BIOMERICA INC
Form 10KSB
September 13, 2001

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

FORM 10-KSB

[X] ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED MAY 31, 2001 — COMMISSION FILE NUMBER: 0-8765

BIOMERICA, INC.
(Small Business Issuer in its Charter)

DELAWARE	95-2645573
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1533 MONROVIA AVENUE, NEWPORT BEACH, CA	92663
(Address of principal executive offices)	(Zip Code)
Issuer's Telephone Number:	(949) 645-2111

Securities registered under Section 12(b) of the Exchange Act:

(Title of each class)	(Name of each exchange on which registered)
NONE	NASDAQ

Securities registered under Section 12(g) of the Exchange Act:
(Title of each class)
COMMON STOCK, PAR VALUE $0.08

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[x] NO[_]

Check if disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained herein, and will not be contained, to the best of issuer's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [X]

State issuer's revenues for its most recent fiscal year: $8,939,522.

State the aggregate market value of the voting and non-voting stock held by non-affiliates of the issuer (based upon 4,223,822 shares held by non-affiliates and the closing price of $0.70 per share for Common Stock in the over-the-counter market as of September 4, 2001): $2,970,475.

Number of shares of the issuer's common stock, par value $0.08, outstanding as of August 21, 2001: 5,036,754 shares.

DOCUMENTS INCORPORATED BY REFERENCE: The issuer's proxy statement for its 2001 Annual Meeting of Stockholders is incorporated into Part III hereof. Also incorporated by reference are the Annual Reports on Form 10-KSB for the fiscal year ended May 31, 2001, for Lancer Orthodontics, Inc. and Allergy Immuno Technologies, Inc.

Transitional Small Business Disclosure Format YES [_] NO [X]

PART I*

ITEM 1. DESCRIPTION OF BUSINESS

THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 PROVIDES A "SAFE HARBOR" FOR FORWARD-LOOKING STATEMENTS. CERTAIN INFORMATION CONTAINED HEREIN (AS WELL AS INFORMATION INCLUDED IN ORAL STATEMENTS OR OTHER WRITTEN STATEMENTS MADE OR TO BE MADE BY BIOMERICA) CONTAINS STATEMENTS THAT ARE FORWARD-LOOKING, SUCH AS STATEMENTS RELATING TO ANTICIPATED FUTURE REVENUES OF THE COMPANY AND SUCCESS OF CURRENT PRODUCT OFFERINGS. SUCH FORWARD-LOOKING INFORMATION INVOLVES IMPORTANT RISKS AND UNCERTAINTIES THAT COULD SIGNIFICANTLY AFFECT ANTICIPATED RESULTS IN THE FUTURE, AND ACCORDINGLY, SUCH RESULTS MAY DIFFER MATERIALLY FROM THOSE EXPRESSED IN ANY FORWARD-LOOKING STATEMENTS MADE BY OR ON BEHALF OF BIOMERICA. THE POTENTIAL RISKS AND UNCERTAINTIES INCLUDE, AMONG OTHERS, FLUCTUATIONS IN THE COMPANY'S OPERATING RESULTS. THESE RISKS AND UNCERTAINTIES ALSO INCLUDE THE SUCCESS OF THE COMPANY IN RAISING NEEDED CAPITAL, THE ABILITY OF THE COMPANY TO MAINTAIN REQUIREMENTS TO BE LISTED ON NASDAQ, THE CONTINUAL DEMAND FOR THE COMPANY'S PRODUCTS, COMPETITIVE AND ECONOMIC FACTORS OF THE MARKETPLACE, AVAILABILITY OF RAW MATERIALS, HEALTH CARE REGULATIONS AND THE STATE OF THE ECONOMY. READERS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THESE FORWARD-LOOKING STATEMENTS, WHICH SPEAK ONLY AS OF THE DATE HEREOF, AND THE COMPANY UNDERTAKES NO OBLIGATION TO UPDATE THESE FORWARD-LOOKING STATEMENTS.

BUSINESS

OVERVIEW

THE COMPANY

Biomerica, Inc. ("Biomerica", the "Company", "we" or "our") was incorporated in Delaware in September 1971 as Nuclear Medical Systems, Inc. We changed our corporate name in February 1983 to NMS Pharmaceuticals, Inc., and in November 1987 to Biomerica, Inc. We have three subsidiaries, Lancer Orthodontics, Inc. ("Lancer"), an international manufacturer of orthodontics products, Allergy Immuno Technologies, Inc.("AIT"), which is engaged in providing specialized laboratory testing services and ReadyScript, Inc. ("ReadyScript"), which developed a wireless handheld point of care system for physicians. All subsidiaries are majority-controlled subsidiaries.

In June 1999, we raised $2 million in equity to develop the infrastructure of our e-health business, now incorporated as ReadyScript, Inc. Since that time we used the proceeds for developing an on-line drugstore and ReadyScript's infrastructure (a wireless medication management system that enables physicians to wirelessly transmit legible, pre-qualified formulary- compliant prescription orders directly to the patient's choice of pharmacy).

In August 2000 operations of the online drugstore, the BigRx.com, were shut down due to insignificant revenue and non-performance by the other party of a third party backend processing agreement. The Company adopted a formal plan in April 2001 to discontinue operations of its ReadyScript subsidiary. The sale of some of the ReadySript assets is being discussed with various parties. The subsidiary is being reported in the financial statements as a discontinued operation because it is no longer an operating entity.

OUR MEDICAL DEVICE BUSINESS

Our existing medical device business is conducted through three companies: (1) Biomerica, Inc., engaged in the diagnostic products market; (2) Lancer Orthodontics, Inc., engaged in orthodontic products market; and (3) Allergy Immuno Technologies, Inc., engaged in allergy-related testing services market.

BIOMERICA - DIAGNOSTIC PRODUCTS

Biomerica develops, manufactures, and markets medical diagnostic products designed for the early detection and monitoring of chronic diseases and medical conditions. The Company's medical diagnostic products are sold into three markets: 1) clinical laboratories, 2) physicians offices and 3) over-the-counter (drugstores). Our diagnostic test kits are used to analyze blood or urine from patients in the diagnosis of various diseases and other medical complications, or to measure the level of specific hormones, antibodies, antigens or other substances which may exist in the human body in extremely small concentrations.

Technological advances in medical diagnostics have made it possible to perform diagnostic tests within the home and the physician's office, rather than in the clinical laboratory. One of our main objectives has been to develop and market rapid diagnostic tests that are accurate, employ easily obtained specimens, and are simple to perform without instrumentation. Our over-the-counter and professional rapid diagnostic products help to manage existing medical conditions and may save lives through prompt diagnosis and early detection. Until recently, tests of this kind required the services of medical technologists and sophisticated instrumentation. Frequently, results were not available until at least the following day. We believe that such tests are as accurate as laboratory tests when used properly, require no instrumentation, give reliable results in minutes and can be performed with confidence in the home or the physician's office. The majority of our over-the-counter tests are FDA cleared.

