases and liver disease. Our products are sold in the United States, the UK and other countries through our marketing and sales organization that includes contract sales representatives, direct sales and marketing personnel, internationally through an extensive distributor network, and to several significant OEM partners.

We manufacture products for inventory based upon expected sales demand, shipping products to customers, usually within 24 hours of receipt of orders. Accordingly, we do not operate with a backlog.

Except for the fiscal year ending June 30, 1997, we have experienced revenue growth since our inception, primarily from sales of products.

Beginning in fiscal year 1996, we began adding third-party OEM licensed products to our diagnostic product line. Currently we sell 128 products licensed from or manufactured by third party manufacturers. We expect to expand our relationships with other companies in the future to gain access to additional products.

Although we have experienced growth in revenue every year since 1990, except for 1997, there can be no assurance that, in the future, we will sustain revenue growth or achieve profitability. Our results of operations may fluctuate significantly from period-to-period as the result of several factors, including: (i) whether and when new products are successfully developed and introduced, (ii) market acceptance of current or new products, (iii) seasonal customer demand, (iv) whether and when we receive milestone payments and license fees from strategic partners, (v) changes in reimbursement policies for the products that we sell, (vi) competitive pressures on average selling prices for the products that we sell, (vii) changes in the mix of products that we sell, and (viii) the acceptance of e-commerce for healthcare products by consumers.

## **Results of Operations**

### ***Three Months Ended March 31, 2002 compared to 2001***

*Net sales.* Net sales for the three months ended March 31, 2002 were \$1,244,466 an 11.9% increase from \$1,112,251 in 2001 due to continued expansion of our worldwide distribution network, overall product mix, and the revenue contribution of new products. Product sales increased in most categories. Domestic sales increased 17.2%, while sales to international distributors decreased 3.3%; Sales to OEM partners increased 36.1%, primarily due to ordering patterns. Included in the above increase in domestic sales was an increase of 40.7% in the sales of Hyaluronic Acid Test Kits ("HA") to Chugai for distribution in Japan. Chugai is the Company's largest customer, representing approximately 14.5% and 12% of sales in the quarters ended March 31, 2002 and 2001, respectively. Chugai has unexpectedly not forecasted any orders for HA product after November 2002. Our management has not determined Chugai's intent with respect to orders of HA product after November 2002 and we are trying to determine the status of these orders. As we are unclear whether or not Chugai will place orders after November 2002, we are internally not projecting any orders by Chugai of HA after November 2002. The majority of the Company's sales increase for the current fiscal quarter was due to higher unit volume (which increased approximately 11.0%), as opposed to an increase in average price per unit sold of approximately 5.2%). Sales of products manufactured for us by other companies, while still relatively small, are expected to continue to increase during fiscal 2002. Sales of

products by health-outfitters.com were not significant in the second fiscal quarter and, since we envision a slow-growth scenario, are not expected to be significant in fiscal year 2002.

*Cost of sales.* Cost of sales was 36.8% of sales in the second quarter ended March 31, 2002 compared to 35.8% for last year's third quarter. This slight increase reflects higher raw material, labor-related and overhead components (most notably facility-related) of cost of sales for the three month period.

*Selling and marketing.* Selling and marketing expenses increased 47.3 % to \$273,010 for the three months ended March 31, 2002 from \$185,339 in 2001 due to increases in advertising, outside services, payroll-related costs, and royalties expense.

*Research and development.* Research and development expenses for the three months ended March 31, 2002, increased 72.7% to \$145,460 from \$84,224 in 2001. Most of this increase came as a result of increased labor-related costs and purchases and development costs of new products, most notably a joint proof of principle development project.

*General and administrative.* General and administrative expenses for the three months ended March 31, 2002, increased 21.1% to \$332,863 from \$274,966 in 2001, due to the amortization of software development costs, the expense of health outfitters.com web site and to increases in occupancy costs, payroll-related costs, and outside services expense such as legal, accounting and consulting expenses.

*Interest expense.* Interest expense increased 31.6% to \$42,282 in 2002 from \$41,058 in 2001 due primarily to an increase in capital lease obligations.

#### ***Nine Months Ended March 31, 2002 and 2001***

*Net sales.* Net sales for the nine months ended March 31, 2002 were \$3,522,318 a 15.0% increase from \$3,063,545 in 2001 due to continued expansion of our worldwide distribution network, overall product mix, and the revenue contribution of new products. Product sales increased in all categories. Domestic sales increased 13.1%; sales to international distributors increased 21.3%; and sales to OEM partners increased 26.4%, primarily due to ordering patterns and to sales to new OEM partners. Included in the above increase in domestic sales was an increase of 60.1% in the sales of HA to Chugai for distribution in Japan. Chugai is the Company's largest customer, representing approximately 16% and 12% of sales in the nine months ended March 31, 2002 and 2001, respectively. The majority of the Company's sales increase for the current six months was due to higher unit volume (which increased approximately 14.0%), as opposed to increases in average price per unit sold (which increased 3.1%). Sales of products manufactured for us by other companies, while still relatively small, are expected to continue to increase during fiscal 2002. Sales of products by health-outfitters.com were not significant in the first nine months and, since we envision a slow-growth scenario, are not expected to be significant in fiscal year 2002.

*Cost of sales.* Cost of sales was 34.6% of sales for the nine months ended March 31, 2002 compared to 35.8% for the prior year's first nine months. This slight improvement reflects slightly lower raw material, labor-related and overhead components for the nine month period.

*Selling and marketing.* Selling and marketing expenses increased 37.2 % to \$730,768 for the nine months ended March 31, 2002 from \$532,801 in 2001 due to increases in advertising, outside services, payroll-related costs and royalties expense.

*Research and development.* Research and development expenses for the nine months ended March 31, 2002, increased 60.6% to \$420,953 from \$262,120 in 2001. Most of this increase came as a result of increased labor-

related costs and purchases and development costs of new products, most notably a joint proof of principle development project

*General and administrative.* General and administrative expenses for the nine months ended March 31, 2002, increased 48.4% to \$978,752 from \$659,430 in 2001, due to the amortization of software development costs, the expense of health outfitters.com web site and to increases in occupancy costs, payroll-related costs and outside services expense such as legal, accounting and consulting expenses.

*Interest expense.* Interest expense for the nine month period ending March 31, 2002 increased 12.7% to \$114,414 in 2002 from \$110,483 in 2001, primarily due to an increase in capital lease obligations.

### **Liquidity and Capital Resources**

Cash used by operating activities was \$231,124 for the current nine months compared to cash provided by operations of \$181,979 during the prior fiscal year's comparable first nine months. The usage for the current nine months was primarily attributable to the Company's \$343,337 reduction in period-to-period net income (\$59,045 compared to \$402,382), the investment in working capital resulting in an increase in accounts receivable, inventories and prepaid expenses, along with a substantial reduction (\$250,221) in accounts payable. The Company expects this trend to continue as its revenues increase. The Company believes that uncollectible accounts receivable will not have a significant effect on future liquidity, as a significant portion of its accounts receivable are due from enterprises with substantial financial resources.

Net cash used by investing activities, the purchase of equipment, was \$85,103 for the current nine month period. The usage in the current nine months was mainly attributable to the addition of manufacturing and computer equipment required by the Company in addition to the capitalized costs of the Company's new business-to-business website, Corgenix On Line.

Net cash provided by financing activities amounted to \$200,026 for the current nine months. The cash provided by financing activities was primarily due to the private sale of the Company's common stock, amounting to a net amount realized of \$185,395 in addition to new notes payable of \$203,659.

Historically, we have financed our operations primarily through sales of common and preferred stock. In fiscal 2001, we raised \$496,316 before offering expenses through a private sale of common stock.

We have also received financing for operations from sales of diagnostic products. As of March 31, 2002, our accounts payable decreased 33.5% to \$496,421 from \$746,642 as of June 30, 2001 due to a concerted effort on our part to bring the accounts payable to a more current status.

Our principal sources of liquidity have been cash provided from operating and financing activities, cash raised from the private sale of common stock mentioned above, and long-term debt financing, of which \$652,665 remained outstanding on the SBA note payable as of March 31, 2002. We believe that we will continue investigating new debt agreements and may sell additional equity securities in fiscal year 2002 to develop the markets and obtain the regulatory approvals for the HA products, and to pursue all of our strategic objectives. We believe that our current availability of cash and working capital are adequate to meet our ongoing needs for at least the next twelve months.

On June 30, 2001, the Financial Accounting Standards Board ("FASB or "the Board") issued Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations", and SFAS No. 142, "Goodwill and Intangible Assets". Major provisions of these Statements are as follows: all business combinations initiated after June 30, 2001 must use the purchase method of accounting; the pooling of interest method of accounting is

prohibited except for transactions initiated before July 1, 2001; intangible assets acquired in a business combination must be recorded separately from goodwill if they arise from contractual or other legal rights or are separable from the acquired entity and can be sold, transferred, licensed, rented or exchanged, either individually or as part of a related contract, asset or liability; goodwill and intangible assets with indefinite lives are not amortized but are tested for impairment annually, except in certain circumstances, and whenever there is an impairment indicator; all acquired goodwill must be assigned to reporting units for purposes of impairment testing and segment reporting; and goodwill will no longer be subject to amortization. Although it is still reviewing the provisions of these Statements, management's preliminary assessment is that the impact of these Statements on the Company's consolidated financial statements is expected to be immaterial.

The Company is required to and will adopt the provisions of Statement No. 143 for the fiscal year ending June 30, 2002. To accomplish this, the Company must identify all legal obligations for asset retirement obligations, if any, and determine the fair value of these obligations on the date of adoption. The determination of fair value is complex and will require the Company to gather market information and develop cash flow models. Additionally, the Company will be required to develop processes to track and monitor these obligations. Because of the effort necessary to comply with the adoption of Statement No. 143, it is not practicable for management to estimate the impact of adopting this Statement at the date of this report.

On October 3, 2001, the Board issued FASB Statement No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. While Statement No. 144 supersedes FASB Statement No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of, it retains many of the fundamental provisions of that Statement. Statement No. 144 also supersedes the accounting and reporting provisions of APB Opinion No. 30, Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions, for the disposal of a segment of a business. The Company does not expect the impact of adopting SFAS No. 144 to be significant.

### **Forward-Looking Statements and Risk Factors**

This 10-QSB includes statements that are not purely historical and are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1934, as amended, including statements regarding our expectations, beliefs, intentions or strategies regarding the future. All statements other than historical fact contained in this 10-QSB, including, without limitation, statements regarding future product developments, statements regarding our intent to develop a consumer products business, acquisition strategies, strategic partnership expectations, technological developments, the development, launch and operation of health-outfitters.com, the availability of necessary components, research and development programs and distribution plans, are forward-looking statements. All forward-looking statements included in this 10-QSB are based on information available to us on the date hereof, and we assume no obligation to update such forward-looking statements. Although we believe that the assumptions and expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to have been correct or that we will take any actions that may presently be planned.

