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: **1996-12-30** | Period of Report: **1996-09-30**
SEC Accession No. 0001016437-96-000023

(HTML Version on secdatabase.com)

FILER

PARADIGM MEDICAL INDUSTRIES INC

CIK:**916444**| IRS No.: **870459536** | State of Incorp.:**DE** | Fiscal Year End: **0930**
Type: **10KSB** | Act: **34** | File No.: **000-28498** | Film No.: **96687778**
SIC: **3841** Surgical & medical instruments & apparatus

Mailing Address
900 FIRST INTERSTATE PLAZA
170 SOUTH MAIN
SALT LAKE CITY UT 84101

Business Address
1772 W 2300 SOUTH
SALT LAKE CITY UT 84119

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-KSB

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended September 30, 1996, or
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition Period from to

Commission File Number 0-28498

Paradigm Medical Industries, Inc.
(Name of small business issuer in its charter)

DELAWARE	87-0459536
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
1772 West 2300 South Salt Lake City, Utah (Address of principal executive offices)	84119 (Zip Code)

Registrant's telephone number, including area code:
(801) 977-8970

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

Title of each Class	Name of each exchange on which registered
None	None

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

Common Stock, $.001 Par Value
(Title of Class)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 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 [X] No

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-B is not contained herein, and will not 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. [ ]

Registrant's revenues for its most recent fiscal year were $294,993.

The aggregate market value of the voting stock held by non-affiliates of the Registrant as of December 20, 1996 was $8,107,000.

As of December 20, 1996, Registrant had outstanding 3,214,208 shares of Common Stock, 121,704 shares of Series A Preferred Stock, and 442,023 shares of Series B Preferred Stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registration Statement on Form SB-2, as filed on March 19, 1996, and amendments thereto are incorporated by reference into Part IV hereof.

Transitional Small Business Disclosure Format (check one):
Yes [ ] No [X]

PART I

Item 1. Description of Business

General

Paradigm Medical Industries, Inc. (the "Company" or "Registrant") develops, sells and markets ophthalmic surgical systems designed for minimal invasive cataract treatment. The Company currently markets an ultrasonic cataract removal system and related disposable products and accessories. The Company is developing a laser cataract surgery system which it believes is superior to current ultrasound technology and which it hopes will become the preferred worldwide, state-of-the-art system for cataract treatment. The Company's laser products are designed to improve current technology and to permit applications which are not currently available using conventional ultrasonic systems, or other traditional medical instruments. Although the Company is presently utilizing its core proprietary technology and expertise in developing its fully integrated laser surgery system to

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

perform surgical treatment procedures to remove cataracts, the Company intends to expand the use of its laser systems to treat other ophthalmic disorders, as well as non-ophthalmic surgical treatments.

The Company estimates that there are over 44,000 ophthalmologists worldwide, approximately 16,000 of which are in the United States. Since the first use of ophthalmic ultrasound and laser surgical devices in the early 1970's, new technical delivery systems and laser wavelengths have broadened the applications for which ophthalmologists have used these devices in treating eye disorders. Industry sources estimate that at least 90% of all ophthalmologists practicing in the United States currently use some form of ultrasonic and/or laser system for one or more eye treatments.

The Company believes that in 1993 approximately 3.7 million cataract surgeries were performed worldwide that could have been done with the Company's products. Cataract surgery is the single largest volume and revenue producing surgical procedure for ophthalmologists worldwide. Industry sources report that in 1993 over 80% of all cataract procedures in the United States were performed using a method called phacoemulsification or "phaco," which employs an ultrasonic probe device. The Company manufacturers and sells such a device, the Precisionist(trademark) system. However, the Company believes phaco systems can be difficult for ophthalmic surgeons to master and are limited in their ability to be the most minimally invasive method possible. The Company has developed a proprietary patented laser system and unique probe for laser cataract removal that may alleviate these difficulties associated with phaco systems. That development was done in cooperation with Daniel M. Eichenbaum, M.D., a United States cataract surgeon and medical device engineer. Dr. Eichenbaum serves on the Company's Clinical Advisory Board and is the Company's primary technical consultant for the laser cataract application.