Our clinical laboratory diagnostic products include tests for thyroid conditions, yeast infections, H. pylori, and others. These diagnostic test kits utilize enzyme immunoassay or radioimmunoassay technology. Some of these products have not yet been submitted for clearance by the FDA for diagnostic use, but can be sold in various foreign countries.

LANCER ORTHODONTICS, INC. -- ORTHODONTIC PRODUCTS

Lancer is engaged in developing, manufacturing, and selling orthodontic Products. Its products are sold worldwide through a direct sales force and

distributors.

Lancer's product line includes preformed bands, direct bonding pads, various brackets, buccal tubes, arch wires, lingual attachments and related accessories. The foregoing are assembled to standard prescriptions or the specifications of private label customers. Lancer also markets products which are purchased and resold to orthodontists, including sealants, adhesives, elastomerics, headgear cases, retainer cases, orthodontic wire, and preformed arches.

Most of Lancer's manufacturing and shipping operations are located in Mexicali, Mexico, in order to reduce the cost of manufacturing and compete more effectively worldwide. Lancer maintains its headquarters in San Marcos, California where it houses administration, engineering, sales and marketing, and customer services.

ALLERGY IMMUNO TECHNOLOGIES, INC. -- ALLERGY SERVICES

AIT has been providing clinical testing services to doctors, clinics and drug firms in specialized areas of allergy and immunology. AIT also owns four patents covering several inventions relating to the therapeutic treatment of allergy.

AIT employs one medical technologist and has received assistance in the past from Biomerica whose operations are adjacent to that of AIT.

DISCONTINUED OPERATIONS

The Company's fiscal 2001 and 2000 losses were partially the result of its investment in ReadyScript. The ReadyScript subsidiary was a development-stage enterprise and required the raising of a significant amount of capital to fund its short-term working capital needs. The ReadyScript operations were discontinued in May 2001. The net assets and operating results of ReadyScript are shown separately in the accompanying consolidated financial statements as discontinued operations and are held for sale. Prior periods have been restated to reflect the results of ReadyScript as discontinued.

PRODUCTION

All of our diagnostic test kits are processed and assembled at our facilities in Newport Beach, California. Production of diagnostic tests involve formulating component antibodies and antigens in specified concentrations, attaching a tracer to the antigen, filling components into vials, packaging and labeling. We continually engage in quality control procedures to assure the consistency and quality of our products and to comply with applicable FDA regulations.

All manufacturing production is regulated by the FDA Good Manufacturing Practices for medical devices. We have an internal quality control unit that monitors and evaluates product quality and output. In addition, we employ a qualified external quality assurance consultant who monitors procedures and provides guidance in conforming with the Good Manufacturing Practices regulations. We either produce our own antibodies and antigens or purchase these materials from qualified vendors. We have alternate, approved sources for raw materials procurement and we do not believe that material availability in the foreseeable future will be a problem.

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Lancer currently utilizes a manufacturing subcontractor to provide manufacturing services to Lancer through its affiliated entities located in Mexicali, B.C., Mexico. The current agreement allows for the pass through of actual costs plus a weekly administrative fee. This gives Lancer greater control over all costs associated with the manufacturing operation. During 1999, Lancer extended the Manufacturing Agreement through October 2000. Lancer has retained an option to convert the manufacturing operation to a wholly owned subsidiary at any time without penalty.

Lancer is in the process of converting Mexican assets and obligations to its own division, a Mexican corporation named Lancer Orthodontics de Mexico (Lancer de Mexico). This division will administer services previously provided by an independent manufacturing contractor. A new lease was negotiated effective April 1, 2001, for the 16,000 square foot facility used for Lancer's Mexican operations. Utility and Mexican vendor obligations have been converted to the Lancer de Mexico name. This conversion will eliminate the expense of an administrative fee and is expected to provide better control in meeting obligations.

Should Lancer discontinue operations in Mexico, it is responsible for accumulated employee seniority obligations as prescribed by Mexican law. At May 31, 2001, this obligation was approximately $361,000. Such obligation is contingent in nature and accordingly has not been accrued in Lancer's financial statements.

RESEARCH AND DEVELOPMENT

Biomerica is engaged in research and development to broaden its diagnostic product line in specific areas. Research and development expenses include the costs of materials, supplies, personnel, facilities and equipment. Lancer is engaged in development programs to improve and expand its orthodontic products and production techniques. Lancer consults frequently with practicing orthodontists.

Research and development expenses incurred by Biomerica for the years ended May 31, 2001 and 2000 aggregated approximately $322,000 and $465,000, respectively. These expenses included approximately $72,000 and $184,000 for fiscal 2001 and 2000, respectively, for Lancer's product development.

MARKETS AND METHODS OF DISTRIBUTION

Biomerica has approximately 300 current customers for its diagnostic business, of which approximately 60 are distributors and the balance are hospital and clinical laboratories, medical research institutions, medical schools, pharmaceutical companies, chain drugstores, wholesalers and physicians' offices.

We rely on unaffiliated distributors, advertising in medical and trade journals, exhibitions at trade conventions, direct mailings and an internal sales staff to market our diagnostic products. We target three main markets: (a) clinical laboratories, (b) physicians' offices, and (c) over-the-counter drug stores. Separate marketing plans are utilized in targeting each of the three markets.

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Lancer sells its products directly to orthodontists through company-paid

sales representatives in the United States. At the end of its fiscal year, Lancer had seven sales representatives, all in the United States, all of whom are employees of Lancer.

In selected foreign countries, Lancer sells its products directly to orthodontists through its international marketing division. Lancer also sells its products through distributors in certain foreign countries and to other companies on a private label basis. Lancer has entered into a number of distributor agreements whereby it granted the marketing rights to its products in certain sales territories in Mexico, Central America, South America, Europe, Canada, Australia, and Japan. The distributors complement the international marketing department which was established in 1982 and currently employs three people.

Lancer also markets products which are purchased and resold to orthodontists, including sealants, adhesives, elastomerics, headgear cases, retainer cases, orthodontic wire, and preformed arches.

The loss of any one or a few customers would not have a material adverse effect upon our revenues.

BACKLOG

At May 31, 2001 and 2000 Biomerica had a backlog of $80,000 and $0, respectively and Allergy Immuno Technologies, Inc. had no backlog of product orders. As of May 31, 2001 and 2000, Lancer had a backlog of $167,000 and $146,000, respectively.

RAW MATERIALS

The principal raw materials utilized by us consist of various chemicals, serums, reagents, radioactive isotopes and packaging supplies. Almost all of our raw materials are available from several sources, and we are not dependent upon any single source of supply or a few suppliers.

We maintain inventories of antibodies and antigens as components for our diagnostic test kits. Due to a limited shelf life on some products such as the RIA kits, finished kits are prepared as required for immediate delivery of pending and anticipated orders. Sales orders are normally processed on the day of receipt.