Certain factors that could cause actual results to differ materially from those expected include the following:

*Losses Incurred; Future Capital Needs; Risks Relating to the Professional Products Business; Uncertainty of Additional Funding*

We have incurred operating losses and negative cash flow from operations for most of our history. Losses incurred since our inception have aggregated \$3,677,441, and there can be no assurance that we will be able to generate positive cash flows to fund our operations in the future or to pursue our strategic objectives. Assuming no significant uses of cash in acquisition activities or other significant changes, we believe that we will have sufficient cash to satisfy our needs for at least the next year. If we are not able to operate profitably and generate positive cash

flows sufficient for both the diagnostic business and the consumer products business, we may need to raise additional capital to fund our operations. If we need additional financing to meet our requirements, there can be no assurance that we will be able to obtain such financing on terms satisfactory to us, if at all. Alternatively, any additional equity financing may be dilutive to existing stockholders, and debt financing, if available, may include restrictive covenants. If adequate funds are not available, we might be required to limit our research and development activities, our selling and marketing activities or our plans to develop the Consumer Products Business, any of which could have a material adverse effect on the future of the business.

*Dependence on Collaborative Relationships and Third Parties for Product Development and Commercialization*

We have historically entered into licensing and research and development agreements with collaborative partners, from which we derived a significant percentage of our revenues in past years. Pursuant to these agreements, our collaborative partners have specific responsibilities for the costs of development, promotion, regulatory approval and/or sale of our products. We will continue to rely on future collaborative partners for the development of products and technologies. There can be no assurance that we will be able to negotiate such collaborative arrangements on acceptable terms, if at all, or that current or future collaborative arrangements will be successful. To the extent that we are not able to establish such arrangements, we could experience increased capital requirements or be forced to undertake such activities at our own expense. The amount and timing of resources that any of these partners devotes to these activities will generally be based on progress by us in our product development efforts. Usually, collaborative arrangements may be terminated by the partner upon prior notice without cause and there can be no assurance that any of these partners will perform its contractual obligations or that it will not terminate its agreement. With respect to any products manufactured by third parties, there can be no assurance that any third-party manufacturer will perform acceptably or that failures by third parties will not delay clinical trials or the submission of products for regulatory approval or impair our ability to deliver products on a timely basis.

*Uncertainty as to Future Orders for Hyaluronic Acid Test Kits (“HA”) from Company’s Largest Customer*

Chugai has unexpectedly not forecasted any orders for HA after November 2002. Our management has not determined Chugai’s intent with respect to orders of HA after November 2002 and we are trying to determine the status of these orders. As we are unclear whether or not Chugai will place orders after November 2002, we are internally not projecting any orders by Chugai of HA after November 2002.

*No Assurance of Successful or Timely Development of Additional Products*

Our business strategy includes the development of additional diagnostic products both for the diagnostic business and consumer products business. Our success in developing new products will depend on our ability to achieve scientific and technological advances and to translate these advances into commercially competitive products on a timely basis. Development of new products requires significant research, development and testing efforts. We have limited resources to devote to the development of products and, consequently, a delay in the development of one product or the use of resources for product development efforts that prove unsuccessful may delay or jeopardize the development of other products. Any delay in the development, introduction and marketing of future products could result in such products being marketed at a time when their cost and performance characteristics would not enable them to compete effectively in their respective markets. If we are unable, for technological or other reasons, to complete the development and introduction of any new product or if any new product is not approved or cleared for marketing or does not achieve a significant level of market acceptance, our results of operations could be materially and adversely affected.

*Competition in the Diagnostics Industry*

Competition in the human medical diagnostics industry is, and is expected to remain, significant. Our competitors range from development stage diagnostics companies to major domestic and international pharmaceutical companies. Many of these companies have financial, technical, marketing, sales, manufacturing, distribution and other resources significantly greater than ours. In addition, many of these companies have name

recognition, established positions in the market and long standing relationships with customers and distributors. Moreover, the diagnostics industry has recently experienced a period of consolidation, during which many of the large domestic and international pharmaceutical companies have been acquiring mid-sized diagnostics companies, further increasing the concentration of resources. There can be no assurance that technologies will not be introduced that could be directly competitive with or superior to our technologies.

### *Competition in the E-commerce Industry*

Competition in the e-commerce industry is, and is expected to remain, significant. The competitors for the new business range from development stage internet companies to divisions of larger companies. Many of these companies have financial, marketing, sales, manufacturing, distribution and other resources significantly greater than those of us. In addition, many of these companies have name recognition, established positions in the market and existing relationships with customers and distributors.

### *Governmental Regulation of Diagnostics Products*

The testing, manufacture and sale of our products is subject to regulation by numerous governmental authorities, principally the FDA and certain foreign regulatory agencies. Pursuant to the Federal Food, Drug, and Cosmetic Act, and the regulations promulgated there under, the FDA regulates the preclinical and clinical testing, manufacture, labeling, distribution and promotion of medical devices. We are not able to commence marketing or commercial sales in the United States of new products under development until we receive clearance from the FDA. The testing for, preparation of and subsequent FDA regulatory review of required filings can be a lengthy, expensive and uncertain process. Noncompliance with applicable requirements can result in, among other consequences, fines, injunctions, civil penalties, recall or seizure of products, repair, replacement or refund of the cost of products, total or partial suspension of production, failure of the government to grant premarket clearance or premarket approval for devices, withdrawal of marketing clearances or approvals, and criminal prosecution.

There can be no assurance that we will be able to obtain necessary regulatory approvals or clearances for our products on a timely basis, if at all, and delays in receipt of or failure to receive such approvals or clearances, the loss of previously received approvals or clearances, limitations on intended use imposed as a condition of such approvals or clearances or failure to comply with existing or future regulatory requirements could have a material adverse effect on our business.

### *Dependence on Distribution Partners for Sales of Diagnostic Products in International Markets*

We have entered into distribution agreements with collaborative partners in which we have granted distribution rights for certain of our products to these partners within specific international geographic areas. Pursuant to these agreements, our collaborative partners have certain responsibilities for market development, promotion, and sales of the products. If any of these partners fails to perform its contractual obligations or terminates its agreement, this could have a material adverse effect on our business, financial condition and results of operations.

### *Governmental Regulation of Manufacturing and Other Activities*

As a manufacturer of medical devices for marketing in the United States, we are required to adhere to applicable regulations setting forth detailed good manufacturing practice requirements, which include testing, control and documentation requirements. We must also comply with Medical Device Report (“MDR”) requirements, which require that a manufacturer report to the FDA any incident in which its product may have caused or contributed to a death or serious injury, or in which its product malfunctioned and, if the malfunction were to recur, it would be likely to cause or contribute to a death or serious injury. We are also subject to routine inspection by the FDA for compliance with QSR requirements, MDR requirements and other applicable regulations. The FDA has recently implemented new QSR requirements, including the addition of design controls that will likely increase the cost of compliance. Labeling and promotional activities are subject to scrutiny by the FDA and, in certain circumstances, by the Federal Trade Commission. We may incur significant costs to comply with laws and regulations in the future, which may have a material adverse effect upon our business, financial condition and results of operations.

### *Regulation Related to Foreign Markets*

Distribution of diagnostic products outside the United States is subject to extensive government regulation. These regulations, including the requirements for approvals or clearance to market, the time required for regulatory review and the sanctions imposed for violations, vary from country to country. We may be required to incur

significant costs in obtaining or maintaining foreign regulatory approvals. In addition, the export of certain of our products that have not yet been cleared for domestic commercial distribution may be subject to FDA export restrictions. Failure to obtain necessary regulatory approval or the failure to comply with regulatory requirements could have a material adverse effect on our business, financial condition and results of operations.

#### *Uncertain Availability of Third Party Reimbursement for Diagnostic Products*

In the United States, health care providers that purchase diagnostic products, such as hospitals and physicians, generally rely on third party payors, principally private health insurance plans, federal Medicare and state Medicaid, to reimburse all or part of the cost of the procedure. Third party payors are increasingly scrutinizing and challenging the prices charged for medical products and services and they can affect the pricing or the relative attractiveness of the product. Decreases in reimbursement amounts for tests performed using our diagnostic products, failure by physicians and other users to obtain reimbursement from third party payors, or changes in government and private third party payors' policies regarding reimbursement of tests utilizing diagnostic products, may affect our ability to sell our diagnostic products profitably. Market acceptance of our products in international markets is also dependent, in part, upon the availability of reimbursement within prevailing health care payment systems.

#### *Uncertainty of Protection of Patents, Trade Secrets and Trademarks*

Our success depends, in part, on our ability to obtain patents and license patent rights, to maintain trade secret protection and to operate without infringing on the proprietary rights of others. There can be no assurance that our issued patents will afford meaningful protection against a competitor, or that patents issued to us will not be infringed upon or designed around by others, or that others will not obtain patents that we would need to license or design around. We could incur substantial costs in defending the Company or our licensees in litigation brought by others. Our business could be adversely affected.

#### *Risks Regarding Potential Future Acquisitions*

Our growth strategy includes the desire to acquire complementary companies, products or technologies. There is no assurance that we will be able to identify appropriate companies or technologies to be acquired, to negotiate satisfactory terms for such an acquisition, or to obtain sufficient capital to make such acquisitions. Moreover, because of limited cash resources, we will be unable to acquire any significant companies or technologies for cash and our ability to effect acquisitions in exchange for our capital stock may depend upon the market prices for our Common Stock. If we do complete one or more acquisitions, a number of risks arise, such as short-term negative effects on our reported operating results, diversion of management's attention, unanticipated problems or legal liabilities, and difficulties in the integration of potentially dissimilar operations. The occurrence of some or all of these risks could have a material adverse effect on our business, financial condition and results of operations.

#### *Dependence on Suppliers*

The components of our products include chemical and packaging supplies that are generally available from several suppliers, except certain antibodies, which we purchases from single suppliers. We mitigate the risk of a loss of supply by maintaining a sufficient supply of such antibodies to ensure an uninterrupted supply for at least three months. We have also qualified second vendors for all critical raw materials and believe that we can substitute a new supplier with respect to any of these components in a timely manner. However, there can be no assurances that we will be able to substitute a new supplier in a timely manner and failure to do so could have a material adverse effect on our business, financial condition and results of operations.

#### *Limited Manufacturing Experience with Certain Products*

Although we have manufactured over twelve million diagnostic tests based on our proprietary applications of ELISA (enzyme linked immuno-absorbent assay) technology, certain of our diagnostic products in consideration for future development, incorporate technologies with which we have little manufacturing experience. Assuming

successful development and receipt of required regulatory approvals, significant work may be required to scale up production for each new product prior to such product's commercialization. There can be no assurance that such work can be completed in a timely manner and that such new products can be manufactured cost-effectively, to regulatory standards or in sufficient volume.

#### *Seasonality of Products; Quarterly Fluctuations in Results of Operations*

Our revenue and operating results have historically been minimally subject to quarterly fluctuations. There can be no assurance that such seasonality in our results of operations will not have a material adverse effect on our business.

#### *Dependence on Key Personnel*

Because of the specialized nature of our business, our success will be highly dependent upon our ability to attract and retain qualified scientific and executive personnel. In particular, we believe our success will depend to a significant extent on the efforts and abilities of Dr. Luis R. Lopez and Douglass T. Simpson, who would be difficult to replace. There can be no assurance that we will be successful in attracting and retaining such skilled personnel, who are generally in high demand by other companies. The loss of, inability to attract, or poor performance by key scientific and executive personnel may have a material adverse effect on our business, financial condition and results of operations.