This laser system, the Photon(trademark) laser cataract system, is intended to be easier to use and safer than present phaco cataract surgery systems. The probe is smaller than typical probes employing ultrasonic technology and delivers laser energy directly to the desired area with a blunt end and therefore, unlike the sharp open-ended ultrasonic probes, causes no vibration throughout the rest of the eye which can damage other delicate eye structures. The Company is not aware of any circumstance where the Photon(trademark) laser cataract could not be used for cataract surgery other than where a patient's health would not enable him or her to undergo any type of surgery. There is no assurance, however, that disadvantages or problems unique to the Photon(trademark) laser cataract system will not be discovered during clinical trials or following United States Food and Drug

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Administration ("FDA") market approval. Because of the advantages of the Photon(trademark) laser cataract system, the Company believes that it is positioned to significantly change the ophthalmic surgical marketplace. In addition, the Company believes that its laser system is capable of being configured with specialty probes for use in surgical procedures unrelated to ophthalmics, such as plastic surgery, urology and orthopedics. These potential non-ophthalmic applications present substantial growth opportunities including sales within the equipment market and disposables sales, conducted either directly or through strategic licensing. However, potential non-ophthalmic uses of the Company's laser system are still in the early planning stages and there is no assurance that these applications will be developed or approved. For the near future, the Photon(trademark) laser cataract system's only target application is cataract removal.

Background

Corporate History. The Company's business originated with Paradigm Medical, Inc., a California corporation formed in October 1989 ("PMI"). PMI developed the Company's present ophthalmic business and was operated by its founders Thomas F. Motter and Robert W. Millar. In May 1993, PMI entered into a merger agreement with the Company wherein PMI merged with and into the Company. At the time of the merger, the Company was a dormant public shell existing under the name French Bar Industries, Inc. ("French Bar"). Pursuant to the merger, the Company caused a 1-for-7.96 reverse stock split of its shares of Common Stock. The Company then acquired all of the issued and outstanding shares of Common Stock of PMI using shares of its own Common Stock as consideration. As part of the merger, the Company changed its name from French Bar Industries, Inc. to Paradigm Medical Industries, Inc. and the management of PMI assumed control of the Company. In April 1994, the Company caused a 1-for-5 reverse stock split of its shares of Common Stock. In February 1996, the Company redomesticated to Delaware pursuant to a reorganization.

The predecessor company of French Bar was formed on June 16, 1970 as Woodlike Industries, Inc. ("Woodlike"). Woodlike was organized to design, manufacture, and market building and construction materials and decorative products made from bituminous materials, such as plastics, fiber glass and rigid polyurethane foam. In April 1972, Woodlike conducted a small public offering of its common stock. However, by early 1974, Woodlike had ceased operations, disposed of its assets and began looking for a merger candidate with viable business operations.

In April 1984, Woodlike merged with French Bar Mines, Inc., a Montana corporation. As part of the merger, Woodlike changed its name from Woodlike Industries, Inc. to French Bar Industries,

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Inc. and new management assumed control. French Bar operated a mining and tourist business in Montana. However, it never generated significant revenues. Prior to its merger with PMI in 1993, French Bar had disposed of its mineral and mining assets in a settlement of outstanding debt and had returned to the status of a dormant entity.

Disorders of the Eye Overview. The human eye is a complex organ which functions much like a camera, with a lens in front and a light-sensitive screen, the retina, in the rear. The intervening space contains a transparent jelly-like substance, the vitreous, which together with the outer layer, the sclera and cornea, helps the eyeball to maintain its shape. Light enters through the cornea, a transparent domed window at the front of the eye. The size of the pupil, an aperture in the center of the iris, controls the amount of light that is then focused by the lens onto the retina as an upside-down image. The lens is the internal optical component of the eye and is responsible for adjusting focus. The lens is enclosed in a capsule. The retina is believed to contain more than 130 million light-receptor cells. These cells convert light into nerve impulses that are transmitted right side up by the optic nerve to the brain, where they are interpreted. Muscles attached to the eye control its movements.

