

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10KSB

Annual and transition reports of small business issuers [Section 13 or 15(d), not S-B Item 405]

Filing Date: **1996-09-30** | Period of Report: **1996-06-30**  
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### FILER

#### **MEDICAL TECHNOLOGY & INNOVATIONS INC /FL/**

CIK: **847464** | IRS No.: **650278549** | State of Incorporation: **FL** | Fiscal Year End: **0630**  
Type: **10KSB** | Act: **34** | File No.: **333-01950** | Film No.: **96637283**  
SIC: **7900** Amusement & recreation services

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U.S. SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10-KSB

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES  
EXCHANGE ACT OF 1934 (Fee Required)

For the fiscal year ended JUNE 30, 1996

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934 (No Fee Required)

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

COMMISSION FILE NUMBER: 33-27610-A

MEDICAL TECHNOLOGY & INNOVATIONS, INC.  
(Name of small business issuer in its charter)

FLORIDA 59-2954561  
(State or other jurisdiction of (I.R.S. Employer Identification No.)  
incorporation or organization)

3125 NOLT ROAD, LANCASTER, PA 17601  
(Address of principal executive offices) (Zip Code)

(717) 892-6770  
(Issuer's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

COMMON STOCK, NO PAR VALUE  
(Title of each class)

Securities registered pursuant to Section 12(g) of the Act:

NONE  
(Title of Class)

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

Check if there is no disclosure of delinquent filers pursuant to Item 405  
of Regulation S-B is not contained in this form, and no disclosure will be  
contained, to the best of registrant'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.

The issuer's revenues for its most recent fiscal year were \$696,185.

The aggregate market value of the voting stock held by non-affiliates  
computed by reference to the price at which the stock was sold or the average  
bid and asked prices of such stock as of August 30, 1996 was approximately \$24.7  
million.

As of June 30, 1996 11,969,779 shares of Common Stock, no par value, of the  
registrant were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the registrant's definitive proxy statement to be filed with  
the Securities and Exchange Commission on or before October 28, 1996 are  
incorporated by reference in Part III of this Form 10-KSB.

PART I.

ITEM 1. DESCRIPTION OF BUSINESS

## GENERAL

Medical Technology & Innovations, Inc., f/k/a SouthStar Productions, Inc. (the "Company") was incorporated in the state of Florida in January 1989. The Company operates through its wholly-owned subsidiary, Medical Technology, Inc. ("MTI"). MTI was incorporated in the state of Iowa in April 1993.

The Company acquired control of MTI in October of 1995 under the terms of a Share Exchange Plan ("the Plan") with SouthStar Productions, Inc. ("SouthStar"). For information regarding the terms of the Plan thereto, refer to the "business combination" note to the consolidated financial statements on Page 15 of this Form 10-KSB.

The Company manufactures and distributes the MTI Photoscreener(TM), which is a specialized Polaroid-type instant film camera designed to detect conditions that lead to amblyopia ("lazy eye") and other eye disorders.

### THE MTI PHOTOSCREENER(TM)

The MTI Photoscreener(TM) is designed to take a photograph of a child's eye and detect factors which can lead to amblyopia (lazy eye), including strabismus (misalignment of the eye), cataracts (cloudy lenses), and asymmetric or other abnormal refractive errors, including myopia (nearsightedness), hyperopia (farsightedness), and astigmatism.

The MTI Photoscreener(TM) consists of a single flash placed close to the center of the lens of the subject's eye to accentuate the "red eye" appearance of a subject for diagnostic purposes. By placing the flash close to the lens aperture, abnormal refractive errors of the eye are imaged as white crescents in the red eye reflex, a process scientifically known as "photo refraction".

The MTI Photoscreener(TM) consists of approximately 40 components, plus screws and fasteners. Major components include molded plastic parts, optic lenses, printed circuit boards, an instant film back, a strobe flash, optic mirrors, a battery pack, a power supply, and a battery charger.

### MARKETING AND DISTRIBUTION

The Company markets the MTI Photoscreener(TM) domestically and internationally through a combination of direct sales representatives and independent distributors. The Company markets the MTI Photoscreener(TM) to pediatricians, public health and education departments, preschools, day care centers, family and general physicians, eye doctors, hospitals, volunteer organizations, managed care and health maintenance organizations, and national eye care chains. The MTI Photoscreener(TM) is relatively inexpensive with a list price of approximately \$3,000. Discounts to independent distributors range from 25% to 40% of the sales generated therefrom.

### COMPETITION

The vision screening business has attracted several companies, both domestic and foreign. Although other vision screening devices currently exist and are on the market, the Company believes the MTI Photoscreener(TM) has competitive advantages over all other such devices. These advantages include instant film capability, relatively low cost, portability, ease of interpretation and use.

Although the Company believes its product has advantages over competing products, no assurances can be made that current competitors or new entrants into the market will not develop more competitive products. Such potential competitors, would most likely have considerably more financial resources than the Company.

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### PATENTS AND TRADEMARKS

In 1993, the Company obtained rights to U.S. Patent No. 4,989,968 for a photoscreening camera system, which is now known as the MTI Photoscreener(TM). The above patent was initially granted to Dr. Howard Freedman and subsequently assigned to the Company.

The Company has filed patent applications in Canada, Europe, and Japan. The Company has filed a U.S. trademark application for the mark "MTI Photoscreener(TM)," which was published in THE OFFICIAL GAZETTE on July 9, 1996.

### GOVERNMENT REGULATION

Certain aspects of the Company's business, principally the manufacture and sale of the MTI Photoscreener(TM) are subject to regulation by the U.S. Food and Drug Administration (FDA) as a medical device. The Company has received a 510(k)

clearance to market the MTI Photoscreener(TM). The Company believes that it has completed all necessary governmental processes to market the MTI Photoscreener(TM). However, if the FDA should determine the Company has not complied with its regulations, the FDA has the authority to order the Company to cease production of its products and recall products already sold.

EMPLOYEES

As of June 30, 1996, the Company employed 17 full-time employees. This compares with the with the employment of 11 full-time employees at June 30, 1995. None of the Company's employees are represented by a labor union, and the Company considers its employee relations to be good.

ITEM 2. DESCRIPTION OF PROPERTIES

The Company's principal executive and administrative offices are located in Lancaster, Pennsylvania. The Lancaster, Pennsylvania facility is owned by the Company, and its acquisition was financed with approximately a \$230,000 mortgage. The Company's principal manufacturing operations were conducted in Cedar Falls, Iowa. In August of 1996, the Company moved its manufacturing facility to Waterloo, Iowa. The Company believes that its properties are well-maintained, and its manufacturing equipment is in good operating condition and sufficient for current production.

ITEM 3. LEGAL PROCEEDINGS

As of June 30, 1996, MTI was a party to the following pending legal proceedings:

1. BLACK HAWK COUNTY ECONOMIC DEVELOPMENT COMMITTEE, INC. V. MEDICAL TECHNOLOGY, INC., filed May 17, 1996 in the Iowa District Court in and for Black Hawk County.
2. IOWA DEPARTMENT OF ECONOMIC DEVELOPMENT V. MEDICAL TECHNOLOGY, INC. AND JEREMY FEAKINS, filed June 17, 1996 in the Iowa District Court in and for Polk County.

Both petitions allege MTI is in default of certain loan obligations and the unpaid balances thereon, together with accrued interest and costs are due and payable immediately. To avoid protracted litigation on the above matters, the Company settled both of the above proceedings in July 1996 by repaying the principal balance of the above loans without interest.

MTI and the Company are also parties to other pending legal proceedings in the ordinary course of their business. The Company does not expect these legal proceedings to have a material adverse effect on the Company's financial condition.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The following items were considered and acted upon at the Company's 1996 annual meeting of stockholders which was held April 26, 1996:

1. The following directors were elected, along with their respective votes received:

| DIRECTOR         | TERM   | VOTES FOR | VOTES AGAINST |
|------------------|--------|-----------|---------------|
| -----            | ----   | -----     | -----         |
| John Behrmann    | 1 yr.  | 7,345,864 | 0             |
| Matthew Crimmins | 1 yr.  | 7,345,864 | 0             |
| Tom Penaluna     | 2 yrs. | 7,345,864 | 0             |
| William Scott    | 2 yrs. | 7,345,864 | 0             |
| Jeremy Feakins   | 3 yrs. | 7,345,864 | 0             |
| Steven Gill      | 3 yrs. | 7,345,864 | 0             |
| George Hartman   | 3 yrs. | 7,345,864 | 0             |

2. The Share Exchange Plan between Medical Technology, Inc. (MTI) and SouthStar Productions, Inc. (SouthStar), a \$1.0 million private placement, settlement of and restructuring of various debt obligations of MTI, filing of all S-8 Registration Statements, employment contracts with the officers of the corporation, which include a maximum of 2.0 million stock options at \$1.50 per share, exercisable over three (3) years, and provide for severance allowances upon a change in control of the corporation, and relocation of the corporate offices to Lancaster, Pennsylvania were ratified by a vote of 7,345,864 in favor, and no votes against.
3. Simon Lever & Company was ratified as the independent certified public accountants by a vote of 7,345,864 in favor, and no votes against.

4. The Medical Technology & Innovations 1996 stock option plan, which allows the Board of Directors to grant up to 3.0 million options, was approved by a vote of 7,266,859 in favor, with no votes against, and 79,005 abstentions.
5. Restated articles of incorporation providing for an increase in the amount of authorized stock, eliminating or limiting the personal liability of directors to the corporation for monetary damages for breach of fiduciary duty as a director to the extent permitted by Florida law, and authorizing the corporation to indemnify the officers, directors, employees, and agents of the Company against any contingency or peril as may be determined to be in the best interest of the Company and in conjunction therewith, to procure, at the Company's expense, policies of insurance was approved by a vote of 7,345,864 votes in favor, and no votes against.
6. A change of the Company's fiscal year from January 31 to June 30 was approved by a vote of 7,345,864 in favor, and no votes against.
7. The Company was authorized to, at its option, with respect to the issuance of fractional shares to (1) pay cash equal to the established fair market value of the undivided interest or to issue script of the Company thereto, was approved by a vote of 7,266,859 in favor, with no votes against, and 79,005 abstentions.
8. The Company was authorized to issue 100,000 shares of \$100 par value preferred stock with such designation, preferences, rights, qualifications, limitations, or restrictions as shall be provided in a resolution adopted by the Board of Directors was approved by a vote of 7,345,864 in favor, and no votes against.

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## PART II.

### ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's common stock is listed on the Over the Counter Electronic Bulletin Board under the symbol "MTEN." Prior to October 1995, the Company's common stock was neither listed nor traded on any market. The following table sets forth the range of the high and low bid prices for the common stock during the periods indicated, and represents interdealer prices, which do not include retail mark-ups and mark-downs, or any commission to the broker-dealer, and may not necessarily represent actual transactions.

| QUARTER ENDING    | HIGH  | LOW   |
|-------------------|-------|-------|
| -----             | ----  | ---   |
| December 31, 1995 | 3.375 | 1.125 |
| March 31, 1996    | 3.125 | 1.688 |
| June 30, 1996     | 4.000 | 2.625 |

As of June 30, 1996, there were approximately 640 recordholders of common stock. Such amounts do not include common stock held in "nominee" or "street" name.

The Company has not paid cash dividends on its common stock since its inception. At the present time, the Company's anticipated working capital requirements are such that it intends to follow a policy of retaining any earnings in order to finance the development of its business.

### ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

This analysis should be read in conjunction with the consolidated financial statements and notes thereto. See "Items 7 and 13 financial statements, and exhibits and reports on Form 8-K."

#### RESULTS OF OPERATIONS

##### FISCAL YEAR ENDED JUNE 30, 1996 AS COMPARED TO 1995.

Revenue for fiscal year 1996 decreased by 19.5% or approximately \$169,000 primarily as a result of decreased product sales of the MTI Photoscreener(TM), which decreased from 541 units in 1995 to 412 units in 1996. The decrease in unit sales was attributable to (1) the move of the Company's headquarters from Iowa to Pennsylvania, (2) management's efforts concurrently to raise approximately \$1.0 million in a private placement to fund its marketing and distribution efforts, and (3) a shortage of funds to support a credible sales and marketing effort.

Gross profits declined from 33.5% of revenues in 1995 to 23.1% of revenues in 1996. This was primarily attributable to higher overhead costs per unit due to the decrease in unit sales as material costs remained fairly constant from year

to year.

Operating expenses increased from \$983,000 to \$1,678,000. The increase in operating expenses was attributable to (1) increased marketing and advertising efforts, (2) an increase in employees, (3) an increase in interest expense, and (4) an increase in general and administrative expense.