#### *Product Liability Exposure and Limited Insurance*

The testing, manufacturing and marketing of medical diagnostic devices entails an inherent risk of product liability claims. To date, we have experienced no product liability claims, but any such claims arising in the future could have a material adverse effect on our business, financial condition and results of operations. Our product liability insurance coverage is currently limited to \$2 million. Potential product liability claims may exceed the amount of our insurance coverage or may be excluded from coverage under the terms of our policy or limited by other claims under our umbrella insurance policy. Additionally, there can be no assurance that our existing insurance can be renewed by us at a cost and level of coverage comparable to that presently in effect, if at all. In the event that we are held liable for a claim against which we are not insured or for damages exceeding the limits of our insurance coverage, such claim could have a material adverse effect on our business, financial condition and results of operations.

### **Risks Related to the Consumer Products Business**

#### *New Business Strategy*

We established a new wholly owned subsidiary, health-outfitters.com, Inc., in December 1999. This subsidiary is focused on sales of consumer healthcare products primarily through e-commerce using our websites, [www.healthoutfitters.com](http://www.healthoutfitters.com) and [www.sports-n-fitness.com](http://www.sports-n-fitness.com). We do not have any experience in managing internet businesses, and we may not be able to successfully operate and grow this new business. The demands of attempting to grow this new business may prevent management from devoting time and attention to our traditional diagnostic business, and that traditional business may decline.

The e-commerce healthcare market is a relatively new and unproven business. Whether we succeed depends upon broad acceptance of internet-based healthcare product purchasing, as well as our ability to generate brand awareness and vendor relationships.

Competition in the e-commerce industry is, and is expected to remain, significant. The competitors for the new business range from development stage internet companies to divisions of larger companies. Many of these companies have financial, marketing, sales, manufacturing, distribution and other resources significantly greater than those of us. In addition, many of these companies have name recognition, established positions in the market and existing relationships with customers and distributors.

## **Other Risks**

### *Limited Public Market; Possible Volatility in Stock Prices; Penny Stock Rules*

There has, to date, been no active public market for our Common Stock, and there can be no assurance that an active public market will develop or be sustained. Although our Common Stock has been traded on the OTC Bulletin Board® since February 1998, the trading has been sporadic with insignificant volume.

Moreover, the over-the-counter markets for securities of very small companies historically have experienced extreme price and volume fluctuations during certain periods. These broad market fluctuations and other factors, such as new product developments and trends in our industry and the investment markets and economic conditions generally, as well as quarterly variation in our results of operations, may adversely affect the market price of our Common Stock. In addition, our Common Stock is subject to rules adopted by the Securities and Exchange Commission regulating broker-dealer practices in connection with transactions in “penny stocks.” As a result, many brokers are unwilling to engage in transactions in our Common Stock because of the added disclosure requirements.

### *Risks Associated with Exchange Rates*

Our financial statements are presented in US dollars. At the end of each fiscal quarter and the fiscal year, we convert the financial statements of Corgenix UK, which operates in pounds sterling, into US dollars, and consolidate them with results from Corgenix, Inc. and health-outfitters.com, Inc. We may, from time to time, also need to exchange currency from income generated by Corgenix UK. Foreign exchange rates are volatile and can change in an unknown and unpredictable fashion. Should the foreign exchange rates change to levels different than anticipated by us, our business, financial condition and results of operations may be materially adversely affected.

## **CORGENIX MEDICAL CORPORATION**

### **Part II**

#### **Other Information**

##### **Item 1. Legal Proceedings**

Corgenix is not a party to any material litigation or legal proceedings.

##### **Item 2. Changes in Securities and Use of Proceeds**

From July 1, 2001 through March 31, 2002, we sold a total of 237,300 shares of Common Stock at \$.8772 per share for a total of \$208,160 to 12 accredited investors and one foreign investor. The sales were made in reliance upon the exemption from the registration requirements of the Securities Act of 1933, as amended, provided by Section 144 (2) of the Securities Act. The shares were not registered under federal or state securities laws, and, therefore, will be “restricted securities” as such term is defined in Rule 144 promulgated under the Securities Act. The Company intends to use the proceeds of the private placement to assist in the marketing and regulatory development of the Company’s HA diagnostic test, acquire capital equipment, reduce short-term debt, accelerate research and development of new products and for general working capital. The Company effected a one for five reverse stock split on January 15, 2002.

**Item 3. Defaults Upon Senior Securities**

None

**Item 4. Submission of Matters to a Vote of Security Holders**

(a) None

**Item 5. Other Information**

None

**Item 6. Exhibits and Reports on Form 8-K.**

**a. Index to and Description of Exhibits**

<b><u>Exhibit Number</u></b>	<b>Description of Exhibit</b>
2.1	Agreement and Plan of Merger dated as of May 12, 1998 by and among Gray Wolf Technologies, Inc., Gray Wolf Acquisition Corp. and REAADS Medical Products, Inc. (filed as Exhibit 2.1 to the Company's Registration Statement on Form 10-SB filed June 29, 1998, and incorporated herein by reference).
2.2	First Amendment to Agreement and Plan of Merger dated as of May 22, 1998 by and among Gray Wolf Technologies, Inc., Gray Wolf Acquisition Corp. and REAADS Medical Products, Inc. (filed as Exhibit 2.2 to the Company's Registration Statement on Form 10-SB filed June 29, 1998, and incorporated herein by reference).
2.3	Second Amendment to Agreement and Plan of Merger dated as of June 17, 1998 by and among the Company and TransGlobal Financial Corporation (filed as Exhibit 2.3 to the Company's Registration Statement on Form 10-SB filed June 29, 1998, and incorporated herein by reference).
3.1	Articles of Incorporation, as amended (filed as Exhibit 3.1 to the Company's Registration Statement on Form 10-SB filed June 29, 1998, and incorporated herein by reference).
3.2	Bylaws (filed as Exhibit 3.2 to the Company's Registration Statement on Form 10-SB filed June 29, 1998, and incorporated herein by reference).
3.3	Articles of Incorporation of health-outfitters.com, Inc. dated November 16, 1999 (filed as Exhibit 3.3 to the Company's filing on Form 10-QSB for the fiscal quarter ended December 31, 1999).
3.4	Bylaws of health-outfitters.com, Inc. dated November 16, 1999 (filed as Exhibit 3.4 to the Company's filing on Form 10-QSB for the fiscal quarter ended December 31, 1999).
10.1	Manufacturing Agreement dated September 1, 1994 between Chugai Pharmaceutical Co., Ltd. and REAADS Medical Products, Inc. (filed as Exhibit 10.1 to the Company's Registration Statement on Form 10-SB filed June 29, 1998, and incorporated herein by reference).
10.2	Amendment to the Manufacturing Agreement dated as of January 17, 1995 between Chugai Pharmaceutical Co., Ltd. and REAADS Medical Products, Inc. (filed as Exhibit 10.2 to the Company's

- Registration Statement on Form 10-SB filed June 29, 1998, and incorporated herein by reference).
- 10.3 Amendment to Agreement dated November 17, 1997 between Chugai Diagnostic Science, Co., Ltd. and REAADS Medical Products, Inc. (filed as Exhibit 10.3 to the Company's Registration Statement on Form 10-SB filed June 29, 1998, and incorporated herein by reference).
- 10.4 License Agreement dated June 30, 2001 between Chugai Diagnostic Science Co., Ltd. and Corgenix Medical Corporation.
- 10.9 Office Lease dated May 5, 2001 between Crossroads West LLC/Decook Metrotech LLC and Corgenix, Inc.
- 10.10 Guarantee dated November 1, 1997 between William George Fleming, Douglass Simpson and Geoffrey Vernon Callen (filed as Exhibit 10.10 to the Company's Registration Statement on Form 10-SB filed June 29, 1998, and incorporated herein by reference).
- 10.11 Employment Agreement dated April 1, 2001 between Luis R. Lopez and the Company.
- 10.12 Employment Agreement dated April 1, 2001 between Douglass T. Simpson and the Company.
- 10.13 Employment Agreement dated April 1, 2001 between Ann L. Steinbarger and the Company.
- 10.14 Employment Agreement dated April 1, 2001 between Taryn G. Reynolds and the Company.
- 10.15 Employment Agreement dated April 1, 2001 between Catherine (O'Sullivan) Fink and the Company.
- 10.16 Consulting Contract dated May 22, 1998 between Wm. George Fleming, Bond Bio-Tech, Ltd. and the Company (filed as Exhibit 10.16 to the Company's Registration Statement on Form 10-SB filed June 29, 1998, and incorporated herein by reference).
- 10.17 Stock Purchase Agreement dated September 1, 1993 between Chugai Pharmaceutical Co., Ltd. and REAADS Medical Products, Inc. (filed as Exhibit 10.17 to the Company's Registration Statement on Form 10-SB filed June 29, 1998, and incorporated herein by reference).
- 10.19 Note dated January 6, 1997 between REAADS Medical Products, Inc. and Eagle Bank (filed as Exhibit 10.19 to the Company's Registration Statement on Form 10-SB filed June 29, 1998, and incorporated herein by reference).
- 10.24 Form of Indemnification Agreement between the Company and its directors and officers (filed as Exhibit 10.24 to the Company's Registration Statement on Form 10-SB/A-1 filed September 24, 1998 and incorporated herein by reference).
- 10.27 Warrant agreement dated June 1, 2000 between the Company and Taryn G. Reynolds.
- 10.30 Employment Agreement dated March 1, 2001 between William H. Critchfield and the Company (filed as Exhibit 10.30 to the Company's filing on Form 10-QSB for the fiscal quarter ended March 31, 2001).
- 10.31 Consulting Agreement dated April 10, 2001 between Bathgate McColley Capital Group, LLC and the Company.
- 10.32 Warrant Agreement dated April 10, 2001 between Bathgate McColley Capital Group, LLC and the Company.

- 10.33 Sales Agent Agreement dated May 7, 2001 between Bathgate McColley Capital Group, LLC and the Company.
- 21.1 Amended Subsidiaries of the Registrant (filed as Exhibit 21.1 to the Company's Registration Statement on Form 10-SB filed June 29, 1998).
- 21.2 Promissory note dated October 1, 2001, between W.C. Fleming and Corgenix UK, Ltd.
- 21.3 Promissory note dated October 1, 2001, between W.C. Fleming and Corgenix UK, Ltd.
- 21.4 Warrant Agreement dated October 11, 2001 between Phillips V. Bradford and the Company.
- 21.5 Warrant Agreement dated October 11, 2001 between Charles F. Ferris and the Company.
- 21.6 Underlease Agreement dated October 3, 2001 between G.V. Callen, A.G. Pirmohamed and Corgenix UK, Ltd.
- 21.7 Letter of Intent between Affinity Biologicals, Inc., and the Company.
- 21.8\* Financial Public Relations Agreement dated March 15, 2002 between the Liolios Group, Inc. and the Company
- 21.9\* Warrant Agreement dated March 15, 2002 between the Liolios Group, Inc. and the Company

\* Filed Herewith

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**(b) Reports on Form 8-K.**  
None

## **FINANCIAL PUBLIC RELATIONS AGREEMENT**

THIS FINANCIAL PUBLIC RELATIONS AGREEMENT (“Agreement”) is made and entered into this 15<sup>th</sup> day of March, 2002 (the “Effective Date”) by and between Corgenix Medical Corporation, Inc., a Nevada Corporation (“Company”) and Liolios Group, Inc., a California Corporation (“Consultant”).