Birth defects, trauma from accidents, disease and age related deterioration of the components of the eye can all contribute to eye disorders. The most common eye disorders are either pathological or refractive. Many pathological disorders of the eye can be corrected by surgery. These include cataracts (clouded lenses), glaucoma (elevated pressure in the eye), corneal disorders such as scars, defects and irregular surfaces and vitro-retinal disorders such as the attachment of membrane growths to the retina causing blood leakage within the eye. All of these disorders can impair vision. Many refractive disorders can be corrected through the use of eyeglasses and contact lenses. Myopia (nearsightedness), hyperopia (farsightedness) and presbyopia (inability to focus) are three of the most common refractive disorders.

Ultrasound Technology Overview. Ultrasound devices have been used in ophthalmology since the late-1960's for diagnostic and surgical applications when treating or correcting eye disorders. In diagnostics, ultrasound instruments are used to measure distances and shapes of various parts of the eye for prescription of eyeglasses and contact lenses and for calculation of lens implant prescriptions for cataract surgery treatment. These devices emit sound waves through a hand-held probe that is placed onto or near the eye with the sound waves emitted being reflected by the targeted tissue. The reflection "echo" is computed into a distance value that is presented as a visual

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

image, or cross-section of the eye, with precise measurements displayed and printed for diagnostic use by the surgeon.

Surgical use of ultrasound in ophthalmology is limited to treatment of cataractous lenses in the eye through a procedure called phacoemulsification or "phaco." A primary objective of cataract surgeries is the removal of the opacified (cataractous) lens through an incision that is as small as possible. The opacified lens is then replaced by a new synthetic lens intraocular implant ("IOL"). Phaco technology involves a process by which a cataract is broken into small pieces using ultrasonic shock waves delivered through a hollow, open-ended metal needle attached to a hand-held probe. The fragments of cataractous tissue are then removed through aspiration. Phaco systems were first designed in the late 1960's after various attempts by surgeons to use other techniques to remove opacified lens, including crushing, cutting, freezing, drilling and applying chemicals to the cataract. By the mid-1970's, ultrasound had proven to be the most effective way to fragment cataracts. Industry sources indicate that phaco cataract treatment is the technology for cataract removal used in over 80% of surgeries in the United States and 20% of all foreign surgeries.

Laser Technology Overview. The term "laser" is an acronym for Light Amplification by Stimulated Emission of Radiation. Lasers have been commonly used for a variety of medical and ophthalmic procedures since the 1960's. Lasers emit photons of light into a highly intense beam of energy that typically radiates at a single wavelength or color. Laser energy is generated and intensified in a laser tube or solid-state cavity by charging and exciting photons of energy contained within material called the lazing medium. This stored light energy is then delivered to targeted tissue through focusing lenses by means of optical mirrors or fiber optics. Most laser systems use solid state crystals or gases as their lazing medium. Differing wavelengths of laser light are produced by the selection of the lazing medium. The medium selected determines the laser wavelength emitted, which in turn is absorbed by the targeted tissue in the body. Different tissues absorb different wavelengths or colors of laser light. The degree of absorption by the tissue also varies with the choice of wavelength and is an important variable in treating various tissue. In a surgical laser, light is emitted in either a continuous stream or in a series of short duration "pulses," thus interacting with the tissue through heat and shock waves, respectively. Several factors, including the wavelength of the laser and the frequency and duration of the pulse or exposure, determine the amount of energy that interacts with the targeted tissue and, thus, the amount of surgical effect on the tissue.