After completing the \$1.0 million private placement, the Company continued in its plans on expanding its marketing efforts to increase the sales and awareness of its primary product, the MTI Photoscreener(TM). This was accomplished primarily through retaining a public relations firm and direct mailings.

The increase in employees between June 30, 1995 and 1996 was predominately attributable to the expansion of MTI's sales force. The Company's plans to expand its sales force to a total of ten regional sales managers, who will be strategically located and assigned specific territories that will cover the continental U.S.

Interest expense increased from approximately \$64,000 to approximately \$111,000. The majority of this increase was due to interest expense attributable to \$275,000 12% subordinated convertible notes issued in May of 1995.

General and administrative expenses increased from \$477,000 to \$695,000. The increase was attributable to several reasons, including increased publication expenses, expenses of the Company's reverse merger and Regulation D offering, increased travel expenses, and the establishment of an investor public relations program.

In May of 1996, the Company entered into a purchase agreement to acquire the assets of Steridyne Corporation (Steridyne), a Florida corporation, which is a manufacturer of a variety of clinical and retail medical products, including thermometer sheaths and probe covers, digital and glass thermometers, and gel anti-decubitus products. Steridyne's revenues for its most recent fiscal year ending September 30, 1995 were approximately \$3.3 million (unaudited). Steridyne, prior to the acquisition, had one sales manager. The Company intends to utilize its ten regional sales managers to distribute Steridyne's products.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 1996, the Company had cash of \$273,942 as compared to \$65,833 at June 30, 1995. At June 30, 1996, the ratio of current assets to current liabilities was 0.95 to 1.0 as compared to 0.41 to 1.0 at June 30, 1995. The increase was primarily the result of a 1.0 million private placement in December 1995 and January 1996 and the exercise of stock options by a financial public relations consultant. These funds have been and will be used primarily for increased marketing efforts, expansion of the Company's sales force and repayment of certain debts.

In the fourth quarter of 1996, the Company settled a dispute with a significant shareholder and creditor. The settlement agreement consisted of returning the above shareholder's original investment of \$250,000 in return for 1,316,750 shares of stock and repaying the funds originally loaned to the Company under the terms of the Convertible Venture Agreement.

The Company's primary capital commitment at June 30, 1996, consists of its purchase obligation of Steridyne. The terms of the asset purchase agreement with Steridyne require the Company to pay the former Steridyne shareholders approximately \$3.5 million in cash and the assumption of \$1.3 million of liabilities subject to a financing contingency.

For the last few years, the Company has financed its operations primarily through private sales of securities and revenues from the sale of its products. Since June 1993, the Company has received net proceeds of approximately \$3.0 million from private sale of equity securities. The Company may raise additional capital through private and/or public sales of securities in the future.

ITEM 7. FINANCIAL STATEMENTS

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|--|------|
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Medical Technology & Innovations, Inc.  
Lancaster, Pennsylvania

We have audited the accompanying consolidated balance sheets of Medical Technology & Innovations, Inc. and subsidiary as of June 30, 1996 and 1995, and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Medical Technology & Innovations, Inc. and subsidiary as of June 30, 1996 and 1995, and consolidated results of their operations and their consolidated cash flows for the years then ended in conformity with generally accepted accounting principles.

/s/ SIMON LEVER & COMPANY

Lancaster, Pennsylvania  
September 11, 1996

<TABLE>  
<CAPTION>

MEDICAL TECHNOLOGY & INNOVATIONS, INC.  
CONSOLIDATED BALANCE SHEETS  
JUNE 30

| ASSETS  | 1996       | 1995      |
|---|------------|-----------|
|   | -----      | -----     |
| <S>   | <C>        | <C>       |
| Current Assets:   | \$ 273,942 | \$ 65,833 |
| Cash  |            |           |
| Accounts Receivable, less allowances of \$30,000<br>and \$9,500, respectively | 330,439    | 116,029   |
| Inventory   | 148,010    | 99,374    |
| Prepaid Expenses  | 164,466    | 8,035     |
|   | -----      | -----     |
| Total Current Assets  | 916,857    | 289,271   |
| Fixed Assets:   |            |           |
| Property & Equipment  | 483,907    | 205,896   |

|                                |              |            |
|--------------------------------|--------------|------------|
| Less: Accumulated Depreciation | (141,494)    | (81,125)   |
|                                | -----        | -----      |
| Fixed Assets, net              | 342,413      | 124,771    |
| Other Assets:                  |              |            |
| Intangible and Other Assets    | 7,970        | 4,961      |
|                                | -----        | -----      |
| Other Assets, net              | 7,970        | 4,961      |
| Total Assets                   | \$ 1,267,240 | \$ 419,003 |
|                                | =====        | =====      |

LIABILITIES AND STOCKHOLDERS' EQUITY

|  |              |             |
|--|--------------|-------------|
| Current Liabilities:   |              |             |
| Accounts Payable   | 188,979      | \$ 186,876  |
| Accrued Liabilities  | 98,625       | 145,806     |
| Current Maturities of Long-term Debt   | 680,000      | 365,800     |
|  | -----        | -----       |
| Total Current Liabilities  | 967,604      | 698,482     |
| Long-term Debt, Net of Current Maturities  | 1,021,997    | 1,010,844   |
|  | -----        | -----       |
| Total Liabilities  | 1,989,601    | 1,709,326   |
|  | =====        | =====       |
| Stockholders' Equity:  |              |             |
| Common Stock, no par value, authorized 700,000,000 shares, outstanding 11,969,779 and 11,205,036 shares, respectively            | \$ 3,769,910 | 1,435,407   |
| Preferred Stock, authorized 100,000,000 shares \$1,000 par value, 12%, noncumulative, outstanding 56 and 56 shares, respectively | 56,000       | 56,000      |
| Treasury Stock, at cost  | (250,000)    |             |
| Accumulated Deficit  | (4,298,271)  | (2,781,730) |
|  | -----        | -----       |
| Total Stockholders' Equity   | (722,361)    | (1,290,323) |
|  | -----        | -----       |
| Total Liabilities and Stockholders' Equity   | \$ 1,267,240 | \$ 419,003  |
|  | =====        | =====       |

</TABLE>

The accompanying notes are an integral part of the financial statements

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MEDICAL TECHNOLOGY & INNOVATIONS, INC.  
CONSOLIDATED INCOME STATEMENTS  
FOR THE YEARS ENDED JUNE 30

|                                   | 1996          | 1995        |
|-----------------------------------|---------------|-------------|
|                                   | -----         | -----       |
| Revenues                          | \$ 696,185    | \$ 865,136  |
| Cost of Goods Sold                | 535,148       | 575,177     |
|                                   | -----         | -----       |
| Gross Profit                      | 161,037       | 289,959     |
| Operating Expenses:               |               |             |
| Advertising                       | 224,029       | 67,263      |
| Wages                             | 563,262       | 281,839     |
| Leases                            | 48,318        | 31,921      |
| Royalties                         | 35,554        | 61,384      |
| Interest                          | 111,153       | 63,544      |
| General and Administrative        | 695,262       | 477,087     |
| Total Operating Expenses          | 1,677,578     | 983,038     |
| Net Loss                          | (\$1,516,541) | (\$693,079) |
|                                   | -----         | -----       |
| Earnings (Loss) per common share: |               |             |
| Net Loss                          | (\$ 0.128)    | (\$ 0.062)  |
|                                   | =====         | =====       |

The accompanying notes are an integral part of the financial statements

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<TABLE>  
<CAPTION>

MEDICAL TECHNOLOGY & INNOVATIONS, INC.  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
FOR THE YEARS ENDED JUNE 30

|                             | COMMON<br>SHARES | COMMON<br>STOCK | PREFERRED<br>STOCK | TREASURY<br>STOCK | ACCUMULATED<br>DEFICIT | TOTAL<br>STOCKHOLDERS'<br>EQUITY |
|-----------------------------|------------------|-----------------|--------------------|-------------------|------------------------|----------------------------------|
| <S>                         | <C>              | <C>             | <C>                | <C>               | <C>                    | <C>                              |
| Balance at June 30, 1994    | 10,564,256       | \$ 1,070,406    | \$ 56,000          |                   | (\$2,088,651)          | (\$ 962,245)                     |
| Issuance of common stock    | 640,780          | 365,001         |                    |                   |                        | 365,001                          |
| Net loss                    | (693,079)        |                 |                    |                   | (693,079)              |                                  |
| Balance at June 30, 1995    | 11,205,036       | 1,435,407       | 56,000             |                   | (2,781,730)            | (1,290,323)                      |
| Issuance of common stock    | 1,346,409        | 1,232,076       |                    |                   |                        | 1,232,076                        |
| Exercise of stock options   | 735,084          | 1,102,437       |                    |                   |                        | 1,102,427                        |
| Purchase of treasury shares | (1,316,750)      |                 |                    | (250,000)         |                        | (250,000)                        |
| Net loss                    |                  |                 |                    |                   | (1,516,541)            | (1,516,541)                      |
| Balance at June 30, 1995    | 11,969,779       | \$ 3,769,910    | \$ 56,000          | (\$ 250,000)      | (\$4,298,271)          | (\$722,361)                      |

</TABLE>

The accompanying notes are an integral part of the financial statements

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MEDICAL TECHNOLOGY & INNOVATIONS, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30

|  | 1996          | 1995        |
|--|---------------|-------------|
|  | -----         | -----       |
| CASH FLOWS FROM OPERATING ACTIVITIES:  |               |             |
| Net Loss   | (\$1,516,541) | (\$693,079) |
| Adjustments to reconcile net loss to<br>net cash used in operating activities: |               |             |
| Depreciation and amortization  | 60,522        | 66,422      |
| Increase in Accounts Receivable  | (214,410)     | (89,451)    |
| (Increase) Decrease in Inventory   | (48,636)      | 18,553      |
| Increase in Prepaid Expenses   | (156,431)     | (8,035)     |
| (Decrease) Increase in Accounts Payable  | (47,234)      | 14,823      |
| Increase in Accrued Liabilities  | 2,156         | 51,909      |
| Net cash used in operating activities  | (1,920,574)   | (638,858)   |
| CASH FLOWS FROM INVESTING ACTIVITIES:  |               |             |
| Purchases of fixed assets  | (278,011)     | (25,074)    |
| Increase in Intangible Asset   | (3,162)       | (1,503)     |
| Net cash used in investing activities  | (281,173)     | (26,577)    |
| CASH FLOWS FROM FINANCING ACTIVITIES:  |               |             |
| Proceeds from issuance of stock, net   | 1,232,076     | 365,001     |
| Proceeds from exercise of stock<br>options, net                                | 1,102,427     |             |
| Acquisition of Treasury Stock  | (250,000)     |             |
| Proceeds from issuance of notes payable  | 538,458       | 350,000     |
| Repayments of notes payable  | (213,105)     | (11,643)    |
| Net cash from financing activities   | 2,490,856     | 703,358     |
| Net increase in cash   | 208,109       | 37,923      |
| Cash at beginning of year  | 65,833        | 27,910      |
| Cash at end of year  | \$ 273,942    | \$ 65,833   |
|  | =====         | =====       |
| SUPPLEMENTAL DISCLOSURES:  |               |             |
| Cash paid during the year for interest:  | 58,000        | 61,000      |

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

MEDICAL TECHNOLOGY & INNOVATIONS, INC.  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION. Medical Technology & Innovations, Inc. (the Company), f/k/a SouthStar Productions, Inc., is a Florida corporation engaged in the design, manufacture, and distribution of medical screening devices for medical professionals primarily involved in vision screening through its wholly-owned subsidiary, Medical Technology, Inc. (MTI). The Company derives substantially all of its revenues from the MTI Photoscreener(TM), which is a patented product. The patent on the MTI Photoscreener(TM) expires in 2008.
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.
  - a. PRINCIPLES OF CONSOLIDATION. The consolidated financial statements include the Company and its wholly-owned subsidiary. All significant intercompany items have been eliminated.
  - b. RECLASSIFICATIONS. Certain amounts in the prior years' consolidated financial statements have been reclassified to conform with the current year presentation.
  - c. REVENUE RECOGNITION. Revenue from product sales are recognized at the time product is shipped.
  - d. INVENTORIES. Inventories are stated at the lower of cost or market, with cost determined under the first-in, first-out (FIFO) method.
  - e. PROPERTY AND EQUIPMENT. Property and equipment are stated on the basis of cost less accumulated depreciation. The Company provides for depreciation over the estimated useful lives of property and equipment using the straight-line method.
  - f. INTANGIBLE AND OTHER ASSETS. Intangible and other assets are amortized on a straight-line basis over their estimated remaining lives.
  - g. INCOME TAXES. Deferred income taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.
  - h. ADVERTISING. Advertising costs are expensed as incurred.
  - i. ESTIMATES. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
3. INVENTORIES. Inventories consisted of the following at June 30, 1996 and 1995:

|                 | 1996      | 1995     |
|-----------------|-----------|----------|
|                 | -----     | -----    |
| Raw materials   | \$41,364  | \$29,571 |
| Work in process | 62,929    | 16,156   |
| Finished Goods  | 43,717    | 53,647   |
|                 | -----     | -----    |
|                 | \$148,010 | \$99,374 |
|                 | =====     | =====    |