The principal raw materials used by Lancer in the manufacture of its products include: stainless steel, which is available from several commercial sources; nickel titanium, which is available from three sources; and lucolux translucent ceramic, which is currently only available from one source, General Electric, and is purchased on open account. Ceramic material similar to General Electric's lucolux translucent ceramic is available from other sources. Lancer had no difficulty in obtaining an adequate supply of raw materials during its 2001 fiscal year, and does not anticipate that there will be any interruption or cessation of supply in the future.

COMPETITION

Immunodiagnostic products are currently produced by more than 100 companies, a majority of which are located within the United States. Biomerica and its subsidiaries are not a significant factor in the market.

Our competitors vary greatly in size. Many are divisions or subsidiaries of well-established medical and pharmaceutical concerns which are much larger than

Biomerica and expend substantially greater amounts than we do for research and development, manufacturing, advertising and marketing.

The primary competitive factors affecting the sale of diagnostic products are uniqueness, quality of product performance, price, service and marketing. The prices for our products compare favorably with those charged by most of our competitors.

We believe we compete primarily on the basis of our reputation for the quality of our products, the speed of our test results, the unique niches we fill in the market, our patent position, and our prompt shipment of orders. We offer a broader range of products than many competitors of comparable size, but to date have had limited marketing capability. We are working on expanding this capability through strategic cooperations with larger companies and distributors.

Lancer encounters intense competition in the sale of orthodontic products. Lancer's management believes that Lancer's seven major competitors are: Unitek, a subsidiary or division of 3M; "A" Company and Ormco, subsidiaries or divisions of Sybron; RMO Inc., a private company; American Orthodontics, a private company; GAC, a private company; and Dentaurum, a foreign company. Lancer estimates that these seven competitors account for approximately 80% of the orthodontic products manufactured and sold in the United States. Lancer's management also believes that each of these seven competitors is larger than Lancer, has more diversified product lines and has financial resources exceeding those of Lancer. While there is no assurance that Lancer will be successful in meeting the competition of these seven major competitors or other competitors, Lancer has, in the past, successfully competed in the orthodontic market and has achieved recognition of both its name and its products.

With respect to AIT, the independent clinical laboratory industry in the U.S. and in California is highly competitive and fragmented. According to one industry source, there are approximately 4,500 independent clinical laboratories in the U.S. AIT is not a significant factor in the market.

GOVERNMENT REGULATION OF OUR DIAGNOSTIC BUSINESS

As part of our diagnostic business, we sell products that are legally defined to be medical devices. As a result, we are considered to be a medical device manufacturer, and as such are subject to the regulations of numerous governmental entities. These agencies include the Food and Drug Administration (the "FDA"), the United States Drug Enforcement Agency (the "DEA"), Environmental Protection Agency, Federal Trade Commission, Occupational Safety and Health Administration, U.S. Department of Agriculture ("USDA"), and Consumer Product Safety Commission. These activities are also regulated by various agencies of the states and localities in which our products are sold. These regulations govern the introduction of new medical devices, the observance of certain standards with respect to the manufacture and labeling of medical devices, the maintenance of certain records and the reporting of potential product problems and other matters.

The Food, Drug & Cosmetic Act of 1938 (the "FDCA") regulates medical devices in the United States by classifying them into one of three classes based on the extent of regulation believed necessary to ensure safety and effectiveness. Class I devices are those devices for which safety and effectiveness can reasonably be ensured through general controls, such as device listing, adequate labeling, pre-market notification and adherence to the Quality System Regulation ("QSR") as well as Medical Device Reporting (MDR), labeling and other regulatory requirements. Some Class I medical devices are exempt from

the requirement of Pre-Market Approval ("PMA") or clearance. Class II devices are those devices for which safety and effectiveness can reasonably be ensured through the use of special controls, such as performance standards, post-market surveillance and patient registries, as well as adherence to the general controls provisions applicable to Class I devices. Class III devices are devices that generally must receive pre-market approval by the FDA pursuant to a pre-market approval application to ensure their safety and effectiveness. Generally, Class III devices are limited to life-sustaining, life-supporting or implantable devices. However, this classification can also apply to novel technology or new intended uses or applications for existing devices.

If the FDA finds that the device is not substantially equivalent to a predicate device, the device is deemed a Class III device, and a manufacturer or seller is required to file a PMA application. Approval of a PMA application for a new medical device usually requires, among other things, extensive clinical data on the safety and effectiveness of the device. PMA applications may take years to be approved after they are filed. In addition to requiring clearance or approval for new medical devices, FDA rules also require a new 510(k) filing and review period, prior to marketing a changed or modified version of an existing legally marketed device, if such changes or modifications could significantly affect the safety or effectiveness of that device. The FDA prohibits the advertisement or promotion or any approved or cleared device for uses other than those that are stated in the device's approved or cleared application.

Pursuant to FDA requirement, we have registered our manufacturing facility with the FDA as a medical device manufacturer, and listed the medical devices we manufacture. We are also subject to inspection on a routine basis for compliance with FDA regulations. This includes the QSR, which, unless the device is a Class I exempt device, requires that we manufacture our products and maintain our documents in a prescribed manner with respect to issues such as design controls, manufacturing, testing and validation activities. Further, we are required to comply with other FDA requirements with respect to labeling, and the MDR regulation which requires that we provide information to the FDA on deaths or serious injuries alleged to have been associated with the use of our products, as well as product malfunctions that are likely to cause or contribute to death or serious injury if the malfunction were to recur. We believe that we are currently in material compliance with all relevant QSR and MDR requirements.

In addition, our facility is required to have a California Medical Device Manufacturing License. The license is not transferable and must be renewed annually. Approval of the license requires that we be in compliance with QSR, labeling and MDR regulations. Our license expires on March 16, 2002. We are also registered with the Department of Health and Human Services, Public Health Service of the FDA as a Device establishment. This registration expires on February 28, 2002. We also hold two radioactive materials licenses from the State of California (both expiring on June 20, 2002), and two permits from the USDA, one expiring on January 28, 2002 and the other expiring on June 30, 2002. These licenses are renewed periodically, and to date we have never failed to obtain a renewal.

Through compliance with FDA and California regulations, we can market our medical devices throughout the United States. International sales of medical devices are also subject to the regulatory requirements of each country. In Europe, the regulations of the European Union require that a device have a "CE Mark" in order to be sold in EU countries. The directive goes into effect beginning March 2003. The Company has begun the process of complying with the "CE Mark" directives and believes it will be in full compliance by the time the directive becomes effective. At present the regulatory international review process varies from country to country. We, in general, rely upon our

distributors and sales representatives in the foreign countries in which we market our products to ensure that we comply with the regulatory laws of such countries. We believe that our international sales to date have been in compliance with the laws of the foreign countries in which we have made sales. Exports of most medical devices are also subject to certain FDA regulatory controls.

Lancer is licensed to design, manufacture, and sell orthodontic appliances and is subject to the Code of Federal Regulations, Section 21, parts 800-1299. The FDA is the governing body that assesses and issues Lancer's license to assure that it complies with these regulations. Lancer is currently licensed, and its last assessment was in November 1997. Also, Lancer is registered and licensed with the state of California's Department of Health Services.