### **RECITALS**

Company desires to engage Consultant to perform certain financial public relations services for it, and Consultant desires, subject to the terms and conditions of this Agreement, to perform financial public relations services for Company.

NOW, THEREFORE, IN CONSIDERATION OF THE MUTUAL PROMISES AND UNDERTAKING HEREIN CONTAINED AND FOR OTHER GOOD AND VALUABLE CONSIDERATION THE RECEIPT AND SUFFICIENCY OF WHICH IS HEREBY ACKNOWLEDGED THE PARTIES AGREE AS FOLLOWS:

1. **ENGAGEMENT OF CONSULTANT**

Company hereby engages Consultant and Consultant hereby agrees to hold itself available to render, and to render at the request of the Company, independent advisory and consulting services for the Company to the best of its ability, upon the terms and conditions hereinafter set forth. Such consulting services shall include but not be limited to the development, implementation and maintenance of an on-going stock market support system that increases broker awareness of the company’s activities and stimulates investor interest in the Company. The stock market support system shall include but not be limited to a Shareholder Communication System, and Media Relation Systems, which will be defined and developed by Consultant. It is understood that Consultant’s ability to relate information regarding the Company’s activities is directly proportionate to information availed by the company to the Consultant.

2. **TERM**

The term of this Agreement (“Term”) shall begin as of the Effective Date and shall terminate twelve (12) months thereafter (“Anniversary Date”), unless terminated in accordance with the provisions of this Agreement. Following the Anniversary date, the engagement shall continue as a month-to-month “at-will” agreement unless terminated by either the Company or Consultant.

3. **COMPENSATION**

As compensation for the services rendered by the Consultant under this Agreement, Company agrees to pay to Consultant \$60,000 annually, at a rate of \$5,000 per month. This is in addition to reimbursement of reasonable expenses, which may include but limited to: press releases, investor conference calls, webcasts, fax broadcasts, road-shows and out-of-pocket travel expenses.

Further as compensation to the consultant for services rendered pursuant to this agreement, the Company shall, upon execution of this agreement, issue warrants (collectively, the "Warrants") to purchase up to 200,000 shares of common stock of CONX (the "Stock") at a price of \$.001 per share (\$200.00 in the aggregate).

4. **CASHLESS EXERCISE**

Consultant is granted "Cashless Exercise Rights", whereby a vested Warrant shall automatically be exercised, without notice by the Consultant, on the first trading day following the date of successful vesting. The Company shall deliver to consultant, without payment by Consultant of any Exercise Price or any cash or other consideration, the number of Company Shares computed using the following formula:

$$X = \frac{Y(A-B)}{A}$$

Where:

X = the number of Warrant Shares to be issued to the Consultant pursuant to the exercise of this Warrant pursuant to this Section 4;

Y = the number of Shares that may be purchased upon exercise of this Warrant;

A = the Market Price, as defined below, of one share of Common Stock; and

B = the Exercise Price per share of Common Stock.

"Market Price" of a security means the average of the closing prices of such security's sales on all securities exchanges on which such security may at the time be listed, or, if there has been no sales on any such exchanges on any day, the average of the highest bid and the lowest asked prices on all such exchanges at the end of such day, or, if on a day any such security is not listed,

the average of the representative bid and asked prices quoted in the NASDAQ System as of 4:00pm Eastern Time.

Notwithstanding the foregoing, if, on the first trading day following the successful vesting, the Company is unable to issue Company Shares without violating the Securities Act of 1933, as amended, the term of the Warrant shall be extended, and the Warrant shall be automatically exercised on such date that the Company may issue Company shares without violating the Securities Act of 1933, as amended.

## 5. **INDEPENDENT CONTRACTOR**

It is expressly agreed that the Consultant is acting as an independent contractor in performing its services hereunder. Company shall carry no workmen's compensation insurance or any health or accident insurance to cover Consultant. Company shall not pay any contributions to social security, unemployment insurance, Federal or state withholding taxes nor provide any other contributions or benefits which might be expected in an employer-employee relationship.

## 6. **CONFIDENTIAL INFORMATION**

6.1 *The term "Confidential Information" shall include, but not be limited to, information regarding Company's business, plans, customers, technology, and/or products that is confidential and of substantial value to Company, which value would be impaired if such information were disclosed to third parties.*

6.2 Confidential Information shall not include information which (i) is or becomes a part of the public domain through no act or omission of the receiving party; or (ii) was in the receiving party's lawful possession prior to the disclosure and had not been obtained by the receiving party either directly or indirectly from the disclosing party; or (iii) is lawfully disclosed to the receiving party by a third party without restriction on disclosure; or (iv) is independently developed by the receiving party; or (v) is required to be disclosed by law provided that the disclosing party has had seven (7) days to respond to the request.

6.3 *Consultant agrees, both during the term of this Agreement and for a period of two years thereafter, to hold Company's Confidential Information in confidence, and agrees not to make such Confidential Information available in any form to any third party, or use such Confidential Information for any other purpose than the implementation of this Agreement. Consultant agrees to take all reasonable steps to ensure that Company's Confidential Information is not disclosed or distributed by its employees or agents in violation of the provisions of this Agreement*

## 7. **TERMINATION**

This Agreement may be terminated by either party for any reason upon thirty (30) days notice in writing after August 1, 2002. In the event the Agreement is terminated, Consultant shall cease

rendering its services to Company as of the effective date of termination and Company shall pay Consultant for the services performed and approved expenses through the date of termination. Any materials created as the result of Consultant's provision of services to Company shall be delivered to Company within ten (10) days of the date of termination.

## 8. **GENERAL PROVISIONS**

### 8.1 *Governing Law and Jurisdiction*

This Agreement shall be governed by and interpreted in accordance with the laws of the State of California. Each of the Parties hereto consents to such jurisdiction for the enforcement of this Agreement and matters pertaining to the transaction and activities contemplated hereby.

### 8.2 *Non-Circumvention and Non-Disclosure*

Neither the Company nor its directors, officers, agents, attorneys, employees, affiliates, representatives, successors, or assigns (collectively referred to as the "Company") will attempt to consummate a transaction with any financing sources, or potential acquisition, introduced by the Consultant without first notifying Consultant, and satisfying Consultant's right to a two percent (2%) fee, on a per transaction basis, based on a finders fee agreement to be set forth at a later date. This provision will inure for a period of three (3) years from the date affixed to this document. The Company shall keep completely confidential the identity of all such financing parties. It is understood that this Agreement is a reciprocal one between the signatories concerning the privileged information and contacts.

### 8.3 *Notices*

As such notices and communications shall be deemed to have been duly given: when delivered by hand, if personally delivered; five (5) business days after deposit in any United States Post Office in the continental United States, postage prepaid, if mailed; when answered back, if telexed, when receipt is acknowledged or confirmed, if telecopies.

8.4 *Attorney's Fees*

In the event a dispute arises with respect to this Agreement, the party prevailing in such dispute shall be entitled to recover all expenses, including, without limitation, reasonable attorney's fees and expenses incurred in ascertaining such party's rights, in preparing to enforce or in enforcing such party's rights under this Agreement, whether or not it was necessary for such party to institute suit. Further, in the event the Company, its officers, and or its directors cause a dispute in which Consultant is involved, the Company agrees to hold Consultant harmless, and provide reasonable attorney fees excluding any negligent, reckless or criminal acts by the Consultant. Company further agrees to notify Consultant immediately of such event.

8.5 *Complete Agreement*

This Agreement supersedes any and all of the other agreements, either oral or in writing, between the Parties with respect to such subject matter in any manner whatsoever. Each Party to this Agreement acknowledges that no representations, inducements, promises or agreements, oral or otherwise, have been made by any Party, or anyone herein, and that no other Agreement, statement or promise not contained in the Agreement may be changed or amended only by an amendment in writing signed by all of the Parties or their respective successors-in-interest.

8.6 *Binding*

This Agreement shall be binding upon and inure to the benefit of the successors-in-interest, assigns and personal representatives of the respective Parties.

8.7 *Execution in Counterparts*

This Agreement may be executed in several counterparts and when so executed shall constitute one agreement binding on all the Parties, notwithstanding that all the Parties are not signatory to the original and same counterpart.

8.8 *Further Assurances*

From time to time each Party will execute and deliver such further instruments and will take such other action as any other Party may reasonably request in order to discharge

and perform their obligations and agreements hereunder and to give effect to the intentions expressed in this Agreement.

8.9 *Incorporation By Reference*

All exhibits referred to in this Agreement are incorporated herein in their entirety by such reference.

8.10 *Miscellaneous Provisions*

The various headings and numbers herein and the grouping of provisions of this Agreement into separate articles and paragraphs are for the purpose of convenience only and shall not be considered a part hereof. The language in all parts of this Agreement shall in all cases be construed in accordance with its fair meanings as if prepared by a all Parties to the Agreement and not strictly for or against any of the Parties.

10. **Notices**

Any notice or other communication required or permitted hereunder shall be in writing and shall be delivered personally, telegraphed, telexed, sent by facsimile transmission (provided acknowledgement of receipt thereof is delivered to the sender) or sent by certified, registered or express mail, postage prepaid. Any such notice shall be deemed given when so delivered personally, telegraphed, telexed, sent by facsimile transmission or, if mailed, three days after the date of deposit in the United States mails as follows:

If to Consultant, to:

*Liolios Group, Inc.  
2431 West Coast Hwy, #202  
Newport Beach, CA. 92663*

If to Company, to:

*Corgenix Medical Corporation  
12061 Tejon Street  
Westminster. CO 80234*

or such address as any of the above shall have specified by notice hereunder.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the day and year first hereinabove written.

**CORGENIX MEDICAL CORPORATION**

By: s/ William Critchfield  
Name: William Critchfield  
Title: Chief Financial Officer

**LIOLIOS GROUP, INC.**

By: s/ J. Scott Liolios

Name: J. Scott Liolios

Title: President

CORGENIX MEDICAL CORPORATION

THE LIOLIOS GROUP, LLC

WARRANT AGREEMENT

Dated as of March 15, 2002



## WARRANT AGREEMENT

THIS WARRANT AGREEMENT (the "Agreement"), dated as of March 15, 2002, is made and entered into by and between Corgenix Medical Corporation, a Nevada corporation (the "Company"), and Liolios Group, Inc. ("Liolios").

The Company agrees to issue and sell, and Liolios has the right to purchase, for the aggregate price of \$200.00, warrants ("Warrants") to purchase up to an aggregate of 200,000 shares ("Shares") of the Company's Common Stock, subject to the terms and conditions set forth below and as described in the Financial Public Relations Agreement (the "PR Agreement") dated March 15, 2002.