4. FIXED ASSETS. Fixed assets consisted of the following at June 30, 1996 and 1995:

|                                       | 1996      | 1995      |
|---------------------------------------|-----------|-----------|
|                                       | -----     | -----     |
| Plant equipment                       | \$176,134 | \$116,135 |
| Land                                  | 200,000   | 0         |
| Computer equipment and software       | 54,454    | 48,489    |
| Furniture, fixtures, and improvements | 53,319    | 41,272    |
|                                       | -----     | -----     |
|                                       | \$483,907 | \$205,896 |
|                                       | =====     | =====     |

5. LONG-TERM DEBT. Long-Term Debt consisted of the following at June 30, 1996 and 1995:

|   | 1996        | 1995        |
|---|-------------|-------------|
|   | -----       | -----       |
| 12% subordinated convertible notes, due May 1998  | \$310,750   | \$277,750   |
| 8.5% note, due February 1, 1999, interest payable monthly, secured by a mortgage  | 234,000     | 0           |
| 11.25% note, due February 1999, principal and interest payable monthly, secured by substantially all of the assets of the Company, except for the Company's patent, and guaranteed by the Company's President and major stockholder | 170,982     | 211,296     |
| Convertible Venture agreement, royalties payable quarterly at the rate of 5.0% of sales paid in full in 1996  | 0           | 140,339     |
| 7.0% notes, due 1998, principal and interest payable monthly, secured by substantially all of the assets of the Company, except for the Company's patent, and guaranteed by the Company's President and major stockholder           | 130,500     | 131,261     |
| 11.25% note, due March 2001, principal and interest payable monthly, secured by substantially all of the assets of the Company, except for the Company's patent and guaranteed by the Company's President and major stockholder     | 126,862     | 125,000     |
| 10.0% convertible note, due March 2001, interest payable quarterly  | 93,799      | 84,908      |
| 10.0% convertible note, due March 2002, interest payable quarterly  | 86,814      | 78,584      |
| Secured notes payable, due various dates, interest payable various at 0% to 8%  | 74,465      | 76,362      |
| Unsecured notes payable, due various dates, interest payable various at 0% to 10%   | 473,825     | 251,144     |
|   | -----       | -----       |
| Total notes payable   | 1,701,997   | 1,376,644   |
| Less: amounts due in one year   | (680,000)   | (365,800)   |
|   | -----       | -----       |
|   | \$1,021,997 | \$1,010,844 |
|   | =====       | =====       |

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The 12% subordinated convertible notes due May 1998 are convertible into 526,700 shares of the Company's common stock adjusted for certain antidilutive events upon the earlier of (1) May 1, 1998, (2) an initial public offering of the Company's Common Stock, or (3) the sale of all or substantially all of the assets of the Company.

The 10.0% convertible note, due March 2001, and the 10.0% convertible note, due March 2002, are convertible into 158,010 shares and 131,675 shares respectively adjusted for certain antidilutive events upon the earlier of (1) March 1, 1997 and March 1, 1998, respectively, (2) an initial public offering of the Company's Common Stock, or (3) the sale of all or substantially all of the assets of the Company.

The amount of long-term debt maturing in each of the next five fiscal years is \$680,000 in 1997, \$385,600 in 1998, \$321,300 in 1999, \$27,700 in 2000, and \$105,800 in 2001.

6. LEASE EXPENSE. The Company leases various equipment and office space under operating lease agreements. Future minimum annual rentals for subsequent fiscal years are as follows at June 30, 1996:

| FISCAL<br>YEAR<br>----- | LEASE<br>PAYMENTS<br>----- |
|-------------------------|----------------------------|
| 1997                    | \$20,100                   |
| 1998                    | 13,900                     |
| 1999                    | 6,000                      |

7. EARNINGS (LOSS) PER SHARE. Earnings (loss) per common share is computed by dividing net income (loss) by the weighted average number of common shares and common share equivalents outstanding. The average number of shares used to compute primary earnings per share was 11,806,411 and 11,161,512 for the fiscal years ended June 30, 1996 and 1995 respectively. The difference between primary and fully diluted earnings (loss) per share was not material in either year.
8. INCOME TAXES. The Company did not incur any income tax expense for its fiscal years ending June 30, 1996 and 1995 respectively. As of June 30, 1996 the Company has sustained approximately \$3.7 million in net operating losses (NOLs) for tax purposes. These NOLs will expire in various amounts if not utilized between 2004 and 2011 and are subject to limitations should the ownership of the Company significantly change. The deferred tax asset resulting from the above NOL carryforwards has not been recorded in the accompanying financial statements since management believes a valuation allowance is necessary to reduce the deferred tax asset. Realization of deferred tax assets is dependent upon sufficient future taxable income during the period that deductible temporary differences and carryforwards are expected to be available to reduce taxable income.
9. ROYALTY AGREEMENT. The Company is the owner of a patent on a photoscreening device from which it derives substantially all of its revenues. The terms of the royalty agreement require the Company to pay a royalty to the inventor of six percent (6.0%) of net photoscreener sales. The amount of royalties incurred by the Company were \$35,600 and \$42,100 for its fiscal years ending June 30, 1996 and 1995 respectively under this agreement.
10. STOCK OPTION PLANS. In October of 1995 officers of the Company were granted options to acquire up to 2.0 million shares of common stock at an exercise price of \$1.50 per share. The options are exercisable over a three year period commencing with the quarter ending June 30, 1996 and are reduced 40,000 shares per calendar quarter per participant in the event of termination of employment.

In December of 1995 the Company granted options to a financial and investor relations consultant to acquire 1.5 million shares of the Company's common stock at an exercise price of \$1.50 per share. The options are exercisable over a one year period.

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In April of 1996 the Company's shareholders approved the 1996 Stock Option Plan, which allows the board of directors to grant up to 3.0 million options. No options have been granted under the 1996 Stock Option Plan.

The following is a summary of stock option transactions:

|                                | 1996<br>----- |
|--------------------------------|---------------|
| Outstanding, beginning of year | 0             |
| Options granted                | 3,500,000     |
| Options exercised              | (735,084)     |
| Options cancelled              | (9,936)       |
|                                | -----         |
| Outstanding, end of year       | 2,754,980     |
| Exercisable, end of year       | 914,980       |

11. RELATED PARTY TRANSACTIONS. The Company and its wholly-owned subsidiary have had transactions with various entities, certain of whose principals are also officers or directors of the Company or MTI.

MTI received accounting services from a firm in which one of its partners was one of MTI's directors. Fees incurred by MTI for such services totalled approximately \$23,400 for the year ended June 30, 1995. Amounts due for such services, which are included in the balance sheets, at June 30, 1996 and 1995 were \$11,600 and \$45,800, respectively.

MTI received legal services from a firm in which one of its partners was one of MTI's directors. Fees incurred by MTI for such services totalled approximately \$11,000 for the year ended June 30, 1995. Amounts due for such services, which are included in the balance sheets, at June 30, 1996 and 1995 were \$1,500 and \$16,600, respectively.

During its fiscal year ending June 30, 1996 the Company borrowed approximately \$108,000 from its President and major stockholder, which amount is included in the balance sheet at June 30, 1996.

12. BUSINESS COMBINATION. On October 2, 1995 the Company acquired all the outstanding shares of MTI by exchanging 10,263,733 shares of the Company's common stock for all of the outstanding stock of MTI. After the acquisition, MTI shareholders owned 88% of the fully diluted common stock of the Company. This acquisition, commonly referred to as a reverse merger, was accounted for using the pooling of interests method of accounting. Therefore, the Company's consolidated financial statements and information reported for periods prior to the merger have been restated to include MTI for the periods presented. Prior to the merger the Company was not actively conducting business and had no net assets on October 2, 1995.

13. FAIR VALUE OF FINANCIAL INSTRUMENTS. The estimated fair values of the Company's financial instruments as of June 30, 1996 and 1995 are as follows:

|                     | 1996            |            | 1995            |            |
|---------------------|-----------------|------------|-----------------|------------|
|                     | CARRYING AMOUNT | FAIR VALUE | CARRYING AMOUNT | FAIR VALUE |
| Accounts Receivable | \$330,439       | \$330,439  | \$116,029       | \$116,029  |
| Accounts Payable    | 139,642         | 139,642    | 186,876         | 186,876    |
| Accrued Expenses    | 147,962         | 147,962    | 145,806         | 145,806    |
| Long-term debt      | 1,701,997       | 1,701,997  | 1,376,644       | 1,376,644  |

The estimated fair value of long-term debt approximates the carrying amount based upon the borrowing rates currently available to the Company for loans with similar terms and maturities. The fair value of cash, accounts receivable, accounts payable, and accrued expenses approximates their carrying amount.

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14. MAJOR CUSTOMERS. For the years ended June 30, 1996 and 1995, the Company had major customers, that accounted for more than 10% of sales as follows:

|                     | 1996      | 1995      |
|---------------------|-----------|-----------|
| No. of Customers    | 3         | 2         |
| Revenues            | \$253,000 | \$492,000 |
| Accounts Receivable | 72,000    | 17,000    |

15. GEOGRAPHIC AREA INFORMATION. The Company sells its products both domestically and internationally. All international transactions are conducted in U.S. currency. Information concerning operations by principal geographic area was as follows:

|                     | UNITED STATES | ASIA/PACIFIC | EUROPE   | CONSOLIDATED |
|---------------------|---------------|--------------|----------|--------------|
| JUNE 30, 1996       |               |              |          |              |
| Revenues            | \$ 525,185    | \$154,000    | \$17,000 | \$ 696,185   |
| Net Earnings (Loss) | (1,144,042)   | (335,467)    | (37,032) | (1,516,541)  |
| Identifiable Assets | 1,185,240     | 69,000       | 13,000   | 1,267,240    |

International sales did not exceed more than 10% of sales during the year ended June 30, 1995.

16. SUBSEQUENT EVENTS (UNAUDITED). In August of 1996 the Company acquired the net assets of Steridyne Corporation, a Florida Corporation (hereinafter Steridyne), for approximately \$4.8 million. This acquisition will be accounted for by the purchase method of accounting. Accordingly, the purchase price will be allocated to assets acquired and liabilities assumed based upon their estimated fair values. Prior to the acquisition, Steridyne was a Subchapter S Corporation with a fiscal year ending September 30. Steridyne's net revenues for its fiscal year ending September 30, 1995 and income before officer/shareholder salaries were approximately \$3.3 million and \$400,000 respectively.

In July of 1996 the Company raised approximately \$6.2 million in a stock offering, consisting of 8% convertible Series A Preferred Stock. The Series

A Preferred Stock is convertible into approximately 2.8 million shares of common stock. The holders of Series A Preferred Stock and the placement agent also received warrants to acquire approximately 3.1 million shares of common stock at approximately \$2.73 per share.

In July of 1996 the Company entered into a three year operating lease for the rental of a commercial building with a monthly lease payment of \$2,300.

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

On April 26, 1996, the Company engaged Simon Lever & Company as its independent accountant. The decision of the Company was recommended by the Company's board of directors and approved by its shareholders. The Company's former independent accountant, who was a sole practitioner, did not contain an adverse opinion or disclaimer of opinion nor was it modified as to uncertainty, audit scope, or accounting principles. Additionally, there were no disagreements between the Company and the former independent accountant.

PART III.

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

The information called for by this item is incorporated herein by reference to the definitive Proxy Statement to be filed by the Company pursuant to Regulation 14A within 120 days after the close of the 1996 fiscal year.

ITEM 10. EXECUTIVE COMPENSATION

The information called for by this item is incorporated herein by reference to the definitive Proxy Statement to be filed by the Company pursuant to Regulation 14A within 120 days after the close of the 1996 fiscal year.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information called for by this item is incorporated herein by reference to the definitive Proxy Statement to be filed by the Company pursuant to Regulation 14A within 120 days after the close of the 1996 fiscal year.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information called for by this item is incorporated herein by reference to the definitive Proxy Statement to be filed by the Company pursuant to Regulation 14A within 120 days after the close of the 1996 fiscal year.