Effective June 18, 1998, fifteen major European countries are requiring a CE (European Community) certification to sell products within their countries. In order to obtain this CE certification Lancer retained British Standards Institution (BSI) to evaluate Lancer's quality system. Lancer's quality system is imaged under International Standards Organization (ISO) 9002. ISO 9002 is an internationally recognized standard in which companies establish their methods of operation and commitment to quality. There are 20 clauses for which Lancer has developed standard operating procedures in accordance with these ISO 9002 requirements.

EN 46002 is the medical device directive (MDD) for the European Community. Strict standards and clauses within the MDD are required to be implemented to sell within the European Community. In order for Lancer's medical devices to be sold within the European Community with the CE Mark, Lancer must fully comply with the EN 46002 requirements. Lancer has also constructed a technical file that gives all certifications and risk assessments for Lancer's products as a medical device (the "Product Technical Files").

With ISO 9002, EN 46002, and the Product Technical Files, Lancer applied for and was granted certification under ISO 9002, EN 46002, and CE.

AIT currently holds an annually renewed clinical laboratory license with the Department of Health Services, State of California. The current license expires December 31, 2001. AIT also holds a clinical laboratory license from the state of Florida. This current license expires November 11, 2001 and is renewed every two years. AIT holds a CLIA Certificate of Compliance, which is a requirement of the Federal government for clinical laboratories. This certificate expires in February 2002 and is renewed every two years. Although AIT has never failed to obtain renewals, its business operations would be materially and adversely affected if it were unable to do so.

SEASONALITY OF BUSINESS

The business of the Company and its subsidiaries has not been subject to significant seasonal fluctuations.

FOREIGN BUSINESS

All of our fixed assets, excluding some of Lancer, are located within southern California. The following table sets forth the dollar volume of revenue attributable to sales to domestic customers and foreign customers during the last two fiscal years for the Biomerica and its consolidated subsidiaries:

Year Ended May 31,

	2001	2000
U.S. Customers	$4,700,000/52.6%	$4,431,000/55.3%
Asia	221,000/2.5%	349,000/ 4.4%
Europe	2,207,000/24.7%	1,683,000/21.0%
S. America	558,000/6.2%	543,000/ 6.8%
Other foreign	1,254,000/14.0%	1,008,000/12.6%
Total Revenues	$8,940,000/100%	$8,014,000/100%

We recognize that our foreign sales could be subject to some special or unusual risks which are not present in the ordinary course of business in the United States. Changes in economic factors, government regulations and import restrictions all could impact sales within certain foreign countries. Foreign countries have licensing requirements applicable to the sale of diagnostic products which vary substantially from domestic requirements; depending upon the product and the foreign country, these may be more or less restrictive than requirements within the United States. We cannot predict the impact that conversion to the Euro in the European countries may have on Biomerica, if any.

Foreign diagnostic sales are made primarily through a network of over 60 independent distributors in approximately 40 countries.

INTELLECTUAL PROPERTY

We regard the protection of our copyrights, service marks, trademarks and trade secrets as critical to our future success. We rely on a combination of copyright, trademark, service mark and trade secret laws and contractual restrictions to establish and protect our proprietary rights in products and services. We have entered into confidentiality and invention assignment agreements with our employees and contractors, and nondisclosure agreements with most of our vendors, fulfillment partners and strategic partners to limit access to and disclosure of proprietary information. We cannot be certain that these contractual arrangements or the other steps taken by us to protect our intellectual property will prevent misappropriation of our technology. We have

licensed in the past, and expect that we may license in the future, certain of our proprietary rights, such as trademarks or copyrighted material, to third parties. While we attempt to ensure that the quality of our product brands is maintained by such licensees, we cannot be certain that such licensees will not take actions that might hurt the value of our proprietary rights or reputation.

BRANDS, TRADEMARKS, PATENTS

We registered the tradenames "Fortel," "Isletest," "Nimbus" and "GAP" with the Office of Patents and Trademarks on December 31, 1985. Our unregistered tradenames are "EZ-Detect," "CAST," "COT," "EquistiK," "FelistiK," "Tri-Level Controls," "Tru-Level Controls," "T-Marker Controls," "AllerHalt," "Candiquant," "Candigen," "EZ-H.P." and "EZ-PSA."

Allergy Immuno Technologies, Inc. has four patents pertaining to its discoveries for allergy treatment. These are:

1. Immunotherapy agents for treatment of IgE mediated allergies; U.S. Patent #5,116,612, issued May 6, 1992.

2. Liposome containing immunotherapy agents for treatment of IgE medicated

allergies, U.S. Patent #5,049,390, issued September 17, 1991.

3. Immunotherapy agents for treatment of IgE mediated allergies, U.S. Patent #4,946,945, issued August 7, 1990.

4. Allergen-thymic hormone conjugates for treatment of IgE mediated allergies, U.S. Patent #5,275,814, issued January 4, 1994.

On April 4, 1989, Lancer was granted a patent on its CounterForce design of a nickel titanium orthodontic archwire. On August 1, 1989, Lancer was granted a patent on its bracket design used in the manufacturing of Sinterline and Intrigue orthodontic brackets. On September 17, 1996, Lancer was granted a patent on its method of laser annealing marking of orthodontic appliances. On March 4, 1997, Lancer was granted a patent on an orthodontic bracket and method of mounting. All of the patents are for a duration of 17 years. Lancer has entered into license agreements expiring in 2006 whereby, for cash consideration, the counter party has obtained the rights to manufacture and market certain products patented by Lancer. Lancer has also entered into a number of license and/or royalty agreements pursuant to which it has obtained rights to certain of the products which it manufactures and/or markets. The patents and agreements have had a favorable effect on Lancer's image in the orthodontic marketplace and Lancer's sales.

Lancer has made a practice of selling its products under trademarks and of obtaining protection for those trademarks in the United States and certain foreign countries. Lancer considers these trademarks to be of importance in the operation of its business.

The laws of some foreign countries do not protect our proprietary rights to the same extent as do the laws of the U.S. Effective copyright, trademark and trade secret protection may not be available in such jurisdictions. Our efforts to protect our intellectual property rights may not prevent misappropriation of our content.

EMPLOYEES

As of August 14, 2001, the Company and its subsidiaries employed 73 full-time employees and 9 part-time employees. Lancer, through its Mexican subcontractor, utilizes the services of approximately 129 people in Mexico. We also engage the services of various outside Ph.D. and M.D. consultants as well as medical institutions for technical support on a regular basis. We are not a party to any collective bargaining agreement and have never experienced a work stoppage. We consider our employee relations to be good.

ITEM 2. DESCRIPTION OF PROPERTY

During fiscal 1993 we leased approximately 21,000 square feet of space in Newport Beach, California for a term which expired May 31, 1998. Pursuant to the prior lease and the current month-to-month tenancy, we pay an annual base rent, set initially at $143,880 and adjusted annually to reflect cost of living increases, plus all real estate taxes and insurance costs. In fiscal 1999 a portion of the rent was paid through the issuance of shares of our restricted common stock to JSJ Management and another individual. During fiscal 2001 the Company paid a total of $169,440 in rent for approximately 24,500 square feet of space. These facilities were used for diagnostic test kit research and development, manufacturing, marketing, administration, and our ReadyScript operations. The ReadyScript subsidiary still owed $12,500 in back rent as of May

31, 2001.