In consideration of the foregoing and for the purpose of defining the terms and provisions of the Warrants and the respective rights and obligations thereunder, the Company and Liolios, for value received, hereby agree as follows:

### **Section 1. Definitions.**

The following terms used in this agreement shall have the following meanings (unless otherwise expressly provided herein):

- 1.1. *The "Act."* The Securities Act of 1933, as amended.
- 1.2. *The "Commission."* The Securities and Exchange Commission.
- 1.3. *The "Company."* Corgenix Medical Corporation
- 1.4. *"Common Stock."* The Company's common stock \$.001 par value per share.
- 1.5. *"Current Market Price."* The average of the closing prices of such security's sales on all securities exchanges on which such security may at the time be listed, or, if there has been no sales on any such exchanges on any day, the average of the highest bid and the lowest asked prices on all such exchanges at the end of such day, or, if on a day any such security is not listed, the average of the representative bid and asked prices quoted in the NASDAQ System as of 4:00pm Eastern Time.
- 1.6. *"Exercise Date."* One (1) trading day from the Vesting Date (defined below).
- 1.7. *"Exercise Price."* Specified in each Warrant, in accordance with Section 4, below.
- 1.8. *"Expiration Date."* The date at which this Agreement and the Warrants expire, pursuant to Section 18 below.
- 1.9. *"Holder " or "Warrant Holder."* Liolios Group, Inc., and any valid transferee thereof pursuant to Section 3.1 below.
- 1.10. *"NASD."* The National Association of Securities Dealers, Inc.
- 1.11. *"Nasdaq."* The automated quotation system operated by The Nasdaq Stock Market, Inc.
- 1.12. *"Termination of Business."* Any sale, lease or exchange of all, or substantially all, of the Company's assets or business or any dissolution, liquidation or winding up of the Company.

1.13. “*Vesting Date.*” The date at which a specific Warrant vests, as set forth in Section 2.1 hereof.

1.13. “*Warrant Certificate.*” The certificate that is issued to a Holder of a Warrant, in the form attached and incorporated by reference herein.

1.14. “*Warrants.*” The Warrants issued in accordance with the terms of this Agreement and any Warrants issued in substitution for or replacement of such Warrants, including those evidenced by a certificate or certificates originally issued or issued upon division, exchange, substitution or transfer pursuant to this Agreement.

1.15. “*Warrant Securities.*” The Common Stock purchasable upon exercise of a Warrant including the Common Stock underlying unexercised portions of a Warrant.

## **Section 2. Vesting of Warrants; Term of Warrants; Exercise of Warrant.**

2.1. The Warrants shall vest and become exercisable, pursuant to the following schedule:

- (a) -50,000 Warrants shall vest at an exercise price of \$1.00 per share of Stock, if and when the Stock trades at \$1.25.
- (b) -50,000 Warrants shall vest at an exercise price of \$1.25 per share of Stock, if and when the Stock trades at \$1.50.
- (c) -50,000 Warrants shall vest at an exercise price of \$1.50 per share of Stock, if and when the Stock trades at \$1.75.
- (d) -50,000 Warrants shall vest at an exercise price of \$1.75 per share of Stock, if and when the Stock trades at \$2.00.

For purposes of determining when Warrants vest under the foregoing paragraphs, the Stock “trades” at a price when the last reported trade, as quoted by the AMEX, NASDAQ NMS, Small-Cap or OTC Bulletin Board Stock Market, equals or exceeds the price specified for ten (10) continuous trading days.

The vested Warrants shall have a term of one (1) trading day from date of vest.

2.2 *Exercise of Warrant.* Subject to the terms of this Agreement, the Holder shall have the right, at any time up to and including 5:00 p.m., Denver Time, on the next trading day following the Vesting Date of a Warrant, to purchase from the Company up to the number of fully paid and nonassessable Shares to which the Holder may at the time be entitled to purchase pursuant to this Agreement, upon surrender to the Company, at its principal office or at such other location as the Company may advise the Holder in writing, of the Warrant Certificate evidencing the Warrants to be exercised, together with the purchase form, or the Warrant Conversion Exercise Form in the case of a warrant conversion pursuant to Section 2.5 herein, duly filled in and signed, and upon payment to the Company of the Aggregate Exercise Price for the number of Shares in respect of which such Warrants are then exercised, but in no event for less than 100 Shares (unless fewer than an aggregate of 100 Shares are then purchasable by the Holder). For matter of convenience, the Company’s notification by the Holder by fax or email of the intent of the Holder to exercise a Warrant will satisfy this Section 2.2. If the Company has not received by 5:00 p.m., Denver Time, on the next trading day following the Vesting Date, the intent of the Holder regarding the exercise of the Warrant, the vested Warrant shall automatically be exercised, without notice to the Company by the Holder, using a cashless exercise as specified in Section 2.5 below.

2.3. *Payment of Exercise Price.* If the Holder shall be exercising a Warrant other than as specified in Section 2.4 below, payment of the aggregate Exercise Price shall be made in cash or by check, or any combination thereof, and must be received by the Company by 5:00 p.m., Denver Time no later than three (3) business days following the Vesting Date.

2.4. *Issuance of Shares.* Upon such surrender of the Warrants and payment of the aggregate Exercise Price as aforesaid, the Company shall issue and cause to be delivered promptly to or upon the written order of the

Holder and in such name or names as the Holder may designate, a certificate or certificates for the number of full Shares so purchased upon the exercise of the Warrant, together with cash, as provided in Section 12 hereof, in respect of any fractional Shares otherwise issuable upon such surrender.

2.5 *Cashless Exercise.* Unless the Holder notifies the Company no later than 5:00 p.m., Denver Time, on the next trading day following the Vesting Date of a Warrant that the Holder intends to pay the Exercise Price in cash or by check as specified in Section 2.3 above, a vested Warrant shall automatically be exercised, on the immediate trading day following the Vesting Date. The Company shall deliver to the Holder, without payment by the Holder of any Exercise Price or any cash or other consideration, the number of Company Shares computed using the following formula:

$$X = \frac{Y(A-B)}{A}$$

Where:

X = the number of Warrant Shares to be issued to the Holder pursuant to the exercise of this Warrant pursuant to this Section 2;

Y = the number of Shares that may be purchased upon exercise of this Warrant;

A = the Market Price of one share of Common Stock; and

B = the Exercise Price per share of Common Stock.

### **Section 3. Transferability and Form of Warrant**

3.1. *Limitation on Transfer.* Any assignment or transfer of a Warrant shall be made by the presentation and surrender of the Warrant Certificate to the Company at its principal office, accompanied by a duly executed Assignment Form. Any transfer shall be subject to the Company's approval, which will not be unreasonably withheld. Issuance will be an expense of the Company, except for transfer taxes.

3.2. *Exchange of Certificate.* Any Warrant Certificate may be exchanged for another certificate or certificates entitling the Warrant Holder to purchase a like aggregate number of Shares as the certificate or certificates surrendered then entitled such Warrant Holder to purchase. Any Warrant Holder desiring to exchange a Warrant Certificate shall make such request in writing delivered to the Company, and shall surrender, properly endorsed, with signatures guaranteed, the certificate evidencing the Warrant to be so exchanged. Thereupon, the Company shall execute and deliver to the person entitled thereto a new Warrant Certificate as so requested.

3.3. *Mutilated, Lost, Stolen, or Destroyed Certificate.* If a Warrant Certificate shall be mutilated, lost, stolen or destroyed, the Company shall, at the request of the Warrant Holder, issue and deliver in exchange and substitution for and upon cancellation of the mutilated certificate or certificates, or in lieu of and substitution for the certificate or certificates lost, stolen or destroyed, a new Warrant Certificate or certificates of like tenor and representing an equivalent right or interest, but only upon receipt of evidence satisfactory to the Company of such loss, theft or destruction of such Warrant Certificate and a bond of indemnity, if requested, also satisfactory to the Company in form and amount, at the applicant's cost. Applicants for such substitute Warrant certificate shall also comply with such other reasonable regulations and pay such other reasonable charges as the Company may prescribe.

3.4. *Form of Certificate.* The text of the Warrant Certificate and of the form of election to purchase Shares shall be substantially as set forth in Exhibit A-D attached hereto. The number of Shares issuable upon exercise of the Warrants is subject to adjustment upon the occurrence of certain events, all as hereinafter provided.

The Warrant Certificates shall be executed on behalf of the Company by its President. A Warrant Certificate bearing the signature of an individual who was at any time the proper officer of the Company shall bind the Company, notwithstanding that such individual shall have ceased to hold such officer prior to the delivery of such Warrant Certificate or did not hold such office on the date of this Agreement.

The Warrant Certificates shall be dated as of the date of signature thereof by the Company either upon initial issuance or upon division, exchange, substitution or transfer.

#### **Section 4. Adjustment of Number of Shares.**

The number and kind of securities purchasable upon the exercise of the Warrants and the Warrant Price shall be subject to adjustment from time to time upon the happening of certain events, as follows:

4.1. *Adjustments.* The number of Shares purchasable upon the exercise of the Warrants shall be subject to adjustments as follows:

(a) In case the Company shall (i) pay a dividend in Common Stock or make a distribution to its stockholders in Common Stock, (ii) subdivide its outstanding Common Stock, (iii) combine its outstanding Common Stock into a smaller number of shares of Common Stock, or (iv) issue by classification of its Common Stock other securities of the Company, the number of Shares purchasable upon exercise of the Warrants immediately prior thereto shall be adjusted so that the Warrantholder shall be entitled to receive the kind and number of Shares or other securities of the Company which it would have owned or would have been entitled to receive immediately after the happening of any of the events described above, had the Warrants been exercised immediately prior to the happening of such event or any record date with respect thereto. Any adjustment made pursuant to this subsection 4.1.(a) shall become effective immediately after the effective date of such event retroactive to the record date, if any, for such event.

(b) In case the Company shall issue rights, options, warrants, or convertible securities to all or substantially all holders of its Common Stock, without any charge to such holders, entitling them to subscribe for or purchase Common Stock at a price per share which is lower at the record date mentioned below than the then Current Market Price, the number of Shares thereafter purchasable upon the exercise of each Warrant shall be determined by multiplying the number of Shares theretofore purchasable upon exercise of the Warrants by a fraction, of which the numerator shall be the number of shares of Common Stock outstanding immediately prior to the issuance of such rights, options, warrants or convertible securities plus the number of additional shares of Common Stock offered for subscription or purchase, and of which the denominator shall be the number of shares of Common Stock outstanding immediately prior to the issuance of such rights, options, warrants, or convertible securities plus the number of shares which the aggregate offering price of the total number of shares offered would purchase at such Current Market Price. Such adjustment shall be made whenever such rights, options, warrants, or convertible securities are issued, and shall become effective immediately and retroactively to the record date for the determination of stockholders entitled to receive such rights, options, warrants, or convertible securities.

(c) In case the Company shall distribute to all or substantially all holders of its Common Stock evidences of its indebtedness or assets (excluding cash dividends or distributions out of earnings) or rights, options, warrants, or convertible securities containing the right to subscribe for or purchase Common Stock (excluding those referred to in subsection 4.1(b) above), then in each case the number of Shares thereafter purchasable upon the exercise of the Warrants shall be determined by multiplying the number of Shares theretofore purchasable upon exercise of the Warrants by a fraction, of which the numerator shall be the then Current Market Price on the date of such distribution, and of which the denominator shall be such Current Market Price on such date minus the then fair value (determined as provided in subparagraph (e) below of the portion of the assets or evidences of indebtedness so distributed or of such subscription rights, options, warrants, or convertible securities applicable to one share. Such adjustment shall be made whenever any such distribution is made and shall become effective on the date of distribution retroactive to the record date for the determination of stockholders entitled to receive such distribution.

(d) No adjustment in the number of Shares purchasable pursuant to the Warrants shall be required unless such adjustment would require an increase or decrease of at least one percent in the number of Shares then purchasable upon the exercise of the Warrants or, if the Warrants are not then exercisable, the number of Shares purchasable upon the exercise of the Warrants on the first date thereafter that the Warrants become exercisable; provided, however, that any adjustments which by reason of this subsection 4.1(d) are not required to be made immediately shall be carried forward and taken into account in any subsequent adjustment.