Lasers are widely accepted in the ophthalmic community for

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

treatment of certain eye disorders and are popular for surgical applications because of their relatively non-invasive nature. In general, ophthalmic lasers, such as argon, Nd:YAG and excimer (argon-fluoride) are used to coagulate, cut or ablate targeted tissue. The argon laser is used to treat leaking blood vessels on the retina (retinopathy) and retinal detachment. The eximer laser is currently undergoing clinical trials for corneal refractive surgery. The Nd:YAG pulsed laser is used to perforate clouded posterior capsules (posterior capsulotomy) and to relieve glaucoma-induced elevated pressure in the eye (iridotomies). Argon, Nd:YAG and excimer lasers are primarily used for one or two clinical applications each. In contrast to these conventional laser systems, the Company's Photon(trademark) laser cataract system is designed to be used for multiple ophthalmic applications, including certain new applications that may be made possible with the Company's proprietary technology. Such applications, however, must be tested in clinical trials and be approved by the FDA.

Products

The Company's principal products are a fully-integrated laser-assisted surgery system and an ultrasonic surgery system for use by ophthalmologists to perform surgical treatment procedures to remove cataracts. In 1990, the Company received clearance from the FDA pursuant to Section 510(k) of the Food, Drug and Cosmetics Act (the "FDC Act") on its Precisionist(trademark) phaco system for cataract surgery. The Company also has completed its pre-clinical in vitro and in vivo (animal) testing of its Photon(trademark) laser cataract solid-state laser cataract surgical system and submitted a Section 510(k) Premarket Notification to the FDA for the Photon(trademark) laser cataract system in September 1993, with a follow-up Investigational Devise Exemption ("IDE") application submitted to support its filing made in October 1994. The IDE was conditionally approved by the FDA in February 1995 upon the Company's final submission of its product specifications data. Final IDE approval was granted in May 1995. Clinical trials were begun in April 1996 and were completed in December 1996.

The Company's solid-state pulsed Nd:YAG (Neodymium: Yttrium-Aluminum-Garnet) laser system and patented proprietary hand-held fiber optic laser probe are designed to allow greater precision when removing cataract tissue from the eye than the ultrasonic phacoemulsification method presently used. This system provides for the introduction of a probe into the eye in direct contact with the cataract and the performance of three surgical functions simultaneously: (i) plasmatization (disintegration) of the hardened cataract, (ii) irrigation of the surgical area and (iii) removal of the plasmatized cataract from the eye through aspiration (suction). As far as the Company can determine, no other integrated single laser probe is presently

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

available on the market that uses laser energy directly, contained in an enclosed probe, to plasmatize cataract tissue at a precise location inside the eye while simultaneously irrigating and aspirating the site. Pre-clinical studies to date indicate that the precision and energy containment afforded by the Company's laser delivery technology presents the opportunity for significantly less trauma to adjacent tissue and fewer adverse effects from thermal and acoustic shock, which should lead to greater efficacy, safety and ease of use for the procedure. The safety, precision and ease of use afforded by the Company's laser cataract system is anticipated to create a significant demand by ophthalmic users of current ultrasonic surgical systems. Additionally, the Company believes that this system will expand market demand to ophthalmologists who presently do not use a surgical system for cataract surgery because of present or perceived difficulties and/or risks. There is, however, no assurance that the above-referenced market demand will in fact materialize.

The Company's laser system is based upon the scientific principle that short-pulsed, high repetition rate laser energy produced with the micro-processor controlled Nd:YAG laser system provides ophthalmic surgeons with a more precise and less traumatic alternative in cataract surgery. Although conventional ultrasonic surgical systems have proven effective and reliable in clinical use for many years, due to their use of high frequency shock waves and vibration to fragment the cataract, ultrasonic surgical systems can make the procedure difficult and present unnecessary risk of complication both during and after surgery. In contrast, the Company's laser system, which utilizes short, centralized energy bursts, permits the delivery of the laser beam with less trauma to adjacent tissue. Therefore, unlike ultrasonic systems, whose vibrations and shock waves affect (and can damage) non-cataractous tissues within the eye, the Company's Photon(trademark) laser cataract system only affects tissues it comes into direct contact with.