The facilities are leased from Mrs. Ilse Sultanian and JSJ Management. Ms. Janet Moore, an officer, director and shareholder of our Company, is a partner in JSJ Management.

AIT currently leases approximately 1,600 square feet at the above facility for $1,400 per month. These properties are leased by AIT on a month-to-month basis from Mrs. Sultanian and JSJ Management.

Lancer leases its main facility under a non-cancelable operating lease expiring December 31, 2003, as extended, which requires monthly rentals that increase annually, from $2,900 per month in 1994 to $6,317 per month in 2004. The lease expense is being recognized on a straight-line basis over the term of the lease. The excess of the expense recognized over the cash paid aggregates $11,032 at May 31, 2001, and is included in accrued liabilities in the accompanying balance sheet. Total rental expense for this facility for each of the years ended May 31, 2001 and 2000 was approximately $69,000.

Lancer has entered into a non-cancelable operating lease for its Mexico facility which expires in March 2006 and requires average monthly rentals of approximately $6,000. Total expense for this facility for the years ended May 31, 2001 and 2000, was approximately $74,000.

At May 31, 2001, future aggregate minimum lease payments for Lancer are as follows:

Years ending	
May 31, 2002	$133,543
May 31, 2003	136,397
May 31, 2004	106,511
May 31, 2005	62,292
Thereafter	51,910
Total	$490,653

We believe that our facilities and equipment are in suitable condition and are adequate to satisfy the current requirements of our Company and our subsidiaries.

ITEM 3. LEGAL PROCEEDINGS

Inapplicable.

ITEM 4. SUBMISSION OF MATTERS TO VOTE OF SECURITY HOLDERS

Inapplicable.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Biomerica's common stock is traded on the NASDAQ SmallCap Stock Market under the symbol "BMRA".

The following table shows the high and low bid prices for Biomerica's common stock over the last two years based upon data reported by NASDAQ. Prices shown represent quotations by dealers, and do not reflect markups, markdowns or commissions.

	Bid Prices	
	High	Low
Quarter ended:		
May 31, 2001	$1.25	$0.656
February 28, 2001	$0.969	$0.313
November 30, 2000	$1.75	$0.75
August 31, 2000	$1.875	$1.25
May 31, 2000	$4.375	$1.438
February 29, 2000	$4.563	$2.031
November 30, 1999	$4.25	$2.00
August 31, 1999	$3.75	$1.875

As of August 21, 2001, the number of holders of record of Biomerica's common stock was approximately 1,222, excluding stock held in street name.

No dividends have been declared or paid by Biomerica. We intend to employ all available funds for development of our business and, accordingly, do not intend to pay cash dividends in the foreseeable future.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS

THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 PROVIDES A "SAFE HARBOR" FOR FORWARD-LOOKING STATEMENTS. CERTAIN INFORMATION CONTAINED HEREIN (AS WELL AS INFORMATION INCLUDED IN ORAL STATEMENTS OR OTHER WRITTEN STATEMENTS MADE OR TO BE MADE BY BIOMERICA) CONTAINS STATEMENTS THAT ARE FORWARD-LOOKING, SUCH AS STATEMENTS RELATING TO ANTICIPATED FUTURE REVENUES OF THE COMPANY AND SUCCESS OF CURRENT PRODUCT OFFERINGS. SUCH FORWARD-LOOKING INFORMATION INVOLVES IMPORTANT RISKS AND UNCERTAINTIES THAT COULD SIGNIFICANTLY AFFECT ANTICIPATED RESULTS IN THE FUTURE, AND ACCORDINGLY, SUCH RESULTS MAY DIFFER MATERIALLY FROM THOSE EXPRESSED IN ANY FORWARD-LOOKING STATEMENTS MADE BY OR ON BEHALF OF BIOMERICA. THE POTENTIAL RISKS AND UNCERTAINTIES INCLUDE, AMONG OTHERS, FLUCTUATIONS IN THE COMPANY'S OPERATING RESULTS. THESE RISKS AND UNCERTAINTIES ALSO INCLUDE THE SUCCESS OF THE COMPANY IN RAISING NEEDED CAPITAL, THE ABILITY OF THE COMPANY TO MAINTAIN REQUIREMENTS TO BE LISTED ON NASDAQ, THE CONTINUAL DEMAND FOR THE COMPANY'S PRODUCTS, COMPETITIVE AND ECONOMIC FACTORS OF THE MARKETPLACE, AVAILABILITY OF RAW MATERIALS, HEALTH CARE REGULATIONS AND THE STATE OF THE ECONOMY. READERS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THESE FORWARD-LOOKING STATEMENTS, WHICH SPEAK ONLY AS OF THE DATE HEREOF, AND THE COMPANY UNDERTAKES NO OBLIGATION TO UPDATE THESE FORWARD-LOOKING STATEMENTS.

RESULTS OF OPERATIONS

We currently have three subsidiaries, Lancer Orthodontics, Inc. ("Lancer"), which is engaged in manufacturing, sales and development of orthodontic products, Allergy Immuno Technologies, Inc. ("AIT"), which is engaged in providing specialized testing services to pharmaceutical companies and

physicians and has obtained four patents related to allergy treatment therapies, and ReadyScript, which developed an innovative point-of-care, wireless handheld technology solutions for the healthcare industry. We own approximately 30.78% of the outstanding stock of Lancer and 74.6% of the outstanding stock of AIT. We exercise effective control of 51.19% over Lancer via voting agreements with certain shareholders. ReadyScript is a 88.9% owned subsidiary of Biomerica. As a result of our control and ownership, our financial statements are consolidated with those of Lancer, AIT and ReadyScript. Both Lancer and AIT are public companies. The common stock of Lancer is traded on the bulletin board system under the symbol "LANZ," and the common stock of AIT is traded in the pink sheets under the symbol "ALIM."

In August 2000 operations of the online drugstore, the BigRx.com, were shut down due to insignificant revenue and non-performance by the other party of a third party backend processing agreement. The ReadyScript subsidiary was a development-stage enterprise and required the raising of a significant amount of capital to fund its short-term working capital needs. The ReadyScript operations were discontinued in May 2001. The sale of some of the ReadyScript assets is being discussed with various parties. The subsidiary is being reported in the financial statements as a discontinued operation because it is no longer an operating entity.

Fiscal 2001 Compared to Fiscal 2000

Our consolidated net sales were $8,939,522 for fiscal 2001 compared to $8,013,921 for fiscal 2000. This represents an increase of $925,601, or 11.5% for fiscal 2001. Of the total consolidated net sales for fiscal 2001, $5,927,603 is attributable to Lancer, $100,270 to AIT and $2,911,649 to Biomerica. Lancer's sales increased by $277,091, Biomerica showed a sales increase of $628,216 and AIT had an increase of $20,294. The increase at Lancer was attributable to an increase in European sales. The increase in sales at Biomerica was in large part due to an increase of sales in the over-the-counter market domestically.