(e) Whenever the number of Shares purchasable upon the exercise of the Warrant is adjusted, as herein provided, the Exercise Price payable upon exercise of the Warrant shall be adjusted by multiplying such Exercise Price immediately prior to such adjustment by a fraction, of which the numerator shall be the number of Warrant Shares purchasable upon the exercise of the Warrant immediately prior to such adjustment, and of which the denominator shall be the number of Warrant Shares so purchasable immediately thereafter.

(f) Whenever the number of Shares purchasable upon exercise of the Warrants is adjusted as herein provided, the Company shall cause to be promptly mailed to the Warrantholder by first class mail, postage prepaid, notice of such adjustment and a certificate of the chief financial officer of the Company setting forth the number of Shares purchasable upon the exercise of the Warrants after such adjustment, a brief statement of the facts requiring such adjustment and the computation by which such adjustment was made.

(g) For the purpose of this Section 4.1, the term "Common Stock" shall mean (i) the class of stock designated as the Common Stock of the Company at the date of this Agreement, or (ii) any other class of stock resulting from successive changes or reclassifications of such Common Stock consisting solely of changes in par value, or from par value to no par value, or from no par value to par value. In the event that at any time, as a result of an adjustment made pursuant to this Section 4, the Warrantholder shall become entitled to purchase any securities of the Company other than Common Stock, (y) if the Warrant Holder's right to purchase is on any other basis than that available to all holders of the Company's Common Stock, the Company shall obtain an opinion of an independent investment banking firm valuing such other securities and (z) thereafter the number of such other securities so purchasable upon exercise of the Warrants shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Shares contained in this Section 4.

(h) Upon the expiration of any rights, options, warrants, or conversion privileges, if such shall have not been exercised, the number of Shares purchasable upon exercise of the Warrants, to the extent the Warrants have not then been exercised, shall, upon such expiration, be readjusted and shall thereafter be such as they would have been had they been originally adjusted (or had the original adjustment not been required, as the case may be) on the basis of (i) the fact that the only shares of Common Stock so issued were the shares of Common Stock, if any, actually issued or sold upon the exercise of such rights, options, warrants, or conversion privileges, and (ii) the fact that such shares of Common Stock, if any, were issued or sold for the consideration actually received by the Company upon such exercise plus the consideration, if any, actually received by the Company for the issuance, sale or grant of all such rights, options, warrants, or conversion privileges whether or not exercised; provided, however, that no such readjustment shall have the effect of decreasing the number of Shares purchasable upon exercise of the Warrants by an amount in excess of the amount of the adjustment initially made in respect of the issuance, sale, or grant of such rights, options, warrants, or conversion rights.

4.2. *No Adjustment for Dividends.* Except as provided in Section 4.1, no adjustment in respect of any dividends or distributions out of earnings shall be made during the term of the Warrants or upon the exercise of the Warrants.

4.3. *No Adjustment in Certain Cases.* No adjustments shall be made pursuant to Section 4 hereof in connection with the issuance of the Common Stock upon exercise of the Warrants. No adjustments shall be made pursuant to Section 4 hereof in connection with grant or exercise of presently authorized or outstanding options to purchase, or the issuance of shares of Common Stock under the Company's director or employee benefit plan.

4.4. *Preservation of Purchase Rights upon Reclassification, Consolidation, etc.* In case of any consolidation of the Company with or merger of the Company into another corporation, or in case of any sale or conveyance to another corporation of the property, assets, or business of the Company as an entirety or substantially as an entirety, the Company or such successor or purchasing corporation, as the case may be, shall execute with the Warrantholder an agreement that the Warrantholder shall have the right thereafter upon payment of the Exercise Price in effect immediately prior to such action to purchase, upon exercise of the Warrants, the kind and amount of shares and other securities and property which it would have owned or have been entitled to receive after the happening of such consolidation, merger, sale, or conveyance had the Warrants been exercised immediately prior to such action. In the event of a merger described in Section 368(a)(2)(E) of the Internal Revenue Code of 1986, in which the Company is the surviving corporation, the right to purchase Shares under the Warrants shall terminate on the date of such merger and thereupon the Warrants shall become null and void, but only if the controlling corporation shall agree to substitute for the Warrants, its warrants which entitle the holder thereof to purchase upon their exercise the kind and amount of shares and other securities and property which it would have owned or been entitled to receive had the Warrants been exercised immediately prior to such merger. Any such agreements referred to in this Section 4.4 shall provide for adjustments, which shall be as nearly equivalent as may be practicable to the adjustments provided for in Section 4 hereof. The provisions of this Section 4.4 shall similarly apply to successive consolidations, mergers, sales, or conveyances.

4.5. *Par Value of Shares of Common Stock.* Before taking any action which would cause an adjustment effectively reducing the portion of the Exercise Price allocable to each Share below the par value per share of the Common Stock issuable upon exercise of the Warrants, the Company will take any corporate action which may, in the opinion of its counsel, be necessary in order that the Company may validly and legally issue fully paid and nonassessable Common Stock upon exercise of the Warrants.

4.6. *Independent Public Accountants.* The Company may retain a firm of independent public accountants of recognized national standing (which may be any such firm regularly employed by the Company) to make any computation required under this Section 4, and a certificate signed by such firm shall be conclusive evidence of the correctness of any computation made under this Section 4.

4.7. *Statement on Warrant Certificates.* Irrespective of any adjustments in the number of securities issuable upon exercise of the Warrants, Warrant certificates theretofore or thereafter issued may continue to express the same number of securities as are stated in the similar Warrant certificates initially issuable pursuant to this Agreement. However, the Company may, at any time in its sole discretion (which shall be conclusive), make any change in the form of Warrant certificate that it may deem appropriate and that does not affect the substance thereof; and any Warrant certificate thereafter issued, whether upon registration of transfer of, or in exchange or substitution for, an outstanding Warrant certificate, may be in the form so changed.

4.8. *Treasury Stock.* For purposes of this Section 4, shares of Common Stock owned or held at any relevant time by, or for the account of, the Company, in its treasury or otherwise, shall not be deemed to be outstanding for purposes of the calculations and adjustments described.

#### **Section 5. Notice to Holders.**

If, prior to the expiration of this Warrant either by its terms or by its exercise in full, any of the following shall occur:

- (a) the Company shall declare a dividend or authorize any other distribution on its Common Stock; or

(b) the Company shall authorize the granting to the shareholders of its Common Stock of rights to subscribe for or purchase any securities or any other similar rights; or

(c) any reclassification, reorganization or similar change of the Common Stock, or any consolidation or merger to which the Company is a party, or the sale, lease, or exchange of any significant portion of the assets of the Company; or

(d) the voluntary or involuntary dissolution, liquidation or winding up of the Company; or

(e) any purchase, retirement or redemption by the Company of its Common Stock;

then, and in any such case, the Company shall deliver to the Holder or Holders written notice thereof at least 10 days prior to the earliest applicable date specified below with respect to which notice is to be given, which notice shall state the following:

(x) the date on which a record is to be taken for the purpose of such dividend, distribution or rights, or, if a record is not to be taken, the date as of which the shareholders of Common Stock of record to be entitled to such dividend, distribution or rights are to be determined;

(y) the date on which such reclassification, reorganization, consolidation, merger, sale, transfer, dissolution, liquidation, winding up or purchase, retirement or redemption is expected to become effective, and the date, if any, as of which the Company's shareholders of Common Stock of record shall be entitled to exchange their Common Stock for securities or other property deliverable upon such reclassification, reorganization, consolidation, merger, sale, transfer, dissolution, liquidation, winding up, purchase, retirement or redemption; and

(z) if any matters referred to in the foregoing clauses (x) and (y) are to be voted upon by shareholders of Common Stock, the date as of which those shareholders to be entitled to vote are to be determined.

#### **Section 6. Officers' Certificate.**

Whenever the Exercise Price or the aggregate number of Warrant Securities purchasable pursuant to this Warrant shall be adjusted as required by the provisions of Section 4 above, the Company shall promptly file with its Secretary or an Assistant Secretary at its principal office, and with its transfer agent, if any, an officers' certificate executed by the Company's President and Secretary or Assistant Secretary, describing the adjustment and setting forth, in reasonable detail, the facts requiring such adjustment and the basis for and calculation of such adjustment in accordance with the provisions of this Warrant Agreement. Each such officers' certificate shall be made available to all Warrant Holders for inspection at all reasonable times, and the Company, after each such adjustment, shall promptly deliver a copy of the officers' certificate relating to that adjustment to the Holder or Holders of this Warrant. The officers' certificate described in this Section 6 shall be deemed to be conclusive as to the correctness of the adjustment reflected therein if, and only if, no Warrant Holder delivers written notice to the Company of an objection to the adjustment within 30 days after the officers' certificate is delivered to the Warrant Holder. The Company will make its books and records available for inspection and copying during normal business hours by the Warrant Holder so as to permit a determination as to the correctness of the adjustment. If written notice of an objection is delivered by a Warrant Holder to the Company and the parties cannot reconcile the dispute, the Holder and the Company shall submit the dispute to arbitration pursuant to the provisions of Section 19 below. Failure to prepare or provide the officers' certificate shall not modify the parties' rights hereunder.

#### **Section 7. Reservation of Warrant Securities.**

The Company covenants and agrees that it shall at all times keep reserved so long as the Warrants remain outstanding, out of its authorized and unissued Common Stock, such number of shares of Common Stock as shall be subject to purchase under the Warrants.

#### **Section 8. Restrictions on Transfer; Registration Rights.**

8.1. *Restrictions on Transfer.* The Warrant Holder agrees that prior to making any disposition of the Warrants or the Shares, the Warrant Holder shall give written notice to the Company describing briefly the manner in which any such proposed disposition is to be made; and no such disposition shall be made if the Company has notified the Warrantholder that in the opinion of counsel reasonably satisfactory to the Warrant Holder a registration statement or other notification or post-effective amendment thereto (hereinafter collectively a “Registration Statement”) under the Act is required with respect to such disposition and no such Registration Statement has been filed by the Company with, and declared effective, if necessary, by, the Commission.

8.2. *Piggy-Back Registration Right.* If at any time prior to the Expiration Date the Company files a Registration Statement with the Commission pursuant to the Act, or pursuant to any other act passed after the date of this Agreement, which filing provides for the sale of securities by the Company to the public, or files a Regulation A offering statement under the Act, the Company shall offer to the Warrant Holder and the holders of any Warrant Securities the opportunity to register or qualify the Warrant Securities at the Company's sole expense, regardless of whether the Warrant Holder or the holders of Warrant Securities or both may have previously availed themselves of any of the registration rights described in this Section 8; provided, however, that in the case of a Regulation A offering, the opportunity to qualify shall be limited to the amount of the available exemption after taking into account the securities that the Company wishes to qualify. Further, at the request of a bona-fide underwriter, the rights under this paragraph may be temporarily suspended for purposes of completing a specific offering. Notwithstanding anything to the contrary, this Section 8.2 shall not be applicable to a Registration Statement registering securities issued pursuant to an employee benefit plan or as to a transaction subject to Rule 145 promulgated under the Act or which a form S-4 or S-8 registration statement could be used.