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS:

- 3.1 Articles of Incorporation of SouthStar Productions, Inc., n/k/a Medical Technology & Innovations, Inc. [Incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-18 (File No. 33-27610-A), filed March 17, 1989]
- 3.2 Amendment to the Articles of Incorporation for SouthStar Productions, Inc., which changed its name to Medical Technology & Innovations, Inc. [Incorporated by reference to the Company's Current Report on Form 8-K for an event on September 21, 1995]
- 3.3 Restated Articles of Incorporation for Medical Technology & Innovations, Inc.
- 3.4 By-laws [Incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-18 (File No. 33-27610-A), filed March 17, 1989]
- 10.1 Share Exchange Plan between SouthStar Productions, Inc. and Medical Technology, Inc. [Incorporated by reference to the Company's Current Report on Form 8-K for an event on August 21, 1995]
- 10.2 Asset purchase agreement for the purchase and sale of certain assets of Steridyne Corporation [Incorporated by reference to the Company's Current Report on Form 8-K for an event on July 31, 1996]

- 10.3 Medical Technology & Innovations, Inc. 1996 Stock Option Plan.
- 10.4 SouthStar Productions, Inc. Stock Purchase Plan 1995a (Financial Public Relations Consulting Agreement) [Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8 (File No. 33-27610-A), filed August 23, 1995]
- 10.5 Medical Technology & Innovations, Inc. 1996b Stock Purchase Plan (Consulting Agreement) [Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8 (File No. 33-27610-A), filed April 22, 1996]
- 10.6 Form of Employment Agreement, Covenant not to Compete, and Stock Option Agreement between the Company and key employees.
- 10.7 Purchase Agreement dated January 31, 1996 between the Company and Glenn and Ruth Schultz.
- 16.1 Letter on change in certifying accountant [Incorporated by reference to the Company's Current Report on Form 8-K for an event on April 26, 1996]
- 21.0 Subsidiary of the Company.  
  
Medical Technology, Inc., an Iowa corporation
- 23.1 Consent of Simon Lever & Company
- 24.1 Powers of Attorney as indicated on Page18-19 of this Form 10-KSB.
- 27.1 Financial data schedules.  
  
(b) Reports on Form 8-K.

On May 1, 1996, the Company filed a current report on Form 8-K for an event of April 26, 1996, disclosing (1) in Item 4 thereof, a change of the Company's certifying accountant, (2) in Item 5 disclosing the election of individuals who will serve as directors of the Company, (3) disclosing in Item 8 a change of the Company's fiscal year from January 31 to June 30.

SIGNATURES

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

AND

BY:  
/s/ JEREMY P. FEAKINS  
-----  
Jeremy P. Feakins, President  
and ChiefExecutive Officer

BY:  
/s/ STEVEN GILL  
-----  
Steven Gill, Executive Vice  
President, Chief Financial  
Officer, and Secretary

Date: September 30, 1996.

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.

/s/ JEREMY P. FEAKINS  
-----  
Jeremy P. Feakins, President and Chief  
Executive Officer, Chairman, and Director

/s/ STEVEN GILL  
-----  
Steven Gill, Executive Vice-  
President, Chief Financial Officer,  
Secretary, and Director

/s/ GEORGE H. HARTMAN, III  
-----  
George H. Hartman, III, Sr. Vice President  
of Sales and Marketing, and Director

/s/ JOHN BEHRMANN\*  
-----  
John Behrmann, Director

/s/ MATTHEW CRIMMINS\*

-----  
Matthew Crimmins, Director

/s/ TOM PENALUNA\*

-----  
Tom Penaluna, Director

WILLIAM SCOTT

-----  
William Scott, Director

-----  
\* Pursuant to Power of Attorney

Date: September 30, 1996.



ARTICLES OF INCORPORATION  
OF  
MEDICAL TECHNOLOGY & INNOVATIONS, INC.

TO THE SECRETARY OF STATE OF THE STATE OF FLORIDA:

1. The name of the corporation is Medical Technology & Innovations, Inc.
2. The period of its duration is perpetual.
3. The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be now or hereafter organized under the General Corporation Law of the State of Florida.
4. The street address of the Corporation's registered office in Florida and the name of its registered agent at that office is:  
  
Eric Littman  
1428 Brickell Avenue  
Miami, Florida 33131
5. The street address of the Corporation's principal office in Florida is:  
  
1428 Brickell Avenue  
Miami, Florida 33131
6. The total number of shares of all classes of stock which the corporation shall have the authority to issue shall be Eight Hundred One Million(800,000,000) shares of which Seven Hundred Million(700,000,000) shall be shares of Common Stock, all of which are to be without par value, of which Four Hundred Million(400,000,000) shall be shares of "Common Stock" and Three Hundred Million(300,000,000) shall be undesignated Common Stock, and One Hundred One Million(100,000,000) shall be shares of "Preferred Stock"; One Million(1,000,000) of which shall have a par value of \$1,000 per share and Ninety-nine Million(99,000,000) shall have a par value of \$100 per share.

Any amendment to the Articles of Incorporation which shall increase or decrease the authorized capital stock of the Corporation may be adopted by the affirmative vote of the holders of a majority of the outstanding shares of stock of the Corporation entitled to vote.

The designations, powers, preferences, rights, and the qualifications,

limitations or restrictions of the authorized undesignated Common Stock and Preferred Stock shall be as follows:

- a. One Hundred(100) shares of Preferred Stock with a \$1,000 par value (hereinafter the 12% Preferred Stock) shall be entitled to a 12% noncumulative dividend. The 12% Preferred Stock shall be preferred as liquidation and return of capital up to their par value. The Corporation may upon fifteen(15) days notice, redeem any or all of the 12% Preferred Stock by paying the full par value together with any accrued dividend legally due. The 12% Preferred Stock shall be entitled to two(2) votes per share. The 12% Preferred Stock is convertible at the option of the holder for 666 shares of the Corporation's Common Stock for each share of Preferred Stock.
- b. The Board of Directors is expressly authorized at any time, to provide for the issuance of shares of any undesignated and authorized stock in one or more series, with such voting powers full or limited but may not exceed five(5) votes per share, or without voting powers and with such designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, as shall be expressed in the resolution or resolutions providing for the issue thereof adopted by the Board of Directors and as are not

expressed in this Articles of Incorporation or any amendment thereto, including (but without limiting the generality of the foregoing) the following:

- i. the designation of the series;
- ii. the dividend rate of such series, the conditions and dates upon which such dividends shall be payable, the preference or relation which such dividends shall bear to the dividends payable on any other class or classes or on nay other series of any class or classes of authorized stock of the Corporation; and whether such dividends shall be cumulative or noncumulative;
- iii. whether the shares of such series shall be subject to redemption by the Corporation, and, if made subject to such redemption, the times, prices and other terms and conditions of such redemption;
- iv. the terms and amount of any sinking fund provided for the purchase or redemption of the shares of such series;
- v. whether the shares of such series shall be convertible into or exchangeable for shares of any other class or classes of any

other series of any class or classes of authorized stock of the Corporation, and, if provision be made for conversion or exchange, the times, prices, rates, adjustments, and other terms and conditions of such conversion or exchange;

- vi. the extent, if any, to which the holders of the shares of such series shall be entitled to vote as a class or otherwise with respect to the election of Directors or otherwise; provided, however, that in no event shall any holder of any series of Preferred Stock be entitled to more than two(2) votes for each share of such Preferred Stock held by him;
- vii. the restrictions and conditions, if any, upon the issue or reissue of any additional Preferred Stock ranking on a parity with or prior to such dividends or upon dissolution;
- viii. the rights of the holders of the shares of such series upon the dissolution of or upon the distribution upon the dissolution of, or upon the distribution of assets of, the Corporation, which rights may be different in the case of a voluntary dissolution than in the case of an involuntary dissolution.

Except as otherwise required by law and except for such voting powers with respect to the election of Directors or other matters as may be stated in the resolutions of the Board of Directors creating any series of Common or Preferred Stock, the holders of such series shall have no voting power whatsoever.

7. A director, officer, employee or agent of the corporation will not be liable to the corporation or its shareholders for monetary damages for breach of fiduciary duty as a director, officer, employee, or agent except for liability (a) for any breach of the director's duty of loyalty to the corporation or its shareholders, (b) for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of the law, (c) for a transaction from which the director derives an improper benefit, or (d) under section 607.0831 of the Florida Business Corporation Act regarding unlawful distributions. If the Florida Business Corporation Act is amended to authorize corporate action further eliminating or limiting personal liability of directors, officers, employees, or agents then the liability of directors, officers, employees, or agents of the Corporation will be eliminated or limited to the fullest extent permitted by the Florida Business Corporation Act, as so amended. Any repeal or modification of the provisions of this section 7 of the articles of incorporation by the shareholders of the corporation will not adversely affect any right or protection of a director, officer, employee, or agent of the corporation existing at the time of such repeal or modification. These provisions will not eliminate or limit the liability of a director, officer, employee, or agent for an act or omission occurring before the date the provisions in the Article of Incorporation become effective.

8. To the fullest extent permitted by law, the Corporation shall have the power, in its By-Laws or in any resolution of its stockholders or directors, to undertake to indemnify the officers, directors, employees, and agents of the Corporation against any contingency or peril as may be determined to be in the best interests of the Corporation, and in conjunction therewith, to procure, at the Corporation's expense, policies of insurance.
9. The corporation shall be governed by a board of directors that shall consist of not fewer than one person and not more than fifteen(15) persons. Such number shall be determined from year to year by the shareholders. The board of directors shall be classified with respect to the time to the time during which they shall severally hold office by dividing them into three classes, two consisting of at least two(2) persons one consisting of at least one(1) person. The directors of the first class so elected or classified shall hold office for a term of one(1) year; the directors of the second class so elected or classified shall hold office for a term of two(2) years; and the directors of the third class so elected or classified shall hold office a term of three years. At such annual election, the successors to the class of directors whose terms have expired in that year shall be elected to hold office for a term of three(3) years, so that the term of office of one class of directors shall expire in each year.
10. The board of directors may adopt or amend bylaws for managing the business and regulating the affairs of the corporation that are not inconsistent with law or the Articles of Incorporation.
11. The Corporation reserves the right to amend, alter, change, or repeal any provision contained in the Articles of Incorporation, in the manner now or hereafter prescribed by statute, and all rights, if any, conferred upon stockholders herein are granted subject to this reservation.

MEDICAL TECHNOLOGY & INNOVATIONS, INC.

-----  
Jeremy Feakins  
President and Chief Executive Officer

-----  
Steven Gill  
Vice President and Secretary

MEDICAL TECHNOLOGY & INNOVATIONS, INC.  
1996 STOCK OPTION PLAN

1. GRANT OF OPTIONS; GENERALLY. In accordance with the provisions hereinafter set forth in this stock option plan, the name of which is the MEDICAL TECHNOLOGY & INNOVATIONS, INC. 1996 STOCK OPTION PLAN (the "Plan"), the Board of Directors (the "Board") or, the Compensation Committee (the "Stock Option Committee") of Medical Technology & Innovations, Inc. (the "Corporation") is hereby authorized to issue from time to time on the Corporation's behalf to any one or more Eligible Persons, as hereinafter defined, options to acquire shares of the Corporation's no par value common stock (the "Stock").
2. TYPE OF OPTIONS. The Board or the Stock Option Committee is authorized to issue options which meet the requirements of Sections S.422 of the Internal Revenue Code of 1986, as amended (the "Code"), which options are hereinafter referred to collectively as ISOs, or singularly as an ISO. The Board or the Stock Option Committee is also, in its discretion, authorized to issue options which are not ISOs, which options are hereinafter referred to collectively as NSOs, or singularly as an NSO. The Board or the Stock Option Committee is also authorized to issue "Reload Options" in accordance with Paragraph 8 herein, which options are hereinafter referred to collectively as Reload Options, or singularly as a Reload Option. Except where the context indicates to the contrary, the term "Option" or "Options" means ISOs, NSOs and Reload Options.
3. AMOUNT OF STOCK. The aggregate number of shares of Stock which may be purchased pursuant to the exercise of Options shall be three million (3,000,000) shares. Of this amount, the Board or the Stock Option Committee shall have the power and authority to designate whether any Options so issued shall be ISOs or NSOs, subject to the restrictions on ISOs contained elsewhere herein. If an Option ceases to be exercisable, in whole or in part, the shares of Stock underlying such Option shall continue to be available under this Plan. Further, if shares of Stock are delivered to the Corporation as payment for shares of Stock purchased by the exercise of an Option granted under this Plan, such shares of Stock shall also be available under this Plan. If there is any change in the number of shares of Stock on account of the declaration of stock dividends, recapitalization resulting in stock split-ups, or combinations or exchanges of shares of Stock, or otherwise, the number of shares of Stock available for purchase upon the exercise of Options, the shares of Stock subject to any Option and the exercise price of any outstanding Option shall be appropriately adjusted by the Board or the Stock Option Committee. The Board or the Stock

Option Committee shall give notice of any adjustments to each Eligible Person granted an Option under this Plan, and such adjustments shall be effective and binding on all Eligible Persons. If because of one or more recapitalizations, reorganizations or other corporate events, the holders of outstanding Stock receive something other than shares of Stock then, upon exercise of an Option, the Eligible Person will receive what the holder would have owned if the holder had exercised the Option immediately before the first such corporate event and not disposed of anything the holder received as a result of the corporate event.