The Company's product development strategy is initially to commercialize its core technologies for participation in the cataract surgery market. To do this the Company has designed its proprietary ultrasonic and laser surgical systems with fully-integrated control software, aspiration fluidics systems and disposable or semi-disposable delivery systems and accessories. The laser system, which the Company expects to be completed and shipped internationally in mid-1997, is designed on a modular format allowing for upgrade or replacement of the core surgical system components. Further, the Company has filed a patent with the United States Patent and Trademark Office for an outpatient surgical instrument to provide a unique, less invasive means of correcting refractive disorders, including nearsightedness, farsightedness and astigmatism. The Company

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

believes that this corneal surgery system is a unique computerized tracking and microsurgical tissue cutting system utilizing ultrasound technology for performing radial keratotomy surgery. The patent application is based on the product sensing and adjusting operations related to the physiology of the eye by a movable cutter that will not require biological modification of the cornea. There is, however, no assurance that the Company will be awarded this patent or that the Company will be able to fully develop or commercialize this product.

Initially, the Company will offer three ophthalmic cataract surgery systems: (i) the Precisionist(trademark) phaco system, an ultrasonic cataract system, (ii) the Precisionist(trademark) Thirty Thousand ocular surgery system, an ultrasonic cataract surgery system that can be upgraded to the Photon(trademark) laser cataract system with the installation of the laser module, and (iii) the Photon(trademark) laser cataract system. The combination of these systems forms a complete small-incision cataract surgery equipment offering for all practitioners, at all technology and price levels. A summary of the key attributes of the Company's surgical systems follows:

Precisionist(trademark) Phaco System. This system is designed for the steadily growing domestic and international cataract surgery market. This system is differentiated by being lower in price and less expensive to operate on a per surgery basis. Additionally, it is compact, easier to use and carries an extended two year warranty based on advanced proprietary electronics design and increased reliability. Although compact, the Precisionist(trademark) is comparable in performance to current ultrasonic systems. The system utilizes a proprietary "smart-pump" software algorithm to control the aspiration in a manner that "senses" potential vacuum build-up in the eye and adjusts aspiration flow to eliminate pressure in the eye to provide a surgical environment in the eye that eliminates the majority of the problems of fluidic surge and chamber maintenance problems associated with ultrasound. The system also features automated "hands free" priming and tuning, and an advanced pneumatic pump system to drive the vitrector cutter, which is capable of operating at 600 cuts per minute for both anterior cataract and posterior vitrectomy (retinal) applications.

Precisionist(trademark) Thirty Thousand Ocular Surgery System. As the base system for the Photon(trademark) laser cataract system, the Precisionist(trademark) Thirty Thousand system offers advanced programmable memories, a VGA color graphic display screen and additional surgical modalities and controls not offered on the lower priced Precisionist(trademark). The Precisionist(trademark) Thirty Thousand is intended for installations that want to upgrade to the Photon(trademark) laser cataract system when it becomes available. The upgrade is accomplished by installation of the Photon(trademark) laser cataract module into the cabinet and installing a "software

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

link." The Company obtained 510(k) clearance to market this product in October 1995.

Photon(trademark) Laser Cataract System. As the Company's premier ophthalmic surgical laser surgery system, the Photon(trademark) laser cataract system, utilizes an on-board microprocessor computer to generate short pulse laser energy delivered through a patented hand-held fiber optic probe to the targeted tissue inside the eye, while simultaneously irrigating the eye and aspirating unwanted cataract tissue and fluids. The system is expandable with both software and hardware modules, including the actual laser system. Another feature of the system is its containment of energy. The probe is designed so that the energy used to emulsify the cataract is contained in a photo vaporization chamber. The energy used to remove the cataract is not exposed to the other contents of the eye. The system also permits the surgeon to use standard clinical treatment parameters, or to customize surgical parameters through an on-screen menu display. The modular technology of the laser fluidics systems allows for upgrade of the Precisionist Thirty Thousand system to the Photon(trademark) laser cataract surgical system. The system also allows cataract removal through incisions in the 2 to 3 mm range as opposed to the 3 to 6 mm range currently performed with ultrasound systems. The Company believes that the trend in intraocular lens development to reduce the size of intraocular lens implants which are placed in the eye during cataract surgery will make its laser system which has smaller incision requirements more attractive. There is no assurance, however, that smaller intraocular lenses or lenses which can be folded or injected, thus minimizing the size of the incision required to insert the lenses, will be developed.