The Company shall deliver written notice to the Warrant Holder and to any holders of the Warrant Securities of its intention to file a registration statement or Regulation A offering statement under the Act at least 10 days prior to the filing of such Registration Statement or offering statement, and the Warrant Holder and holders of Warrant Securities shall have 20 days thereafter to request in writing that the Company register or qualify the Warrant Securities in accordance with this Section 8.2. Upon the delivery of such a written request within the specified time, the Company shall be obligated to include in its contemplated registration statement or offering statement all information necessary or advisable to register or qualify the Warrant Securities. for a public offering, if the Company does file the contemplated Registration Statement or offering statement; provided, however, that neither the delivery of the notice by the Company nor the delivery of a request by a Holder or by a holder of Warrant Securities shall in any way obligate the Company to file a Registration Statement or offering statement. Furthermore, notwithstanding the filing of a registration statement or offering statement, the Company may, at any time prior to the effective date thereof, determine not to offer the securities to which the registration statement or offering statement relates, other than the Warrant, and Warrant Securities. Notwithstanding the foregoing, if, as a qualification of any offering in any state or jurisdiction in which the Company (by vote of its Board of Directors) or any underwriter determines in good faith that it wishes to offer securities registered in the offering, it is required that offering expenses be allocated in a manner different from that provided above, then the offering expenses shall be allocated in whatever manner is most nearly in compliance with the provisions set out above.

The Company shall comply with the requirements of this Section 8.2 and the related requirements of Section 8.6 at its own expense. That expense shall include, but not be limited to, legal, accounting, consulting, printing, federal and state filing fees, NASD fees, out-of-pocket expenses incurred by counsel, accountants and consultants retained by the Company, and miscellaneous expenses directly related to the registration statement or offering statement and the offering. However, this expense shall not include the portion of any underwriting commissions, transfer taxes and the underwriter's accountable and non-accountable expense allowances attributable to the offer and sale of the Warrant and Warrant Securities. all of which expenses shall be borne by the Warrant Holder and the holders of the Warrant Securities registered or qualified.

8.3. *Inclusion of Information.* In the event that the Company registers or qualifies the Warrant Securities pursuant to Section 8.2 above, the Company shall include in the Registration Statement or qualification, and the prospectus included therein, all information and materials necessary or advisable to comply with the applicable statutes and regulations so as to permit the public sale of the Warrant Securities. As used in Section 8.2,

reference to the Company's securities shall include, but not be limited to, any class or type of the Company's securities or the securities of any of the Company's subsidiaries or affiliates.

8.5. *Condition of Company's Obligations.* As to each registration statement or offering statement, the Company's obligations contained in this Section 8 shall be conditioned upon a timely receipt by the Company in writing of the following:

(a) Information as to the terms of the contemplated public offering furnished by and on behalf of each Holder or holder intending to make a public distribution of the Warrant Securities and

(b) Such other information as the Company may reasonably require from such Holders or holders, or any underwriter for any of them, for inclusion in the registration statement or offering statement.

8.6. *Additional Requirements.* In each instance in which the Company shall take any action to register or qualify the Warrant Securities or the Warrant Securities, if any, pursuant to this Section 8, the Company shall do the following:

(a) supply to the Holders of the Warrant and the holders of Warrant Securities whose Warrant Securities are being registered or qualified, two (2) manually signed copies of each Registration Statement or offering statement, and all amendments thereto, and a reasonable number of copies of the preliminary, final or other prospectus or offering circular, all prepared in conformity with the requirements of the Act and the rules and regulations promulgated thereunder, and such other documents as BMCG shall reasonably request;

(b) cooperate with respect to (i) all necessary or advisable actions relating to the preparation and the filing of any registration statements or offering statements, and all amendments thereto, arising from the provisions of this Section 8, (ii) all reasonable efforts to establish an exemption from the provisions of the Act or any other federal or state securities statutes, (iii) all necessary or advisable actions to register or qualify the public offering at issue pursuant to federal securities statutes and the state "blue sky" securities statutes of each jurisdiction that the Warrant Holders or holders of Warrant Securities shall reasonably request, and (iv) all other necessary or advisable actions to enable the holders of the Warrant Securities to complete the contemplated disposition of their securities in each reasonably requested jurisdiction; and

(c) keep all registration statements or offering statements to which this Section 8 applies, and all amendments thereto, effective under the Act until the earlier to occur of (a) one year after the last Registered Warrant has been exercised; or (b) all Registered Warrant Securities have been sold under the registration statement.

8.7. *Reciprocal Indemnification.* In each instance in which pursuant to this Section 8 the Company shall take any action to register or qualify the Warrant Securities or the Warrant Securities underlying the unexercised portion of this Warrant, prior to the effective date of any registration statement or offering statement, the Company and each Holder or holder of Warrants or Warrant Securities being registered or qualified shall enter into reciprocal indemnification agreements, in the form customarily used by reputable investment bankers with respect to public offerings of securities, containing substantially the same terms as described in Section 10. These indemnification agreements also shall contain an agreement by the Holder or shareholder at issue to indemnify and hold harmless the Company, its officers and directors from and against any and all losses, claims, damages and liabilities, including, but not limited to, all expenses reasonably incurred in investigating, preparing, defending or settling any claim, directly resulting from any untrue statements of material facts, or omissions to state a material fact necessary to make a statement not misleading, contained in a registration statement or offering statement to which this Section 8 applies, if, and only if, the untrue statement or omission directly resulted from information provided in writing to the Company by the indemnifying Holder or shareholder expressly for use in the registration statement or offering statement at issue.

8.8. *Survival.* The Company's obligations described in this Section 8 shall continue in full force and effect regardless of the exercise, surrender, cancellation or expiration of the Warrants.

**Section 9. Payment of Taxes.**

The Company will pay all documentary stamp taxes, if any, attributable to the initial issuance of the Warrants or the securities comprising the Shares; provided, however, the Company shall not be required to pay any tax which may be payable in respect of any transfer of the Warrants or the securities comprising the Shares.

**Section 10. Indemnification and Contribution**

10.1. *Indemnification By Company.* In the event of the filing of any Registration Statement with respect to the Warrant Shares pursuant to Section 8 hereof, the Company agrees to indemnify and hold harmless the Warrant Holder or any holder of Warrant Shares and each person, if any, who controls the Warrant Holder or any holder of Warrant Shares within the meaning of the Act, against any and all loss, claim, damage or liability, joint or several (which shall, for all purposes of this Agreement include, but not be limited to, all reasonable costs of defense and investigation and all reasonable attorneys' fees), to which such Warrant Holder or any holder of Warrant Shares may become subject, under the Act or otherwise, insofar as such loss, claim, damage, or liability (or action with respect thereto) arises out of or is based upon (a) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, any Preliminary Prospectus, the Effective Prospectus, or the Final Prospectus or any amendment or supplement thereto; or (b) the omission or alleged omission to state in the Registration Statement, any Preliminary Prospectus, the Effective Prospectus or the Final Prospectus or any amendment or supplement thereto a material fact required to be stated therein or necessary to make the statements therein not misleading; except that the Company shall not be liable in any such case to the extent, but only to the extent, that any such loss, claim, damage, or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in reliance upon and in conformity with written information furnished to the Company by such Warrant Holder or the holder of such Warrant Shares specifically for use in the preparation of the Registration Statement, any Preliminary Prospectus, the Effective Prospectus and the Final Prospectus or any amendment or supplement thereto. This indemnity will be in addition to any liability which the Company may otherwise have.

10.2. *Indemnification By Warrant Holder.* The Warrant Holder and the holders of Warrant Shares agree that they, severally, but not jointly, shall indemnify and hold harmless the Company, each other person referred to in subparts (1), (2) and (3) of Section 11(a) of the Act in respect of the Registration Statement and each person, if any, who controls the Company within the meaning of the Act, against any and all loss, claim, damage or liability, joint or several (which shall, for all purposes of this Agreement include, but not be limited to, all costs of defense and investigation and all attorneys' fees), to which the Company may become subject under the Act or otherwise, insofar as such loss, claim, damage, liability (or action in respect thereto) arises out of or are based upon (a) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, any Preliminary Prospectus, the Effective Prospectus or the Final Prospectus or any amendment or supplement thereto; or (b) the omission or alleged omission to state in the Registration Statement, any Preliminary Prospectus, the Effective Prospectus or the Final Prospectus or any amendment or supplement thereto a material fact required to be stated therein or necessary to make the statements therein not misleading; except that such indemnification shall be available in each such case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon information and in conformity with written information furnished to the Company by the Warranholder or the holder of Warrant Shares specifically for use in the preparation thereof. This indemnity will be in addition to any liability which such Warrant Holder or holder of Warrant Shares may otherwise have.

10.3. *Right to Provide Defense.* Promptly after receipt by an indemnified party under Section 10.1 or 10.2 above of written notice of the commencement of any action, the indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such section, notify the indemnifying party in writing of the claim or the commencement of that action; the failure to notify the indemnifying party shall not relieve it of any liability which it may have to an indemnified party, except to the extent that the indemnifying party did not otherwise have

knowledge of the commencement of the action and the indemnifying party's ability to defend against the action was prejudiced by such failure. Such failure shall not relieve the indemnifying party from any other liability which it may have to the indemnified party. If any such claim or action shall be brought against an indemnified party, and it shall notify the indemnifying party thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it wishes, jointly with any other similarly notified indemnifying party, to assume the defense thereof with counsel reasonably satisfactory to the indemnified party. After notice from the indemnifying party to the indemnified party of its election to assume the defense of such claim or action, the indemnifying party shall not be liable to the indemnified party under such section for any legal or other expenses subsequently incurred by the indemnified party in connection with the defense thereof other than reasonable costs of investigation.

10.4. *Contribution.* If the indemnification provided for in Sections 10.1 and 10.2 of this Agreement is unavailable or insufficient to hold harmless an indemnified party, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of the losses, claims, damages, or liabilities referred to in Sections 10.1 or 10.2 above (a) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Warrant Holder on the other; or (b) if the allocation provided by clause (a) above is not permitted by applicable law, in such proportion as is appropriate to reflect the relative benefits referred to in clause (a) above but also the relative fault of the Company on the one hand and the Warrant Holder on the other in connection with the statements or omissions which resulted in such losses, claims, damages, or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company and the Warrant Holder shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company bear to the total underwriting discounts and un-itemized expenses received by the Underwriters, in each case as set forth in the table on the cover page of the Final Prospectus. Relative fault shall be determined by reference to, among other things, whether the untrue statement of a material fact or the omission to state a material fact relates to information supplied by the Company or the Underwriter and the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent such untrue statement or omission. For purposes of this Section 10.4, the term "damages" shall include any counsel fees or other expenses reasonably incurred by the Company or the Underwriters in connection with investigating or defending any action or claim which is the subject of the contribution provisions of this Section 10.4. No person adjudged 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.

Each party entitled to contribution agrees that upon the service of a summons or other initial legal process upon it in any action instituted against it in respect of which contribution may be sought, it shall promptly give written notice of such service to the party or parties from whom contribution may be sought, but the omission so to notify such party or parties of any such service shall not relieve the party from whom contribution may be sought from any obligation it may have hereunder or otherwise (except as specifically provided in Section 10.4 hereof).