4. ELIGIBLE PERSONS.

(a) With respect to ISOs, an Eligible Person means any individual who has been employed by the Corporation or by any subsidiary of the Corporation, for a continuous period of at least sixty (60) days.

(b) With respect to NSOs, an Eligible Person means (i) any individual who has been employed by the Corporation or by any subsidiary of the Corporation, for a continuous period of at least sixty (60) days, (ii) any director of the Corporation or by any subsidiary of the Corporation or (iii) any consultant of the Corporation or by any subsidiary of the Corporation.

5. GRANT OF OPTIONS. The Board or the Stock Option Committee has the right to issue the Options established by this Plan to Eligible Persons. The Board or the Stock Option Committee shall follow the procedures prescribed for it elsewhere in this Plan. A grant of Options shall be set forth in a

writing signed on behalf of the Corporation or by a majority of the members of the Stock Option Committee. The writing shall identify whether the Option being granted is an ISO or an NSO and shall set forth the terms which govern the Option. The terms shall be determined by the Board or the Stock Option Committee, and may include, among other terms, the number of shares of Stock that may be acquired pursuant to the exercise of the Options, when the Options may be exercised, the period for which the Option is granted and including the expiration date, the effect on the Options if the Eligible Person terminates employment and whether the Eligible Person may deliver shares of Stock to pay for the shares of Stock to be purchased by the exercise of the Option. However, no term shall be set forth in the writing which is inconsistent with any of the terms of this Plan. The terms of an Option granted to an Eligible Person may differ from the terms of an Option granted to another Eligible Person, and may differ from the terms of an earlier Option granted to the same Eligible Person.

6. OPTION PRICE. The option price per share shall be determined by the Board or the Stock Option Committee at the time any Option is granted, and shall be not less than (i) in the case of an ISO, the fair market value, (ii) in the case of an ISO granted to a ten percent or greater stockholder,

110% of the fair market value, or (iii) in the case of an NSO, not less than 75% of the fair market value (but in no event less than the par value) of one share of Stock on the date the Option is granted, as determined by the Board or the Stock Option Committee. Fair market value as used herein shall be:

- (a) If shares of Stock shall be traded on an exchange or over-the-counter market, the mean between the high and low sales prices of Stock on such exchange or over-the-counter market on which such shares shall be traded on that date, or if such exchange or over-the-counter market is closed or if no shares shall have traded on such date, on the last preceding date on which such shares shall have traded.
- (b) If shares of Stock shall not be traded on an exchange or over-the-counter market, the value as determined by a recognized appraiser as selected by the Board or the Stock Option Committee.

7. PURCHASE OF SHARES. An Option shall be exercised by the tender to the Corporation of the full purchase price of the Stock with respect to which the Option is exercised and written notice of the exercise. The purchase price of the Stock shall be in United States dollars, payable in cash or by check, or in property or Corporation stock, of so permitted by the Board or the Stock Option Committee in accordance with the discretion granted in Paragraph 5 hereof, having a value equal to such purchase price. The Corporation shall not be required to issue or deliver any certificates for shares of Stock purchased upon the exercise of an Option prior to (i) if requested by the Corporation, the filing with the Corporation by the Eligible Person of a representation in writing that it is the Eligible Person's then present intention to acquire the Stock being purchased for investment and not for resale, and/or (ii) the completion of any registration or other qualification of such shares under any government regulatory body, which the Corporation shall determine to be necessary or advisable.

8. GRANT OF RELOAD OPTIONS. In granting an Option under this Plan, the Board or the Stock Option Committee may include a Reload Option provision therein, subject to the provisions set forth in Paragraphs 20 and 21 herein. A Reload Option provision provides that if the Eligible Person pays the exercise price of shares of Stock to be purchased by the exercise of an ISO, NSO or another Reload Option (the "Original Option") by delivering to the Corporation shares of Stock already owned by the Eligible Person (the "Tendered Shares"), the Eligible Person shall receive a Reload Option which shall be a new Option to purchase shares of Stock equal in number to the tendered shares. The terms of any Reload Option shall be determined by the Board or the Stock Option Committee consistent with the provisions of this Plan.

9. STOCK OPTION COMMITTEE. The Stock Option Committee may be appointed from time to time by the Corporation's Board of Directors. The Board may from time to time remove members from or add members to the Stock Option

Committee. The Stock Option Committee shall be constituted so as to permit the Plan to comply in all respects with the provisions set forth in Paragraph 20 herein. The members of the Stock Option Committee may elect one of its members as its chairman. The Stock

Option Committee shall hold its meetings at such times and places as its chairman shall determine. A majority of the Stock Option Committee's members present in person shall constitute a quorum for the transaction of business. All determinations of the Stock Option Committee will be made by the majority vote of the members constituting the quorum. The members may participate in a meeting of the Stock Option Committee by conference telephone or similar communications equipment by means of which all members participating in the meeting can hear each other. Participation in a meeting in that manner will constitute presence in person at the meeting. Any decision or determination reduced to writing and signed by all members of the Stock Option Committee will be effective as if it had been made by a majority vote of all members of the Stock Option Committee at a meeting which is duly called and held.

10. ADMINISTRATION OF PLAN. In addition to granting Options and to exercising the authority granted to it elsewhere in this Plan, the Board or the Stock Option Committee is granted the full right and authority to interpret and construe the provisions of this Plan, promulgate, amend and rescind rules and procedures relating to the implementation of the Plan and to make all other determinations necessary or advisable for the administration of the Plan, consistent, however, with the intent of the Corporation that Options granted or awarded pursuant to the Plan comply with the provisions of Paragraph 20 and 21 herein. All determinations made by the Board or the Stock Option Committee shall be final, binding and conclusive on all persons including the Eligible Person, the Corporation and its stockholders, employees, officers and directors and consultants. No member of the Board or the Stock Option Committee will be liable for any act or omission in connection with the administration of this Plan unless it is attributable to that member's willful misconduct.
11. PROVISIONS APPLICABLE TO ISOS. The following provisions shall apply to all ISOs granted by the Board or the Stock Option Committee and are incorporated by reference into any writing granting an ISO:
  - (a) An ISO may only be granted within ten (10) years from April 26, 1996, the date that this Plan was originally adopted by the Corporation's Board of Directors.
  - (b) An ISO may not be exercised after the expiration of ten (10) years from the date the ISO is granted.
  - (c) The option price may not be less than the fair market value of the Stock at the time the ISO is granted.



- (d) An ISO is not transferrable by the Eligible Person to whom it is granted except by will, or the laws of descent and distribution, and is exercisable during his or her lifetime only by the Eligible Person.
- (e) If the Eligible Person receiving the ISO owns at the time of the grant stock possessing more than ten (10%) percent of the total combined voting power of all classes of stock of the employer corporation or of its parent or subsidiary corporation (as those terms are defined in the Code), then the option price shall be at least 110% of the fair market value of the Stock, and the ISO shall not be exercisable after the expiration of five (5) years from the date the ISO is granted.
- (g) Even if the shares of Stock which are issued upon exercise of an ISO are sold within one year following the exercise of such ISO so that the sale constitutes a disqualifying disposition for ISO treatment under the Code, no provision of this Plan shall be construed as prohibiting such a sale.
- (h) The Plan was adopted by the Corporation on April 26, 1996, by virtue of its approval by the Corporation's Board of Directors. Approval by the stockholders of the Corporation is to occur prior to May 1, 1996.

12. DETERMINATION OF FAIR MARKET VALUE. In granting ISOs under this Plan, the Board or the Stock Option Committee shall make a good faith determination as to the fair market value of the Stock at the time of granting the ISO.
13. RESTRICTIONS ON ISSUANCE OF STOCK. The Corporation shall not be obligated to sell or issue any shares of Stock pursuant to the exercise of an Option unless the Stock with respect to which the Option is being exercised is at that time effectively registered or exempt from registration under the Securities Act of 1933, as amended, and any other applicable laws, rules and regulations. The Corporation may condition the exercise of an Option granted in accordance herewith upon receipt from the Eligible Person, or any other purchaser thereof, of a written representation that at the time of such exercise it is his or her then present intention to acquire the shares of Stock for investment and not with a view to, or for sale in connection with, any distribution thereof; except that, in the case of a legal representative of an Eligible Person, "distribution" shall be defined to exclude distribution by will or under the laws of descent and distribution. Prior to issuing any shares of Stock pursuant to the exercise of an Option, the Corporation shall take such steps as it deems necessary to satisfy any withholding tax obligations imposed upon it by any level of government.
14. EXERCISE IN THE EVENT OF DEATH OF TERMINATION OR EMPLOYMENT.

(a) If an optionee shall die (i) while an employee of the Corporation or a Subsidiary or (ii) within three months after termination of his employment with the Corporation or a Subsidiary because of his disability, or retirement or otherwise, his Options may be exercised, to the extent that the optionee shall have been entitled to do so on the date of his death or such termination of employment, by the person or persons to whom the optionee's right under the Option pass by will or applicable law, or if no such person has such right, by his executors or administrators, at any time, or from time to time. In the event of termination of employment because of his death while an employee or because of disability, his Options may be exercised not later than the expiration date specified in Paragraph 5 or one year after the optionee's death, whichever date is earlier, or in the event of termination of employment because of retirement or otherwise, not later than the expiration date specified in Paragraph 5 hereof or one year after the optionee's death, whichever date is earlier.

(b) If an optionee's employment by the Corporation or a Subsidiary shall terminate because of his disability and such optionee has not died within the following three months, he may exercise his Options, to the extent that he shall have been entitled to do so at the date of the termination of his employment, at any time, or from time to time, but not later than the expiration date specified in Paragraph 5 hereof or one year after termination of employment, whichever date is earlier.

(c) If an optionee's employment shall terminate by reason of his retirement in accordance with the terms of the Corporation's tax-qualified retirement plans or with the consent of the Board or the Stock Option Committee or involuntarily other than by termination for cause, and such optionee has not died within the following three months, he may exercise his Option to the extent he shall have been entitled to do so at the date of the termination of his employment, at any time and from time to time, but not later than the expiration date specified in Paragraph 5 hereof or thirty (30) days after termination of employment, whichever date is earlier. For purposes of this Paragraph 14, termination for cause shall mean termination of employment by reason of the optionee's commission of a felony, fraud or willful misconduct which has resulted, or is likely to result, in substantial and material damage to the Corporation or a Subsidiary, all as the Board or the Stock Option Committee in its sole discretion may determine.

(d) If an optionee's employment shall terminate for any reason other than death, disability, retirement or otherwise, all right to exercise his Option shall terminate at the date of such termination of employment.

15. CORPORATE EVENTS. In the event of the proposed dissolution or liquidation of the Corporation, a proposed sale of all or substantially all of the assets of the Corporation, a merger or tender for the Corporation's shares of Common Stock the Board of Directors may declare that each Option

granted under this Plan shall terminate as of a date to be fixed by the Board of Directors; provided that not less than thirty (30) days written notice of the date so fixed shall be given to each Eligible Person holding an Option, and each such Eligible Person shall have the right, during the period of thirty (30) days preceding such termination, to exercise his Option as to all or any part of the shares of Stock covered thereby, including shares of Stock as to which such Option would not otherwise be exercisable. Nothing set forth herein shall extend the term set for purchasing the shares of Stock set forth in the Option.