Cost of sales in fiscal 2001 as compared to fiscal 2000 increased by $526,248 or 9.4%. Lancer's cost of sales as a percentage of sales decreased from 68.4% to 67.4% in fiscal 2001 as compared to fiscal 2000. The decrease was primarily attributable to product mix. Biomerica had a decrease in cost of goods as a percentage of sales from 72.0% to 70.4% in fiscal 2001 as compared to fiscal 2000 due to a more profitable sales mix offset by a write-down for obsolete inventory and scrap of approximately $150,000. AIT had a decrease in cost of goods as a percentage of sales of 118.0% to 86.7% primarily due to lower material costs.

Selling, general and administrative costs decreased in fiscal 2001 as compared to fiscal 2000 by $712,152 or 18.3%. Lancer had a decrease of $144,652 in these costs due to decreases in labor costs and travel expenses, partially offset by increases in bad debt expense and other expenses. Biomerica had a decrease in fiscal 2001 as compared to fiscal 2000 of $535,427, primarily due to warrant expenses incurred in fiscal 2000. AIT had decreased costs of $32,073 due to higher legal and accounting costs related to new SEC filing requirements in fiscal 2000.

Research and development expense decreased in fiscal 2001 as compared to fiscal 2000 by $142,916 or 30.7%. Of this, Lancer had a decrease of $112,744, as a result of the termination of the dental amalgam development. Biomerica had an increase in research and development expenses of $22,828 primarily due to the expenses related to consulting services. AIT had a decrease of $52,600 as a result of termination of a research project.

Interest expense, which was incurred primarily by Lancer, increased in fiscal 2001 as compared to fiscal 2000 by $1,996 or 10.2% due to borrowings against the line of credit to finance development costs and an increase in the interest rate.

Other income net, decreased by $70,636 or 59.7% in fiscal 2001 as compared to fiscal 2000. A decrease of $225,900 is attributable to Lancer due to income received in the prior fiscal year from an insurance claim for inventory theft. An increase of $152,478 was attributable to Biomerica due to the sale of marketable securities offset by lower interest and dividend income. An increase of $3,722 was attributable to AIT due to income realized from the sale of land this fiscal year.

As of May 31, 2001, Biomerica had net tax operating loss carryforwards of approximately $9,466,000 and investment tax and research and development credits of approximately $45,000, which are available to offset future federal tax liabilities. These carryforwards expire at varying dates from 2001 to 2021. As of May 31, 2001, Biomerica has net operating tax loss carryforwards of approximately $2,127,000 available to offset future state income tax liabilities, which expire through 2011. As of May 31, 2001, Lancer had net

operating loss carryforwards of approximately $2,049,000 and business tax credits of approximately $98,000 available to offset future Federal tax liabilities. The Lancer carryforwards expire through 2021. As of May 31, 2001, AIT had net tax operating loss carryforwards of $1,931,000 and business tax credits of approximately $29,000 to offset future Federal tax liabilities. The carryforwards expire at varying dates through 2021. AIT also had net tax operating loss carryforwards of approximately $580,000 to offset future California taxable income, expiring at varying dates through 2011.

Liquidity and Capital Resources

As of May 31, 2001, we had cash and available for sale securities of $136,299 (see Note 1 of Notes to Consolidated Financial Statements) and current working capital of $2,944,596. Of the current working capital, $2,697,500 is attributable to the Lancer subsidiary, which is restricted from distribution to Biomerica as a result of Lancer's line of credit agreement. The Company's fiscal 2001 losses were substantially the result of its investment in ReadyScript, which has been reported as a discontinued operation. During 2001, cash provided by operations was $108,955. During 2000, the Company used cash flows from operations of $723,997. Cash provided by investing activities was $50,532, partially due to the sale of marketable securities and land. The Company generated cash flow from financing activities of $339,662 during fiscal 2001, primarily due to two private placements and a shareholder loan at Biomerica. This compares to cash provided by financing activities of $1,889,295 in 2000 primarily a result of the sale of common stock net of offering proceeds.

The Company has suffered substantial recurring losses from operations over the last couple of years. The Company has funded its operations through debt and equity financings and may have to do so in the future.

ReadyScript was discontinued in May 2001. ReadyScript was a primary contributor to the Company's losses. The Company also plans to reduce operating costs through certain cost reduction efforts and concentrate on its core business in Lancer and Biomerica to increase sales. There can be no assurances that the Company will be able to become profitable, generate positive cash flow from operations or sustain the necessary equity or debt financing to fund operations in the future.

At May 31, 2001, Lancer had a $300,000 line of credit with a bank. Borrowings are made at prime plus 1.25% (8.25% at May 31, 2001) and are limited to specified percentages of eligible accounts receivable. The unused portion available to Lancer under the line of credit at May 31, 2001 was $160,000. The line of credit expired on September 10, 2001. As of May 31, 2001, there was $140,000 outstanding under the line of credit.

The line of credit is collateralized by substantially all the assets of Lancer, including inventories, receivables, and equipment. The lending agreement for the line of credit requires, among other things, that Lancer maintain a tangible net worth ratio of no more than 1 to 1, and a current ratio in excess of 2 to 1, and prohibits the advancing of funds to Biomerica. Lancer is not required to maintain compensating balances in connection with this lending agreement. Lancer was in violation of certain of its debt covenants at May 31, 2001. Lancer is currently in discussions with a new lender to replace its existing line of credit. Management believes it will be successful in such discussions, however, there can be no assurance of this success nor that management would be successful in finding a replacement lender with acceptable terms.

Biomerica, Inc. entered into an agreement, in substance, for a line of credit on September 12, 2000 with a shareholder whereby the shareholder will loan to the Company, as needed, up to $500,000 for working capital needs. The line of credit bears interest at 8%, is secured by Biomerica accounts receivable and inventory and was due to expire September 12, 2001. On September 12, 2001 the line of credit was extended until September 13, 2002 at an interest rate of 8% and is secured by accounts receivable and inventory. The unused portion available under the line of credit at May 31, 2001, was approximately $405,000. During June and July 2001 the Company borrowed an additional $130,000 on the line of credit; therefore, the unused portion of the line of credit as of September 10, 2001, is $275,000.

The Company has been notified by Nasdaq that it has failed to maintain the listing requirement that its minimum bid price be $1.00 or more and that it must regain compliance by October 4, 2001, or it will be subject to delisting. The Company will be subject to that and other continuing requirements to be listed on the Nasdaq SmallCap Market. There can be no assurance that the Company can continue to meet such requirements. The price and liquidity of the Common Stock may be materially adversely affected if the Company is unable to meet such requirements in the future.