#### **Section 11. Transfer to Comply With the Securities Act of 1933**

This Warrant, the Warrant Securities, and all other securities issued or issuable upon exercise of this Warrant, may not be offered, sold or transferred, in whole or in part, except in compliance with the Act, and except in compliance with all applicable state securities laws. The Company may cause substantially the following legends, or their equivalents, to be set forth on each certificate representing the Warrant Securities, or any other security issued or issuable upon exercise of this Warrant, not theretofore distributed to the public or sold to underwriters, as defined by the Act, for distribution to the public pursuant to Section 8 above:

- (a) "THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR ANY STATE SECURITIES LAWS AND MAY NOT BE SOLD, EXCHANGED, HYPOTHECATED OR TRANSFERRED IN ANY MANNER IN THE ABSENCE OF SUCH REGISTRATION OR AN EXEMPTION THEREFROM UNDER SAID ACT AND ANY APPLICABLE STATE SECURITIES LAWS."
- (b) Any legend required by applicable state securities laws.

Any certificate issued at any time in exchange or substitution for any certificate bearing such legends (except a new certificate issued upon completion of a public distribution pursuant to a registration statement under the “Act”, or the securities represented thereby) shall also bear the above legends unless, in the opinion of the Company’s counsel, the securities represented thereby need no longer be subject to such restrictions.

**Section 12. Fractional Shares**

No fractional shares or scrip representing fractional shares shall be issued upon the exercise of all or any part of this Warrant. With respect to any fraction of a share of any security called for upon any exercise of this Warrant, the Company shall pay to the Holder an amount in money equal to that fraction multiplied by the Current Market Price of that share.

**Section 13. No Rights as Stockholder; Notices to Warrantholder.**

Nothing contained in this Agreement or in the Warrants shall be construed as conferring upon the Warrant Holder or its transferees any rights as a stockholder of the Company, including the right to vote, receive dividends, consent or receive notices as a stockholder in respect to any meeting of stockholders for the election of directors of the Company or any other matter. The Company covenants, however, that for so long as this Warrant is at least partially unexercised, it will furnish any Holder of this Warrant with copies of all reports and communications furnished to the shareholders of the Company.

**Section 14. Warrant Securities to be Fully Paid**

The Company covenants that all Warrant Securities that may be issued and delivered to a Holder of this Warrant upon the exercise of this Warrant and payment of the Exercise Price will be, upon such delivery, validly and duly issued, fully paid and nonassessable.

**Section 15. Notices**

Any notice pursuant to this Agreement by the Company or by a Warrant Holder or a holder of Shares shall be in writing and shall be deemed to have been duly given if delivered or mailed by certified mail, return receipt requested:

(i) If to a Warrantholder or a holder of Shares, addressed to Liolios Group, Inc., 2431 West Coast Highway, #202, Newport Beach, California, 92663; or

(ii) If to the Company addressed to it at 12061 Tejon St. Westminster, CO 80234, Attn: President. Each party may from time to time change the address to which notices to it are to be delivered or mailed hereunder by notice in accordance herewith to the other party.

**Section 16. Applicable Law**

This Warrant shall be governed by and construed in accordance with the laws of the State of Colorado, and courts located in Colorado shall have exclusive jurisdiction and venue over all disputes arising hereunder.

**Section 17. Arbitration.**

The Company and the Holder, and by receipt of this Warrant or any Warrant Securities, all subsequent Holders or holders of Warrant Securities, agree to submit all controversies, claims, disputes and matters of difference with respect to this Warrant, including, without limitation, the application of this Section 19 to arbitration in Denver, Colorado, according to the rules and practices of the American Arbitration Association from time to time in force;

provided, however, that if such rules and practices conflict with the applicable procedures of Colorado courts of general jurisdiction or any other provisions of Colorado law then in force, those Colorado rules and provisions shall govern. This agreement to arbitrate shall be specifically enforceable. Arbitration may proceed in the absence of any party if notice of the proceeding has been given to that party. The parties agree to abide by all awards rendered in any such proceeding. These awards shall be final and binding on all parties to the extent and in the manner provided by the rules of civil procedure enacted in Colorado. All awards may be filed, as a basis of judgment and of the issuance of execution for its collection, with the clerk of one or more courts, state or federal, having jurisdiction over either the party against whom that award is rendered or its property. No party shall be considered in default hereunder during the pendency of arbitration proceedings relating to that default.

**Section 18. Expiration.**

This Agreement and all unexercised Warrants shall expire on March 15, 2005, or thirty (30) days following the expiration of the PR Agreement, whichever is the first to occur.

**Section 19. Miscellaneous Provisions**

(a) Subject to the terms and conditions contained herein, this Warrant shall be binding on the Company and its successors and shall inure to the benefit of the original Holder, its successors and assigns and all holders of Warrant Securities and the exercise of this Warrant in full shall not terminate the provisions of this Warrant as it relates to holders of Warrant Securities.

(b) If the Company fails to perform any of its obligations hereunder, it shall be liable to the Holder for all damages, costs and expenses resulting from the failure, including, but not limited to, all reasonable attorney's fees and disbursements.

(c) This Warrant cannot be changed or terminated or any performance or condition waived in whole or in part except by an agreement in writing signed by the party against whom enforcement of the change, termination or waiver is sought; provided, however, that any provisions hereof may be amended, waived, discharged or terminated upon the written consent of the Company and the Holder.

(d) If any provision of this Warrant shall be held to be invalid, illegal or unenforceable, such provision shall be severed, enforced to the extent possible, or modified in such a way as to make it enforceable, and the invalidity, illegality or unenforceability shall not affect the remainder of this Warrant.

(e) The Company agrees to execute such further agreements, conveyances, certificates and other documents as may be reasonably requested by the Holder to effectuate the intent and provisions of this Warrant.

(f) Paragraph headings used in this Warrant are for convenience only and shall not be taken or construed to define or limit any of the terms or provisions of this Warrant. Unless otherwise provided, or unless the context shall otherwise require, the use of the singular shall include the plural and the use of any gender shall include all genders.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed, all as of the day and year first above written.

CORGENIX MEDICAL CORPORATION

By: s/ Douglass T. Simpson  
Douglass T. Simpson

LIOLIOS GROUP, INC.

By: s/ J. Scott Liolios  
J. Scott Liolios

**Warrant Certificate WA-1**

**The securities represented by this certificate have not been registered under the Securities Act of 1933 (the "Act"), and are "restricted securities" as that term is defined in Rule 144 under the Act. The securities may not be offered for sale, sold, or otherwise transferred except pursuant to an effective registration under the Act, or pursuant to an exemption from registration under the Act, the availability of which is to be established to the satisfaction of the Company.**

CORGENIX MEDICAL CORPORATION

WARRANT TO PURCHASE  
50,000 SHARES OF COMMON STOCK

INCORPORATED UNDER THE LAWS  
OF THE STATE OF NEVADA

This certifies that, for value received, Liolios Group, Inc., (the "Warrant Holder"), is entitled to purchase from Corgenix Medical Corporation (the "Company"), at any time during the period up to 5:00 p.m., Colorado time, on the next trading day following the vesting of the Warrant (the "Vesting Date"), at the purchase price per Share of \$1.00 (the "Exercise Price"), the number of shares of Common Stock of the Company set forth above (the "Shares"). The Warrant will vest if Corgenix common stock bid price as quoted on the Electronic Bulletin Board or alternatively by a nationally recognized exchange, or NASDAQ, exceeds \$1.25 per share. For purposes of determining when the Warrants are earned, the stock will have been quoted by the Electronic Bulletin Board or alternatively by a nationally recognized exchange, or NASDAQ, where the Corgenix common stock bid price equals or exceeds the price specified for ten (10) consecutive trading days.

This warrant may be exercised in whole or in part by presentation of this Warrant Certificate with the Purchase Form attached hereto duly executed and simultaneous payment of the Warrant Price at the principal office of the Company. Payment of such price shall be made at the option of the Warrant holder in cash or by check or by Cashless Exercise subject to the provisions of Section 2.4 of the Warrant Agreement (as that term is defined therein).

This Warrant is issued under and in accordance with Warrant Agreement and is subject to the terms and provisions contained in the Warrant Agreement, to all of which the Warrant Holder by acceptance hereof consents.

This Warrant is transferable at the office of the Company in the manner and subject to the limitations set forth in the Warrant Agreement.

This Warrant will expire on March 31, 2005 or thirty (30) days after the expiration of the PR Agreement as defined and specified in Section 18 of the Warrant Agreement.

This Warrant Certificate does not entitle any Warrant holder to any of the rights of a stockholder of the Company.

CORGENIX MEDICAL CORPORATION

By: s/ Douglass T. Simpson  
Douglass T. Simpson

Dated: 3/29/2002

**PURCHASE FORM**

Dated \_\_\_\_\_,

The undersigned hereby irrevocably elects to exercise the Warrant represented by this Warrant Certificate to the extent of purchasing \_\_\_\_\_ Shares of Corgenix Medical Corporation and hereby tenders payment of the exercise price thereof.

**INSTRUCTIONS FOR REGISTRATION OF STOCK**

Name \_\_\_\_\_  
(Please type or print in block letters)

Address \_\_\_\_\_

**ASSIGNMENT FORM**

FOR VALUE RECEIVED, \_\_\_\_\_, hereby sells, assigns and transfers unto

Name \_\_\_\_\_  
(Please type or print in block letters)

Address \_\_\_\_\_

the right to purchase Shares of Corgenix Medical Corporation represented by this Warrant Certificate to the extent of \_\_\_\_\_ Shares as to which such right is exercisable and does hereby irrevocably constitute and appoint \_\_\_\_\_ attorney, to transfer the same on the books of the Company with full power of substitution in the premises.

Signature \_\_\_\_\_ Dated \_\_\_\_\_

**Notice: the signature on this assignment must correspond with the name as it appears upon the face of this Warrant Certificate in every particular, without alteration or enlargement or any change whatever.**

**WARRANT CONVERSION EXERCISE FORM**

TO: Corgenix Medical Corporation

Pursuant to Section 2.5 of the Warrant Agreement, the Holder hereby irrevocably elects to convert Warrants with respect to Shares of the Company into Shares of the Company. A conversion calculation is attached hereto.

The undersigned requests that certificates for such Shares be issued as follows:

Name: \_\_\_\_\_

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

Deliver to: \_\_\_\_\_

and that a new Warrant Certificate for the balance remaining of the Warrants, if any, subject to the Warrant be registered in the name of, and delivered to, the undersigned at the address stated above.

Signature \_\_\_\_\_ Dated \_\_\_\_\_

**CALCULATION OF WARRANT CONVERSION**

Converted Securities (Y)	=	_____
Current Market Price (A)	=	\$_____
Exercise Price (B)	=	\$_____
Converted Shares (X)	=	Y(A-B)/A
Fractional Converted Shares	=	_____ (1)

Where:

X = the number of Shares and/or Warrants to be issued to the Holder;

Y = the number of Shares and/or Warrants to be converted under this Warrant;

A = the Current Market Price of one share of Common Stock (calculated as described below);  
and

B = the Share Exercise Price.

(1) Corgenix Medical Corporation to pay for fractional Shares in cash @ \$\_\_ per Share.

## SIGNATURES

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

CORGENIX MEDICAL CORPORATION

May 15, 2002

By: /s/ Luis R. Lopez  
Luis R. Lopez, M.D.  
Chairman and Chief Executive Officer