16. NO GUARANTEE OF EMPLOYMENT. Nothing in this Plan or in writing granting an Option will confer upon any Eligible Person the right to continue in the employ of the Eligible Person's employer, or will interfere with or restrict in any way the right of the Eligible Person's employer to discharge such Eligible Person at any time for any reason whatsoever, with or without cause.
17. NONTRANSFERABILITY. No Option granted under the Plan shall be transferable other than by will or by the laws of descent and distribution. During the lifetime of the optionee, an Option shall be exercisable only by him.
18. NO RIGHTS AS STOCKHOLDER. No optionee shall have any rights as a stockholder with respect to any shares subject to his Option prior to the date of issuance to him of a certificate or certificates for such shares.
19. AMENDMENT AND DISCONTINUANCE OF PLAN. The Corporation's Board of Directors may amend, suspend or discontinue this Plan at any time. However, no such action may prejudice the rights of any Eligible Person who has prior thereto been granted Options under this Plan. Further, no amendment to this Plan which has the effect of (a) increasing the aggregate number of shares of Stock subject to this Plan (except for adjustments pursuant to Paragraph 3 herein), or (b) changing the definition of Eligible Person under this Plan, may be effective unless and until approval of the stockholders of the Corporation is obtained in the same manner as approval of this Plan is required. The Corporation's Board of Directors is authorized to seek the approval of the Corporation's stockholders for any other changes it proposes to make to this Plan which require such approval, however, the Board of Directors may modify the Plan, as necessary, to effectuate the intent of the Plan as a result of any changes in the tax, accounting or securities laws treatment of Eligible Persons and the Plan, subject to the provisions set forth in this Paragraph 19, and Paragraphs 20 and 21.
20. COMPLIANCE WITH RULE 16b-3. This Plan is intended to comply in all respects with Rule 16b-3 ("Rule 16b-3") promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), with respect to participants who are subject to Section 16 of the Exchange Act, and any provision(s) herein that is/are contrary to Rule 16b-3 shall be deemed null and void to the extent appropriate by either the Stock Option Committee or the Corporation's Board

of Directors.

21. COMPLIANCE WITH CODE. The aspects of this Plan on ISOs is intended to comply in every respect with Section 422 of the Code and the regulations promulgated thereunder. In the event any future statute or regulation shall modify the existing statute, the aspects of this Plan on ISOs shall be deemed to incorporate by reference such modification. Any stock option agreement relating to any Option granted pursuant to this Plan outstanding and unexercised at the time any modifying statute or regulation becomes effective shall also be deemed to incorporate by reference such modification and no notice of such modification need be given to optionee.

If any provision of the aspects of this Plan on ISOs is determined to disqualify the shares purchasable pursuant to the Options granted under this Plan from the special tax treatment provided by Code Section 422, such provision shall be deemed null and void and to incorporate by reference the modification required to qualify the shares for said tax treatment.

22. COMPLIANCE WITH OTHER LAWS AND REGULATIONS. The Plan, the grant and exercise of Options thereunder, and the obligation of the Corporation to sell and deliver Stock under such options, shall be subject to all applicable federal and state laws, rules and regulations and to such approvals by any government or regulatory agency as may be required. The Corporation shall not be required to issue or deliver any certificates for shares of Stock prior to (a) the listing of such shares on any stock exchange or over-the-counter market on which the Stock may then be listed and (b) the completion of any registration or qualification of such shares under any federal or state law, or any ruling or regulation of any government body which the Corporation shall, in its sole discretion, determine to be necessary or advisable. Moreover, no Option may be exercised if its exercise or the receipt of Stock pursuant thereto would be contrary to applicable laws.

23. DISPOSITION OF SHARES. In the event any share of Stock acquired by an exercise of an Option granted under the Plan shall be transferable other than by will or by the laws of descent and distribution within two years of the date such Option was granted or within one year after the transfer of such Stock pursuant to such exercise, the optionee shall give prompt written notice thereof to the Corporation or the Stock Option Committee.

24. NAME. The Plan shall be known as the "Medical Technology & Innovations, Inc. 1996 Stock Option Plan."

25. NOTICES. Any notice hereunder shall be in writing and sent by certified mail, return receipt requested or by facsimile transmission (with electronic or written confirmation of receipt) and when addressed to the Corporation shall be sent to it at its office, 3125 Nolt Road Lancaster, Pennsylvania 17601 and when addressed to the Committee shall be sent to it

at the above address subject to the right of either party to designate at any time hereafter in writing some other address, facsimile number or person to whose attention such notice shall be sent.

26. HEADINGS. The headings preceding the text of Sections and subparagraphs hereof are inserted solely for convenience of reference, and shall not constitute a part of this Plan nor shall they affect its meaning, construction or effect.

27. EFFECTIVE DATE. This Plan, the Medical Technology & Innovations, Inc. 1996 Stock Option Plan, was adopted by the Board of Directors of the Corporation on April 26, 1996. The effective date of the Plan shall be the same date.

Dated as of April 26, 1996.

MEDICAL TECHNOLOGY &  
INNOVATIONS, INC.

By: /s/ JEREMY FEAKINS

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Jeremy Feakins, President  
and Chief Executive Officer

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT is made this 25th day of October, 1995, by and between Medical Technology and Innovations, Inc. a corporation organized under the laws of the state of Florida (the "Company"), and Jeremy Feakins ("Employee"). In consideration of the premises and the mutual agreements herein, the Company and Employee hereby agree as follows:

1. EMPLOYMENT. (a) The Company hereby employs Employee, and Employee hereby accepts and agrees to such employment as its President and Employee shall perform those duties and responsibilities normally associated with that office. Employee shall report to the Board of Directors of the Company. While employed by the Company, Employee shall not, without the prior written consent of the Company, render his professional services to anyone other than the Company and will devote his full professional time, attention, and best efforts to the business of the Company and the fulfillment of his duties and obligations hereunder. Employee will not, while employed by the Company, without the prior written consent of the Board of Directors accept any position, employment, gratuities, compensation, promises, commitments, reimbursements or funds or the equivalent of funds from any person, corporation, partnership or other business entity whatsoever engaged in any aspect of the business in which the Company is or will be engaged or which is a supplier or customer of the Company.

2. COMPENSATION.

(a) For all services rendered by the Employee pursuant to Paragraph 1 hereof, the Company shall pay to and provide for Employee a salary of \$96,000 per annum. Employee's salary shall be paid at regular intervals consistent with the normal payroll periods for the Company's other executive employees and such payments shall be subject to the usual deductions for income tax, FICA, and Medicare.

(b) Employee shall be entitled to any additional salary, bonus, or other compensation that he may be given in the discretion of the Company's Board of Directors.

(c) During the term of his employment, as set forth below, Employee is granted stock options to purchase up to a total of 500,000 shares of the Company's common stock, which may be exercised at the rate of 40,000 shares per quarter, which options are exercisable at a price of \$1.50 per share. The stock options shall begin to vest at the end of each fiscal quarter commencing on June 30, 1996 and each fiscal quarter thereafter. Provided further, that if the Employee is still employed by

the Employer at the end of the 12th fiscal quarter subsequent to June 30, 1996, Employee shall be entitled to receive the remaining option to purchase 60,000 shares. If for any reason the Employee is not employed by the Company at the end of such fiscal quarter, the option shall lapse and the Employee shall not be entitled to any such stock options. Unless exercised within two years of the date of the grant of the option, said option shall lapse. In addition, if for any reason whatsoever, Employee ceases to be employed by the Company, Employee shall have 90 days within which to exercise any options owned by him, and in the event and to the extent he fails to exercise the options, they will lapse.

(d) No option granted hereunder or any of the rights and privileges thereby conferred shall be transferred, assigned, pledged, or hypothecated in any way (whether by operation of law or otherwise), and no such option, right, or privilege shall be subject to execution, attachment, or similar process. Upon any attempt so to transfer, assign, pledge, hypothecate, or otherwise dispose of the option, or of any right or privilege conferred thereby, contrary to the provisions hereof, or upon the levy of any attachment or similar process upon such option, right, or privilege, the option and such rights and privileges shall immediately become null and void.

(e) Until such time as Employee sells the house which Employee still owns in Iowa, the Company shall reimburse Employee for all mortgage payments made on that home;

alternative, the Company may elect to pay said mortgage directly.

3. VACATION AND OTHER BENEFITS. During the term of employment under this Agreement, Employee shall be entitled to vacations (without deduction in compensation or benefits) of such duration and at such time or times as may be consistent with prevailing vacation policies of the Company, but not less than four weeks per calendar year. Unused vacation days may be carried forward to the next year up to a maximum of 10 days. In the event of termination of this Agreement for any reason other than cause, unused available vacation time shall be paid to Employee at his normal salary rate. To the extent otherwise eligible, Employee may participate in any disability, medical, dental, retirement, pension, life insurance or other similar Company group benefit plan or personal benefit which is or may become generally available to executive employees of the Company, but at no less a level than currently in effect for Employee on the date hereof.
4. CHANGE IN CONTROL. Upon a change in control of Employee, all options granted to Employee, whether vested or not, shall be redeemed the Employer within 60 days thereafter by paying to Employee an amount equal to the greater of (a) the stock average of the closing bid and asked prices of the Company's common stock for the 10 trading days

immediately preceding the change of control; or (2) the exercise price of all the options. In addition, the Employer shall pay the Employee an amount equal to: (a) any excise tax imposed on the Employee under the Internal Revenue Code by reason of Employee's receipt of the redemption price; plus (b) a gross-up payment to reflect any income tax and excise tax imposed on the Employee by reason of Employee's receipt of the amounts described in this sub-paragraph. "Change in Control" shall mean a change in control of a nature that would be required to be reported in response to either (1) Item 1 of Form 8-K, Item 5(f) of Schedule 14A of Regulation 14A or (3) any other rule or regulation as promulgated by the Securities and Exchange Commission.

5. EXPENSES. Employee shall be reimbursed by the Company for his ordinary and necessary business expenses upon presentation of receipts therefor to the Company.

6. TERM. The term of this Agreement shall be for a period of one year from the date hereof, unless earlier terminated under Paragraph 6 below.

7. TERMINATION OF EMPLOYMENT.

6.1 FOR CAUSE. The Employer may terminate the Employee's employment at any time "for cause" upon delivering written notice to the Employee. For purposes of this Agreement, "for cause" shall include: (a) embezzlement, theft, larceny, material fraud, or other acts of dishonesty; (b) material violation by Employee of any of his/her obligations under this Agreement; (c) conviction of or entrance of a plea of guilty or NOLO CONTENDERE to a felony or other crime which has or may have a material adverse effect on the Employee's ability to carry out his duties under this Agreement or upon the reputation of the Employer; (d) conduct involving moral turpitude; (e) gross insubordination or repeated insubordination after written warning to Employee from the Employer; (f) material and continuing failure by the Employee to perform the duties described in herein in a quality and professional manner for at least sixty (60) days after written warning. Upon termination for cause, the Employer's sole and exclusive obligation will be to pay the Employee his compensation earned through the date of termination and the Employee shall not be entitled to any compensation after the date of termination.

6.2. UPON DISABILITY. The Employer may terminate the Employee's employment upon the Employee's total disability. The Employee shall be deemed to be totally disabled if he is unable to perform his duties under this Agreement by reason of mental or physical illness or accident for a period of 182 consecutive days. Upon termination by reason of the Employee's disability, the Employer's sole and exclusive obligations will be to (i) pay the Employee the difference between his total compensation and the amount received by Employee from his



disability insurance; and (ii) shall keep in effect all other benefits to which the Employee was entitled to receive. These obligations shall remain for the full remaining term of this Agreement.

6.3. WITHOUT CAUSE. The Employer may terminate the Employee's employment without cause at any time. In such an event, the Employee shall be entitled to receive only the compensation to which he is entitled for the remaining term of this Agreement.

8. COVENANT NOT TO COMPETE. For a period of two years from the termination of this Agreement, the Employee will not directly or indirectly:

(a) Enter into or attempt to enter into the "Restricted Business" (as defined below) within 5 miles of the Employer's principal places of businesses in Iowa, Pennsylvania and Florida;

(b) Induce or attempt to persuade any former, current or future employee, agent, manager, consultant, director, or other participant in the Employee's business to terminate such employment or other relationship in order to enter into any relationship with the Employee, any business organization in which the Employee is a participant in any capacity whatsoever, or any other business organization in competition with the Employer's business; or

(c) Use contracts, proprietary information, trade secrets, confidential information, customer lists, mailing lists, goodwill, or other intangible property used or useful in connection with the Employer's business.

(d) The term "indirectly," as used above, includes acting as a paid or unpaid director, officer, agent, representative, employee of, or consultant to any enterprise, or acting as a proprietor of an enterprise, or holding any direct or indirect participation in any enterprise as an owner, partner, limited partner, joint venturer, shareholder, or creditor.

(e) The term "Restricted Business" means any business which uses the technology similar to that of the Employer or directly or indirectly competes with Employer's business.