Accessory Instruments and Disposables. Both the Precisionist and Photon(trademark) laser cataract surgical systems utilize accessory instruments and disposables, some of which are proprietary to the Company. These include replacement ultrasound and laser probes, disposable vitrectomy cutters, diathermy probes and sundry tips, fluidic cassette packs and tubing sets and other disposable accessories.

Marketing and Sales

General. Cataract surgery is currently the most common ophthalmic surgical procedure and is performed on approximately 3.7 million patients worldwide each year. In the United States, industry analysts predict that the number of cataract surgeries will increase modestly over the next few years, with such modest growth due to changes and uncertainties in the health care and insurance industries. However, by the early 2000's, analysts predict strong growth in the number of cataract surgeries as the health care industry stabilizes, the baby boomer population

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

matures and the elderly population expands. A primary objective of cataract surgery is to remove the opacified (cataractous) lens through an incision that is as small as possible. Currently, there are two primary methods of cataract extraction: manual ECCE (extracapsular cataract extraction) and ultrasound phacoemulsification-aspiration (phaco). The manual ECCE method consists of forcing the cataractous lens out of the eye and generally requires an incision measuring 9 to 11 millimeters long. The ultrasound phaco method, on the other hand, involves only a 3 to 6 millimeter incision to achieve the same result, but can be a difficult procedure to perform and is accompanied by potential risks, including inadvertent perforation of the posterior capsule and damage to the cornea, iris and surrounding tissue.

According to the Healthcare Blue Book there are approximately 6,800 hospitals and 1,800 ambulatory outpatient surgery centers in the United States. The Company estimates that there are an additional 22,000 hospitals and 3,500 ambulatory outpatient surgery centers worldwide (there are 1,200 hospitals in Canada alone). It is the Company's belief through its participation in the ophthalmic surgical market that an excess of 80% of hospitals and surgery centers offer cataract removal surgery to their patients.

Medical Laser Insight reports that there are approximately 44,000 ophthalmologists in the world and 16,000 ophthalmologists in the United States. Frost and Sullivan report that 83% of United States cataract surgeries were performed using ultrasonic phaco in 1993. Internationally, trade publications have reported the use of ultrasonic phaco to be approximately 20% of all cataract surgeries. Notwithstanding this high acceptance of the technology, ultrasonic phaco can present limitations and difficulties to the surgeon. The August 15, 1993 issue of Ophthalmology Times reported that 42% of ophthalmologists surveyed from the American Society of Cataract and Refractive Surgery anticipated using a laser system for cataract removal by the year 2000. The Company believes that a significant population of domestic and international ophthalmologists anticipate, and will embrace, the laser technology for cataract removal, thereby replacing a technology that was introduced in the early 1970's.

Ophthalmologists are mainly office-based and perform their surgeries in local hospitals or surgical centers that provide the necessary surgical equipment and supplies. Ophthalmologists are generally involved in decisions relating to the purchase of equipment and consumables for their independent ambulatory surgical centers and for the hospitals with which they are affiliated. This provides the opportunity for direct, targeted, personal selling, responsive high quality customer service and

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

short buying cycles to achieve a product sale in the office or hospital. Hospitals also comprise a significant market as recent demand for ultrasonic surgery technology has put pressure on the ophthalmologist, who in turn persuades the hospital to install the latest technology system so that they can offer this procedure to their patients and the community. The Company believes this is or will become a worldwide phenomena.