Recent Accounting Pronouncements:

In June 1998, the Financial Accounting Standards Board issued Statement of Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement establishes accounting and reporting standards for derivative instruments and requires recognition of all derivatives as assets or liabilities in the statement of financial position and measurement of those instruments at fair value. SFAS No. 133, as amended by SFAS No. 137, is effective for all fiscal quarters of fiscal years beginning after June 15, 2000. The Company currently does not engage in derivative or hedging activities, and accordingly, believes that there will be no impact to its consolidated financial statements upon implementation in the Company's fiscal year 2002.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101, Revenue Recognition in Financial Statements ("SAB 101"). SAB 101 summarizes certain areas of the Staff's views in applying accounting principles generally accepted in the United States of America to

revenue recognition in financial statements. The Company believes that its current revenue recognition policies comply with SAB 101.

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 141 ("SFAS 141"), "Business Combinations", which eliminates the pooling method of accounting for business combinations initiated after June 30, 2001. In addition, SFAS 141 addresses the accounting for intangible assets and goodwill acquired in a business combination. This portion of SFAS 141 is effective for business combinations completed after June 30, 2001. The Company does not expect SFAS 141 will have a material impact on the Company's financial position or results of operations.

In July 2001, the FASB issued Statement of Financial Accounting Standards No. 142 ("SFAS 142"), "Goodwill and Intangible Assets", which revises the accounting for purchased goodwill and intangible assets. Under SFAS 142, goodwill and intangible assets with indefinite lives will no longer be amortized and will be tested for impairment annually. SFAS 142 is effective for fiscal years beginning after December 15, 2001, with earlier adoption permitted. The Company has not yet determined the impact on the Company's financial position or results of operations as a result of the future adoption of SFAS 142.

ITEM 7. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Exhibit 99.1, "Biomerica, Inc. and Subsidiaries Consolidated Financial Statements" is incorporated herein by this reference.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Inapplicable.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS OF THE REGISTRANT; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE

This information is incorporated by reference to the Company's proxy statement for its 2001 Annual Meeting of Stockholders which will be filed not later than 120 days after the end of the Company's fiscal year ended May 31, 2001.

ITEM 10. EXECUTIVE COMPENSATION

This information is incorporated by reference to the Company's proxy statement for its 2001 Annual Meeting of Stockholders which will be filed not later than 120 days after the end of the Company's fiscal year ended May 31, 2001.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

This information is incorporated by reference to the Company's proxy statement for its 2001 Annual Meeting of Stockholders which will be filed not

later than 120 days after the end of the Company's fiscal year ended May 31, 2001.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

This information is incorporated by reference to the Company's proxy statement for its 2001 Annual Meeting of Stockholders which will be filed not later than 120 days after the end of the Company's fiscal year ended May 31, 2001.

ITEM 13. EXHIBITS LIST AND REPORTS ON FORM 8-K

(a) EXHIBITS

EXHIBIT NO.	DESCRIPTION
3.1	Certificate of Incorporation of Registrant filed with the Secretary of the State of Delaware on September 22, 1971 (incorporated by reference to Exhibit 3.1 filed with Amendment No. 1 to Registration Statement on Form S-1, Commission File No. 2-83308).
3.2	Certificate of Amendment to Certificate of Incorporation of Registrant filed with the Secretary of the State of Delaware on February 6, 1978 (incorporated by reference to Exhibit 3.1 filed with Amendment No. 1 to Registration Statement on Form S-1, Commission File No. 2-83308).
3.3	Certificate of Amendment to Certificate of Incorporation of Registrant filed with the Secretary of the State of Delaware on February 4, 1983 (incorporated by reference to Exhibit 3.1 filed with Amendment No. 1 to Registration Statement on Form S-1, Commission File No. 2-83308).
3.4	Certificate of Amendment to Certificate of Incorporation of Registrant filed with the Secretary of the State of Delaware on January 19, 1987 (incorporated by reference to Exhibit 3.4 filed with Form 8 Amendment No. 1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 1987).
3.5	Certificate of Amendment of Certificate of Incorporation of Registrant filed with the Secretary of the State of Delaware on November 4, 1987 (incorporated by reference to Exhibit 3.1 filed with Amendment No. 1 to Registration Statement on Form S-1, Commission File No. 2-83308).
3.6	Bylaws of the Registrant (incorporated by reference to Exhibit 3.2 filed with Amendment No. 1 to Registration Statement on Form S-1, Commission File No. 2-83308).
3.7	Certificate of Amendment of Certificate of Incorporation of Registrant filed with the Secretary of the State of Delaware on December 20, 1994 (incorporated by reference to Exhibit 3.7 filed with Registrant's Annual Report on Form 10-KSB for the fiscal year ended May 31, 1995).

3.8	First Amended and Restated Certificate of Incorporation Of Biomerica, Inc. filed with the Secretary of State of Delaware on August 1, 2000 (incorporated by reference to Exhibit 3.8 filed with the Registrant's Annual Report on Form 10-KSB for the fiscal year ended May 31, 2000).
4.1	Specimen Stock Certificate of Common Stock of Registrant (incorporated by reference to Exhibit 4.1 filed with Registrant's Registration Statement on Form SB-2, Commission No. 333-87231 filed on September 16, 1999).

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10.2	Lancer purchase agreement and warrants (incorporated by reference to Exhibit 10.10 filed with Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 1989).
10.3	1999 Stock Incentive Plan of Registrant (incorporated by reference to Exhibit 10.1 to Registration Statement on Form S-8 filed with the Securities and Exchange Commission on March 29, 2000).
10.4	1995 Stock Option and Common Stock Plan of Registrant (incorporated by reference to Exhibit 4.3 to Registration Statement on Form S-8 filed with the Securities and Exchange Commission on January 20, 1996).
10.5	1991 Stock Option and Restricted Stock Plan of Registrant (incorporated by reference to Exhibit 4.1 to Registration Statement on Form S-8 filed with the Securities and Exchange Commission on April 6, 1992).
10.6	Stock Purchase Agreement by and between Biomerica, Inc., RidgeRose Capital Partners, LLC and Zackary Irani and Janet Moore dated June 11, 1999 (incorporated by reference to Exhibit 10.10 filed with Form 8-K on July 7, 1999).
10.7	Stock Purchase Agreement by and between Biomerica, Inc. and Zackary Irani and Janet Moore dated June 11, 1999 (incorporated by reference to Exhibit 10.11 filed with Form 8-K on July 7, 1999).
10.8	Back-end Processing Agreement by and between TheBigStore.com, Inc. and Biomerica, Inc. and dated June 11, 1999 (incorporated by reference to Exhibit 10.12 filed with Form 8-K on July 7, 1999).
10.9	Common Stock Purchase Warrant granted to TheBigStore.com, Inc. dated June 11, 1999 (incorporated by reference to Exhibit 10.13 filed with Form 8-K on July 7, 1999).
10.10	Common Stock Purchase Warrant granted to RJM Consulting, LLC dated June 11, 1999 (incorporated by reference to Exhibit 10.14 filed with Form 8-K on July 7, 1999).
10.11	Non-Qualified Option Agreement by and between Zackary Irani and the Company dated June 10, 1999 (incorporated by reference to Exhibit 10.15 filed with Form 8-K on July 7, 1999).
10.12	Non-Qualified Option Agreement by and between Janet Moore and

the Company dated June 10, 1999 (incorporated by reference to Exhibit 10.16 filed with Form 8-K on July 7, 1999).