9. TRADE SECRETS AND EMPLOYMENT OF COMPANY EMPLOYEES.

(a) For a period from the date hereof until five years from the date of his termination of employment with the Company for any reason, Employee shall not, except as required by Employee's duties to the Company, without the Company's prior written consent, directly or indirectly, disclose, furnish, or cause to be disclosed or furnished, or use to the detriment of the Company any proprietary, confidential or trade secret information, whether or not patentable or copyrightable, belonging to the Company which Employee gains knowledge of during his employment,

whether or not developed by Employee and whether or not marked or designated as proprietary, confidential, or trade secret.

(b) For a period from the date hereof until the end of the period given below running from the date of his termination of employment with the Company for any reason Employee shall not, directly or indirectly,

(1) for two years, take away or attempt to take away, or aid, assist or abet any other party or person in taking away or attempting to take away, any customers of the Company who were such customers at the date of Employee's termination of employment, or

(2) for two years, in any form copy, duplicate or otherwise compile any list of past, present, or potential customers of the Company except on an as-needed basis while employed by the Company and upon termination of Employee's employment with the Company for any reason Employee shall immediately return all such lists, and all copies, duplicates, and compilations thereof, to the Company.

(c) Employee upon termination of his employment with the Company for any reason shall

return to the Company and not keep for personal use, any and all records, information in whatever form compiled, hardware, software, files, and other assets of the Company in his possession or control on the date of termination.

(d) Employee acknowledges that a violation of this Paragraph 8(b) would lead to inevitable injury to the Company by interference with critical customers and employees of the Company.

(e) Reference in this Paragraph 8 to the Company shall include reference to all affiliated entities of the Company, including, without limitation, its subsidiaries.

10. MATERIALITY AND REMEDIES. Employee acknowledges that a violation of the provisions of Paragraphs 8 and 9 will cause irreparable injury to the Company in that its vital confidential or proprietary knowledge will become public knowledge causing it to lose its competitive advantage and goodwill. Therefore, since damage to the Company will be difficult to ascertain, the Company shall be entitled without the showing or proving of any actual injury sustained to a temporary restraining order or injunction granted by a competent court of equity to prevent a breach or further breach of Paragraphs 8 and 9 of this Agreement. If a court should nevertheless require a showing of injury, then the Company may meet this burden by showing it has a legitimate business interest to protect and competition itself will be injurious

to the Company. Without regard to whether or not the Company seeks or is granted equitable relief, the Company shall not be prejudiced in its right to seek and be awarded damages for breach. In any such action, Employee agrees that: (1) exclusive jurisdiction and venue shall lie in the state courts of Palm Beach County, Florida; (2) Employee waives his right to a trial by jury on any all claims or counter claims arising out of this Employment Agreement; and (3) the prevailing party in any such action shall be entitled to recover an award of its reasonable attorneys' fees, including all appellate attorneys' fees, and its costs.

11. ENTIRE AGREEMENT. This Agreement contains the entire agreement concerning employment arrangements between the Company and Employee and supersedes all prior written and oral understandings of the parties with respect thereto. This Agreement may not be changed except by a writing signed by the party against whom the enforcement of any waiver, change, extension, modification or discharge is sought.
12. NOTICES. Any notice required or permitted to be given under this Agreement shall be sufficient if in writing and delivered in person or sent by certified mail to the party involved at the address shown on the signature page, or to such other address as either party may specify to the other in writing. The date two days after the date of mailing of such notice shall be deemed to be the date of delivery thereof.
13. ASSIGNMENT. This Agreement shall inure to the benefit of, and shall be binding upon, the Company, its successors and assigns, Employee, his heirs and personal representatives, but may not be assigned by Employee.
14. SEVERABILITY. In the event any term, paragraph or provision of this Agreement or its application to any circumstances shall to any extent be deemed invalid or unenforceable, the remainder of this Agreement shall be valid and enforceable to the fullest extent permitted by law.
15. APPLICABLE LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Florida.
16. CONSULTATION OF ATTORNEYS. The Company and Employee acknowledge that they each have had the opportunity to consult its or his respective attorney with respect to this Agreement and that they each understand its contents.
17. PARAGRAPH HEADINGS. The paragraph headings contained herein are for reference only and shall not in any way affect the meaning or interpretation of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Employment Agreement

on the day and year first written above.

Medical Technology and  
Innovations, Inc.

\_\_\_\_\_  
Jeremy Feakins

By: \_\_\_\_\_  
Jeremy Feakins, President and  
Chief Executive Officer

Exhibit 10.7 Purchase Agreement dated January 31, 1996 between the Company and Glenn and Ruth Schultz.

INSTALLMENT AGREEMENT FOR THE SALE OF REAL ESTATE

Agent for Seller

NONE

This agreement, made this \_\_\_\_\_ day of JANUARY A.D., 1996. Between GLENN A. SHULTZ & RUTH G. SHULTZ (residing at 611 ENFIELD DRIVE LANCASTER, PA Zip 19601) hereinafter called Seller, and MEDICAL TECHNOLOGY & INNOVATIONS, INC. (residing at 255 BUTLER AVENUE, SUITE 101, LANCASTER, PENNSYLVANIA Zip 17601 ) hereinafter called Buyer.

That in consideration of the mutual covenants and agreements hereinafter contained, Seller agrees to sell and Buyer agrees to purchase:

ALL THAT CERTAIN tract or parcel of land, together with the Improvements erected thereon, if any, known as 3125 NOLT ROAD in the TOWNSHIP of EAST HEMPFIELD, County of LANCASTER, State of Pennsylvania, Zip 17601 and more fully described in Deed Book \_\_\_\_\_, Volume \_\_\_\_\_, Page \_\_\_\_\_.

1. CONSIDERATION /bullet/ The purchase price to be paid by Buyer shall be the sum of \$260,000.00 to be paid as follows:

A. \$ 0 at the signing of this Agreement which shall be held in escrow by the listing agent until settlement or termination of this Agreement in conformity with all applicable laws and regulations.

B. \$26,000.00 at settlement.

C. The \$234,000.00 balance with interest on the unpaid balance at the rate of 8.5% per annum shall be paid in consecutive monthly installments, which shall be applied first to payment of interest and the remainder to reduction of principal, in the amount of \$1,657.50 per month beginning on MARCH 1, 1996 and continuing on the 1ST day of each month until paid in accordance with an appropriate amortization schedule the receipt of which both the Buyer and the Seller hereby acknowledge. However, the Buyer agrees to pay the entire unpaid balance at any time on or before FEBRUARY 1, 1999, with no accrued interest, the Buyer shall be entitled to receive title to the property in accordance with the terms in Paragraph 6.

D. The written approval by the Seller of this Agreement must be on or before JANUARY 26, 1996 . Otherwise, this Agreement shall become null and void and the down payment shall be returned to the Buyer.

E. Buyer and Seller acknowledge that the monthly payment set forth in Paragraph 1.C represents only interest on the balance of \$234,000.00.

F. Buyer shall be totally responsible for the cost of any remediation required as a result of any environmental conditions created by Buyer during the time that Buyer occupies the property.

2. SETTLEMENT, POSSESSION AND OCCUPANCY /bullet/ Settlement shall be on or before JANUARY 31, 1996. Settlement is the date at which all parties and their respective representatives shall gather at a mutually agreed upon place to disburse the monies and calculate the pro-rations as set forth herein. Buyer shall be entitled to possession upon completion of settlement and the payment of any monies required at the time of, or prior to, settlement. Buyer thereafter shall have the right of occupancy, subject, however, to the rights of Seller or Buyer at the time of settlement. Seller will not enter into any new leases or written extensions of existing leases, if any, without the express written consent of Buyer. Buyer hereby acknowledges any existing leases whether oral or written; and if written by initialing said leases at the time of signing this Agreement, Buyer may [X] may not [ ] enter into any new leases for any portion of the property without the express written consent of the Seller.

3. USE /bullet/ During the period of Buyer's possession of the herein described property, Buyer agrees that the property shall be used only as ANY LAWFUL PURPOSE and will be used for no other purpose unless Seller shall first consent in writing thereto.

4. TITLE /bullet/ SUBJECT CLAUSE /bullet/ This Agreement is subject to the Buyer, at his expense, obtaining a title search on the subject property within 10 days of the Seller's acceptance date of this Agreement. Said report shall indicate that the title is such that could be insured by a reputable title company at regular rates. In the absence of such indication or in the event that any liens, judgments or claims exceeds the purchase price, the Buyer may, at his option, declare this Agreement null and void by notifying the Seller in writing within 10 days of receipt of the title report.

5. TITLE /bullet/ Seller warrants that as of the signing of this Agreement, Seller holds legal and marketable title to the property free and clear of liens, judgments and encumbrances except for the following: An existing first mortgage with NONE (Seller shall not allow said mortgage to become delinquent), visible easements, building or use restrictions, rights of public utility companies, rights of way and any

state or local ordinances. Should title as held by Seller at the signing of this Agreement not be as above warranted, Seller may eliminate any defect therein prior to settlement or provide insurance against such defect, and such elimination of or insurance against such defect shall have the same effect as though such defect had not existed at the signing of this Agreement. Seller agrees that he will not Cause, engage in any undertaking, or permit or allow any encumbrances, liens, mortgages or other obligations to be entered as a lien against the above described premises during the term of this Agreement, except any existing first mortgage as stated above.

6. TITLE CONVEYANCE /bullet/ Upon payment of the unpaid balance in accordance with the terms of this Agreement as described in Paragraph 1C, the title to the real estate shall be conveyed in fee simple by a special warranty deed. Title to the premises shall be good and marketable such as will be insured at regular rates by any reputable Title Insurance Company, and shall be free and clear of all liens, judgments and encumbrances except for visible easements, building or use restrictions, rights of public utility companies, rights of way and any state or local ordinances. Furthermore, in the event Buyer chooses to pay the purchase price in full prior to the period enumerated in Paragraph 1C hereof, Seller will at that time deliver title as stated above. At the time of conveyance all transfer taxes will be divided equally.

7. INSURANCE /bullet/ Buyer shall obtain a policy of first insurance with extended coverage provisions or an appropriate Homeowner's Policy from a responsible fire insurance company in an original amount of at least \$260,000.00, but in no case, less than the balance due on the principal amount in accordance with Paragraph 1C. Said insurance policy shall specifically insure Buyer, Seller and the Seller's mortgagee "as their respective interest may appear." The original copy of the policy shall be delivered to the current mortgagee as well as a copy to the Seller. If the Buyer should carry public liability insurance, it shall be written for the benefit of both Buyer and Seller. Should the Buyer allow the fire insurance or homeowner's policy to become delinquent or to allow coverage to become interrupted or cause a cancellation of the insurance, the Seller may treat such action as a breach of this Agreement.

8. NOTICES /bullet/ All notices or other communications necessary to any party in this Agreement shall be in writing and shall be deemed as given when mailed to the parties at the addresses set forth below:

If to Buyer: 3125 Nolt Road, Lancaster, Pennsylvania 17601

If to Seller:

9. FUTURE TAXES, WATER, SEWER, MUNICIPAL CHARGES /bullet/ accruing from the date of settlement shall be paid by Buyer when and as they become payable. Buyer shall make such payments directly to the parties by which the assessments are levied prior to the bills becoming delinquent. In the event any claims are inadvertently levied against the Seller, the Seller shall forward the bills to the Buyer who shall pay them as stated above and send proof of same to Seller. Failure by the Buyer to make payments as stated within this paragraph shall constitute a breach of this contract. Current real estate taxes will be pro-rated on a fiscal year basis as of the date of settlement in Paragraph 2. Rents, water and sewer charges will be pro-rated as of the date of settlement in Paragraph 2. Buyer may choose by adding his initials at this point \_\_\_\_\_ to pay the taxes as follows: Seller will estimate the total taxes which shall become due for the 12 month period following settlement; the Buyer shall then pay 1/12 of that amount to the Seller in addition to the monthly payment as described in Paragraph 1C. Prior to the end of the first 12 month period, the Seller shall again estimate the total amount which shall become due for the next 12 month period and the Buyer shall pay 1/12 of that amount with his monthly payment. This procedure shall be followed from year to year. If the Seller's

estimate should be too high for any period, a credit will be given to the Buyer on the next estimate; should the estimate be too low, the deficiency shall be added to the next estimate.

10. ASSESSMENTS AND NOTICES /bullet/ Seller represents as of the approval date of this agreement of sale, that no assessments for public improvements have been made against the premises which remain unpaid and that no notice by any governmental or other public authority has been served upon the Seller or anyone on the Seller's behalf, including notices relating to violations of housing, building, safety or fire ordinances which remain uncorrected unless otherwise specified herein. Buyer will be responsible for any notices served upon the Seller after the approval date of the Agreement; the Seller will be responsible for any such improvements, assessments or notices received prior to the date of this Agreement.