Industry analysts report that the United States ophthalmic surgical device market has been characterized by slower growth in recent years. This has apparently been caused by the uncertainty and potential reforms associated with the health care industry. Further, hospitals have been inclined to keep their older phaco machines longer than expected as they have been forced to mind budgets more carefully and have become less willing to invest in capital equipment until more information on health care reform becomes available. However, analysts predict that the ophthalmic surgical device market will see renewed growth in the coming years as the health care environment stabilizes and as the growing elderly population produces an increased number of cataract surgeries. As a consequence of these factors, the market should see a greater rate of replacement of older machines that hospitals and surgeons have been postponing for longer than usual.

The Company believes that the ophthalmic surgical device market will see increased growth during the next several years. Further, the Company believes that the international market is maturing and thus provides a large market for both replacement and original cataract removal devices. However, there is no assurance that the Company's industry or markets will continue to grow or that health care reforms will not have a material adverse effect on the market for the Company's products.

Current Market Acceptance and Potential. As of November 30, 1996, the Company had distributed 83 Precisionist(trademark) phaco systems since the system was introduced in mid-1992. The principal purchasers have been ophthalmologists and clinics throughout the world. The Company currently has orders for 95 laser systems, including 61 orders from purchasers in 21 countries, including Argentina, Austria, Brazil, Cyprus, Egypt, England, Greece, India, Indonesia, Iran, Italy, Korea, Mexico, Oman, Pakistan, Peru, Spain, Taiwan, Thailand, Turkey, and the United States. As of November 30, 1996, the aggregate purchase price for these orders exceeds $6,000,000.

The Company believes that the market for its products is being driven by: (i) the aging of the population, which is evidenced by the domestic and international cataract surgery volume growth trend over the past 10 years, (ii) the entry by emerging countries (including China, Russia, and other countries

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

in Asia, Eastern Europe and Africa) into advanced technology medical care for their populations, (iii) increased awareness worldwide of the benefits of the minimally invasive phaco cataract procedure and (iv) the introduction of technology improvements such as the Company's laser system.

The Company believes that the market for cataract surgical systems will continue to grow as current systems are replaced with newer, advanced, lower cost systems, as ophthalmologists in emerging countries adopt the procedure and as surgeons migrate from hospital-based surgical practices to outpatient surgery centers. The number of surgeons performing phaco cataract removal has grown dramatically in the United States since 1988. The Company believes that the generally more conservative international market will follow this growth pattern. A summary of the ophthalmic surgeons using the phaco method follows:

<TABLE>
<CAPTION>

	1988	1989	1990	1991	1992	1993
<S>	<C>	<C>	<C>	<C>	<C>	<C>
United States	19%	40%	57%	69%	71%	81%
International	5%	7%	10%	12%	15%	20%

</TABLE>

During 1993, the United States ophthalmic surgical device market generated $631.2 million in revenues. The Company estimates that the United States' ophthalmic surgical device market generated at least the same amount of revenue in 1994. The Company estimates that thousands of hospitals internationally will replace or install cataract removal systems in the next five years. Because of recent uncertainty and change in the health care industry, including health care reform and Government reimbursement programs, facilities have been hesitant to replace their current phaco systems in the United States because of the substantial cost involved. However, as the United States population grows older and as the industry stabilizes, industry analysts predict that increased numbers of cataract and other eye disorder surgeries and industry stability will motivate a large number of system replacements, especially since many facilities currently are not replacing or upgrading the systems they have been using for several years. The Company believes that this environment will provide substantial marketing opportunities to sell both its phaco laser systems as a replacement to the older and outdated phaco systems still being used.