10.13 Non-Qualified Option Agreement by and between Philip Kaplan, M.D. and the Company dated June 10, 1999 (incorporated by reference to Exhibit 10.17 filed with Form 8-K on July 7, 1999).

10.14 Non-Qualified Option Agreement by and between Robert A. Orlando, M.D., Ph.D. and the Company dated June 10, 1999 (incorporated by reference to Exhibit 10.18 filed Form 8-K on July 7, 1999).

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10.15 Strategic Marketing Agreement entered into as of the 2nd day of September, 1999 by and between TheBigHub.com, Inc., a Florida corporation and Biomerica, Inc. (incorporated by reference to Exhibit 10.16 filed with Registrant's Registration Statement on Form SB-2, Commission No. 333-87231 filed on September 16, 1999).

10.16 First Amendment to Back-End Processing Agreement entered into as of September 2, 1999 whereby TheBigStore.com, Inc., a Delaware corporation and Biomerica amend the Back-End Agreement dated June 11, 1999 (incorporated by reference to Exhibit 10.17 filed with Registrant's Registration Statement on Form SB-2, Commission No. 333-87231 filed on September 16, 1999).

10.17 Private Placement Memorandum of Biomerica, Inc. dated June 9, 1999 offering 400,000 shares of its Common Stock at $5.00 per share (incorporated by reference to Exhibit 10.18 filed with Registrant's Registration Statement on Form SB-2, Commission No. 333-87231 filed on September 16, 1999).

10.18 Employment Agreement entered into as of August 30, 1999 by and between the Internet division of Biomerica, Inc. and Steven J. Goto (incorporated by reference to Exhibit 10.19 filed with Registrant's Registration Statement on Form SB-2, Commission No. 333-87231 filed on September 16, 1999).

10.19 Employment Offer Letter dated August 12, 1999 from Biomerica, Inc. to Pete McKinley to join the Internet division of Biomerica, Inc. (incorporated by reference to Exhibit 10.20 filed with Registrant's Registration Statement on Form SB-2, Commission No. 333-87231 filed on September 16, 1999).

10.20 Employment Offer Letter dated August 12, 1999 from Biomerica, Inc. to Richard Jay, Pharm.D. to join the Internet division of Biomerica, Inc. (incorporated by reference to Exhibit 10.21 filed with Registrant's Registration Statement on Form SB-2, Commission No. 333-87231 filed on September 16, 1999).

10.21 Amendment to Lease Extension/Lease Term effective January 1, 1999, whereby Lancer Orthodontics, Inc. and L&T Corporation, a California corporation entered into an amendment and extension to the terms of that certain lease agreement dated November 4, 1993 for the premises located at 253 Pawnee Street, Suite A,

San Marcos, California 92069 (incorporated by reference to Exhibit 10.22 filed with Registrant's Registration Statement on Form SB-2, Commission No. 333-87231 filed on September 16, 1999).

10.22 Sublease Agreement entered into by and between Eagleson de California S.A. de C.V. and Lancer Orthodontics, Inc. commencing on November 1, 1998 covering approximately 16,000 square feet located in the Industrial Park at Ave. Saturno No. 20 and of certain improvements constructed on the land as detailed in that certain sublease between the parties dated April 1, 1996 (incorporated by reference to Exhibit 10.23 filed with Registrant's Registration Statement on Form SB-2, Commission No. 333-87231 filed on September 16, 1999).

10.23 Fifth Revision to Manufacturing Shelter Agreement effective November 1, 1998, whereby Lancer Orthodontics, Inc. and Eagleson Industries, Inc. revised and amended that certain Manufacturing Shelter Agreement entered into on May 11, 1990, revised on June 20, 1991, December 2, 1992, July 1, 1994 and April 1, 1996 (incorporated by reference to Exhibit 10.24 filed with Registrant's Registration Statement on Form SB-2, Commission No. 333-87231 filed on September 16, 1999).

10.24 Technical Skills Consulting Agreement entered into on January 1, 1999 by and between Lancer Orthodontics, Inc. and Alejandro Carnero, a non-resident alien, independent contractor and citizen of the Republic of Mexico (incorporated by reference to Exhibit 10.25 filed with Registrant's Registration Statement on Form SB-2, Commission No. 333-87231 filed on September 16, 1999).

10.25 Product Development and Marketing Agreement entered into as of August 3, 1998 by and between Lancer Orthodontics, Inc. and AG Metals, Inc., a Nevada corporation (incorporated by reference to Exhibit 10.26 filed with Registrant's Registration Statement on Form SB-2, Commission No. 333-87231 filed on September 16, 1999).

10.26 Agreement between Lancer Orthodontics, Inc. and Gary Weikel, an individual, incorporating by reference that certain Product Development and Marketing Agreement of even date between Lancer Orthodontics, Inc. and AG Metals, Inc. (incorporated by reference to Exhibit 10.27 filed with Registrant's Registration Statement on Form SB-2, Commission No. 333-87231 filed on September 16, 1999).

16.1 Letter on Change of Certifying Accountant (incorporated by reference to Exhibit A to Form 8-K filed with the Securities and Exchange Commission on May 24, 1993).

16.2 Letter on change of certifying accountant (incorporated by reference to Exhibit A to Form 10-QSB/A filed with the Securities and Exchange Commission on April 14, 1999).

21.1 Subsidiaries of Registrant (incorporated by reference to Exhibit 21.1 to Form 10-KSB filed with the Securities and Exchange Commission on September 14, 1999).

27.1 Financial Data Schedule.

99.1 Biomerica, Inc. and Subsidiaries Consolidated Financial Statements For The Years Ended May 31, 2001 and 2000 and Independent Auditors' Report.

(b) Reports on Form 8-K

Biomerica filed a report on Form 8-K with the Securities and Exchange Commission on July 7, 1999.

SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BIOMERICA, INC.
Registrant

By /s/ Zackary S. Irani
Zackary S. Irani, Chief Executive Officer

Dated: 9/12/01

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Signature and Capacity

/s/ Zackary S. Irani Date: 9/12/01
Zackary S. Irani
President, Director, Chief Executive Officer

/s/ Janet Moore Date: 9/12/01
Janet Moore, Secretary
Director, Chief Financial Officer

/s/ Robert Orlando Date: 9/12/01
Robert Orlando, M.D., Ph.D.
Director

/s/ Carlos St. Aubyn Beharie Date: 9/12/01

Carlos St. Aubyn Beharie
Director

/s/ David Burrows Date: 9/12/01

David Burrows
Director

/s/ Francis R. Cano

Francis R. Cano
Director

Date: 9/12/01

/s/ Allen Barbieri Date: 9/12/01

Allen Barbieri
Director