11. FIXTURE, TREES, SHRUBBERY, ETC. /bullet/ All plumbing, heating and lighting fixtures (including chandeliers) and systems appurtenant thereto and forming a part thereof, and other permanent fixtures, as well as all ranges, laundry, tubs, T.V. antennas, masts and rotor radiator covers, cornices, kitchen cabinets, drapery rods, drapery rod hardware, curtain rods, curtain rod hardware, all trees, shrubbery, plantings now in or on property, if any, and any remaining heating and cooking fuels stored on premises at time of settlement, unless specifically excepted in this Agreement, are included in the sale and purchase price. None of the above mentioned items shall be removed by Seller from premises after the date of this Agreement.

12. MAINTENANCE AND REPAIRS /bullet/ Buyer agrees that Buyer, at his own expense, will maintain the premises in a reasonable state of repair at all times and will not permit any waste or disrepair to occur. Buyer agrees to make any and all repairs which, from time to time, become necessary or are mandated by federal, state, country or municipal law, ordinance or code in effect now or may become effective in the future. If, in the Seller's opinion, at any time the property requires repairs, the Seller shall so notify the Buyer to make such repairs. If the

Buyer fails to make them within 30 days, the Seller may treat such failure as a breach of this Agreement. However, the Buyer shall only be responsible for repairs which may become necessary after the day of settlement or the day of possession, (whichever occurs first) and not for any pre-existing conditions. Seller warrants that he has no knowledge of any defective conditions which are not readily visible upon inspection of the premises and the Buyer acknowledges that he has made such inspection.

13. IMPROVEMENTS AND ALTERATIONS /bullet/ No major improvements or alterations shall be made to the premises without the prior written consent of Seller, which consent shall not be unreasonably withheld. Buyer agrees that Seller or Seller's agents shall have the right at all reasonable time of the day and upon reasonable notice under the circumstances to enter the premises for the purpose of inspection to determine whether Buyer has complied with the terms hereof.



In the event of Buyer's default as to the terms of this Agreement, any and all improvements and additions made to the subject premises shall be and remain a permanent part of the premises; they shall not be removed by Buyer and Buyer will not be entitled to any reimbursement therefore; nevertheless, if such improvements, alterations, or additions were made without the written prior approval of Seller, Buyer will remove same within 30 days, upon written notice from Seller to do so. In the event of such notice to remove these items, Buyer will repair the surfaces from which such improvements were removed in conformity with the surrounding surfaces.

14. STRUCTURAL CHANGES /bullet/ Any and all structural changes to be made to the premises by the Buyer must have the same approval and meet the same requirements as other improvements and alterations as above provided. In the event that such structural changes are to be made, Buyer shall indemnify Seller from the imposition of mechanic's liens, and encumbrances of any nature which might affect Seller's interest in the subject premises, except as otherwise may be agreed in writing. The Seller may, at his option, require the Buyer to file a stipulation against liens prior to any structural alterations.

15. WARRANTY AS TO USE OR OCCUPANCY /bullet/ Seller warrants that present use of the premises is in conformity with federal, state and local laws, zoning, building or use restrictions and other laws, ordinances, codes, or deed restrictions. Seller makes no warranty or representations as to the conformity of any future use or occupancy of the subject property insofar as federal, state or local laws are concerned relative to zoning, building or other laws, ordinances or codes. In the event that Buyer wishes to obtain approval of a change of use or occupancy, Seller agrees to cooperate to any reasonable degree in such application or request, providing all costs associated therewith shall be borne by Buyer.

16. COMPLIANCE WITH LAWS /bullet/ Buyer shall comply with federal, state and local zoning, building or use restrictions and other laws, ordinances, codes or deed restrictions having jurisdiction over the property in connection with the property. Any violation of the above may, at the option of the Seller, constitute a breach of this contract.

17. ASSIGNMENT OF SALE /bullet/ This agreement may not be assigned by Buyer without the prior written approval of Seller, nor may the premises be sold by Buyer by means of an installment sales agreement or comparable document without the prior written approval of Seller, provided that nothing contained in this paragraph shall be construed as a prohibition against the sale of the premises by Buyer to a third party whereby Seller receives full consideration stated in Paragraph 1 herein. In the event of such as "outright" sale, Buyer agrees to execute, at no cost to Seller, all documents reasonably required to effect such a sale and conveyance and the Seller agrees to sign a deed wherein the Buyer may be a third party and not the Buyer as named herein. In the event of such conveyance or sale, Seller and Buyer, herein, agree to divide the cost of any transfer taxes but, in no event, shall the obligation of Seller herein for such transfer taxes be greater than Seller's obligation for transfer taxes as hereinabove provided.

18. SELLER'S FIRST MORTGAGE OPTION /bullet/ At any time after the N/A anniversary of the settlement date herein, Buyer agrees that within 90 days of receiving written notice from the Seller, said notice being give at the Seller's discretion, Buyer will accept a deed to the property and will deliver to the Seller a bond and mortgage in the amount of the principal balance then unpaid plus any additional payments then owed by the Buyer; the Buyer will pay the cost of preparing and recording the deed and the mortgage. The terms of the mortgage shall be in accordance with the terms as described in Paragraph 1C. That is, the interest rate shall not exceed the rate described in Paragraph 1C and the monthly payments shall not exceed that as described in Paragraph 1C. The term of this mortgage at that time will be that term which is remaining of the initial term as described in Paragraph 1C. All other contents of the mortgage instrument shall be those which are commonly used in standard mortgage contracts which are in use in Lancaster County at the time of settlement.

19. BUYER'S DEFAULT /bullet/ POSSESSION OF PROPERTY /bullet/ If the Buyer fails to make any payment as required by this Agreement, or commits a breach of this contract in any way, the Seller within 30 days of such breach may declare the Buyer's right of occupancy to be terminated; and upon such notice from the Seller, the Buyer agrees to vacate the property and remove all possessions within 30 days. However, in the event that leases on the property exist, the Seller shall honor these leases if they were executed prior to the Buyer receiving notice as described herein. It is further understood and agreed that in case of default of the payments or any other default, the whole of the remaining principal sum together with interest shall, at the option of the Seller, become due and payable and in such case of default, the Buyer hereby authorizes any attorney of any court of record to appear for the

Buyer and confess a judgment for the whole of such sum hereby waiving the right of exemption and inquisition as far as the property is concerned. Or the Seller, may at its option, proceed by an action of ejectment on this Agreement, after the default, for the recovery of the property; and in such case the Buyer hereby authorizes any attorney of any court to appear for the Buyer in an action in ejectment for the property to be entered by the prothonotary, in which the Seller shall be the plaintiff and the Buyer shall be the defendant and to confess judgment in favor of the plaintiff and against the defendant for the property and authorizes the immediate issuing of a writ of possession.

20. BUYER'S DEFAULT /bullet/ TERMINATION OF AGREEMENT /bullet/ In the event of a default of the payments or any other default of this Agreement, the Seller may take action in accordance with Paragraph 19. However, the Seller may also, at his option, declare this Agreement to be terminated and may do so by notifying the Buyer in writing that this Agreement shall terminate 30 days after the date of such notice. Then and in that event, all payments previously made herein shall be retained by the Seller and this Agreement shall become null and void; further, the Buyer thereafter shall have no interest whatever in the property and the Seller may deal with the property as thought this Agreement had not been made. If this Agreement shall have been recorded, the Seller's affidavit of

default and termination when similarly recorded, shall be conclusive evidence of Seller's right to deal with the property as though this Agreement had not been made. In addition, the Seller may recover any payments that are past due and any payments which may become due until the Buyer vacates the property. All monies retained by the Seller or collected as past due payments or collected until the property becomes vacant shall constitute liquidated damages for breach of this Agreement.

21. OTHER REMEDIES BY SELLER /bullet/ Any remedy of Seller, as provided herein, may be pursued by Seller independently of or in addition to any other remedy as provided herein, and Seller may pursue any other or further remedy at law or in equity as he may see fit. Seller's failure on any occasion to enforce any right or remedy hereunder shall not constitute a waiver of such right or remedy, and the same may be enforced by Seller at any time. Any remedy pursued shall be in accordance with all laws within the Commonwealth of Pennsylvania applicable at the time of signing this Agreement or as the laws may be amended and currently in effect when said remedies shall be pursued.

22. BANKRUPTCY /bullet/ The Buyer understands that the institution of any proceedings against the Buyer under any insolvency or bankruptcy laws, whether voluntary or involuntary, shall at the option of the Seller, constitute a breach of this Agreement and in such event, this Agreement shall terminate with the same effect as provided in Paragraph 20.

23. CURE CLAUSE /bullet/ In the event that written notice is given to the Buyer by the Seller wherein the Buyer is notified that a breach of this Agreement has been committed, the Buyer shall have 30 days in which to cure said breach. If the Buyer fails to correct the breach within the stated 30 days, the Seller may take action in accordance with the terms of this Agreement. However, if the Buyer has taken reasonable action to cure the breach, the original 30 day period may be extended an additional 30 days. The cure of said breach within the required time period shall serve to return this Agreement to full force and effect as if the breach had not occurred.

24. DESTRUCTION OR DAMAGE TO THE PROPERTY /bullet/ Destruction of or damages to the property, whether by fire or any other cause shall not release the Buyer from any of his obligations of this Agreement, it being expressly understood by the Buyer that Buyer bears all risk of loss or damage to, the property.

25. HEIRS /bullet/ This Agreement shall be binding to the heirs, personal representatives, successors and assigns of both Seller and Buyer.

26. ENTIRE AGREEMENT /bullet/ It is expressly declared that this document contains the entire agreement between the parties and that there are no oral or other agreements affecting or supplementing the term, or concerning the subject matter, hereof, as a condition precedent or inducement to the signing of this Agreement, or otherwise.

27. RECORDING /bullet/ All parties agree that the Buyer, at his option and expense, may record this Agreement. In consideration for the services rendered, the Seller agrees to pay N/A a Realtor's fee in the amount of \$ N/A.

APPROVAL DATE OF SELLER: \_\_\_\_\_

IN WITNESS WHEREOF, the parties hereto have affixed their respective hands and seals, the day and year first above written.

WITNESS: \_\_\_\_\_ (Seal)

\_\_\_\_\_ By: \_\_\_\_\_ (Seal)

\_\_\_\_\_ Attest: \_\_\_\_\_ (Seal)

\_\_\_\_\_ (Seal)

Glenn A. Shultz  
\_\_\_\_\_ (Seal)

Ruth G. Shultz

STATE OF PENNSYLVANIA )  
COUNTY OF \_\_\_\_\_ )

On this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, before me

the undersigned officer, personally appeared \_\_\_\_\_  
known to me (or satisfactorily proven) to be the person described herein, and  
whose name(s) \_\_\_\_\_ subscribed to within the Agreement as  
"Seller," and acknowledged that \_\_\_\_\_/\_\_\_\_\_ executed the same for the  
purposes therein contained.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.  
My Commission Expires: \_\_\_\_\_ Notary Public

For a valuable consideration, and intending to be legally bound,  
\_\_\_\_\_ hereby assign, transfer and set over all  
\_\_\_\_\_ right, title and interest in the within  
agreement unto \_\_\_\_\_ heirs, successors and assigns.

WITNESS \_\_\_\_\_ hand and seal this \_\_\_\_\_  
day of \_\_\_\_\_, 19\_\_\_\_.

\_\_\_\_\_ (Seal)  
\_\_\_\_\_ (Seal)

STATE OF PENNSYLVANIA )

COUNTY OF \_\_\_\_\_ )

Recorded this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, in the Recorder's Office of said County, in Record Book \_\_\_\_\_, Volume \_\_\_\_\_, Page \_\_\_\_\_.

Given under my hand and seal of said officer, the date above written.

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Recorder

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in the Registration Statement of Medical Technology & Innovations, Inc. on Form S-8 (No. 33-27610-A) of our report dated September 11, 1996 on the consolidated financial statements of Medical Technology & Innovations, Inc. and subsidiary appearing in the Annual Report on Form 10-KSB of Medical Technology & Innovations, Inc. for the year ended June 30, 1996.

/s/ SIMON LEVER & COMPANY

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Lancaster, Pennsylvania  
September 26, 1996

EXHIBIT 24.1      POWERS OF ATTORNEY AS INDICATED ON PAGE 18-19 OF THIS FORM  
10-KSB

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