Marketing Strategy. The Company typically markets its products internationally through a network of dealers and domestically through manufacturer's representatives. As of

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

November 30, 1996, the Company had three direct domestic sales representatives and 16 manufacturer's representatives in the United States and 32 foreign dealers. All of these sales representatives are assigned exclusive territories and have entered into contracts with the Company that contain performance quotas. The Company also markets its products by identifying customers through internal market research, trade shows, and customer networking. In addition, the Company utilizes a Clinical Advisory Board comprised of leading ophthalmic surgeons in the United States and Europe who speak at conventions, train ophthalmologists and visit foreign doctors and dealers to promote the Company's products.

To garner sales from the introduction of its laser system, the Company is marketing its products through a unique strategy. The Company offers the ultrasonic Precisionist(trademark) system with an unconditional arrangement under which the customer may upgrade to a Photon(trademark) laser cataract system when that system receives final FDA approval and systems become available. Under this arrangement, the customer receives full credit for the purchase price of the Precisionist(trademark) system against the price of the new Photon(trademark) laser cataract system. As of November 30, 1996, the Company had distributed 83 Precisionist(trademark) systems since the first system was introduced in mid-1992. The principal purchasers have been international ophthalmologists who purchased the system through Surgidev Corporation in Goleta, California, a manufacturer and distributor of IOL implants. Surgidev Corporation purchased those systems at wholesale from the Company for resale to their international dealer-customers. After the contract with Surgidev Corporation expired in 1994, the Company increased sales by reducing its dependence on Surgidev Corporation and by selling directly through local international dealers in 32 different countries. The Company hired two direct sales representatives in the United States in December 1994 and a third sales representative in October 1996. The domestic direct sales force is intended to increase the Company's domestic market coverage.

A key advantage the Company has over other competitive producers of phaco systems is the ability to upgrade the ultrasound Precisionist(trademark) system to a laser system at a future date. The Company began marketing a trade-up program in early 1994 to allow any purchaser of one of the Company's ultrasound systems to upgrade, by paying the price difference, to a Photon(trademark) laser cataract system when those systems become available. To the Company's knowledge, no other ultrasound system or laser company has the ability to offer an upgrade program.

Product advertising is focused in the three industry trade newspapers, Ocular Surgery News, Ophthalmology Times and Eyecare Technology. Most of the ophthalmologists in the United States

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

receive these three magazines through professional subscription programs. Product publicity for the Company's laser surgical system is ongoing. The media has shown strong interest in the Company's technology and products, as evidenced by several recent front page articles in these publications.

Manufacturing and Raw Materials. Currently, the Company has a small manufacturing and warehousing facility. All components and the finished surgical systems are manufactured under subcontracting arrangements. All subcontractors are located within the United States. None of these companies manufacture products that compete with the Company's products. All component and systems manufacturing is performed under a system of quality control and testing. As a condition to such contracting, each subcontractor's manufacturing facilities and personnel must comply with the Good Manufacturing Practices (GMP) guidelines established by the FDA, as well as similar guidelines established by foreign governments.

The Company subcontracts the manufacturing of some of its ancillary instruments, accessories and consumables through specified vendors in the United States. These products are contracted in quantities and at costs consistent with the Company's financial capabilities and pricing needs.

The Company currently sub-contracts the manufacture of its Precisionist(trademark) and Photon(trademark) laser cataract systems to one of its shareholders, Zevex International, Inc. ("Zevex"), which is located in Salt Lake City, Utah. On September 23, 1996, the Company entered into a Design, Engineering and Manufacturing Agreement with Zevex for the engineering and manufacture of the Photon(trademark) laser cataract system, except for the laser cavity and unique surgical probes. Under the terms of the agreement, the Company will pay Zevex a total of $1,000,000 in the form of periodic milestone payments for engineering and design services relating to the completion of a prototype of the Company's Photon laser cataract system and 19 other such systems. To receive the final milestone payments, including a $140,000 incentive bonus, Zevex must deliver the prototype and 19 other systems to the Company fully assembled and operational by March 31, 1997. In addition, the system must be validated according to IEC 601 standards by June 15, 1997. The Company agrees to purchase each completed system from Zevex at a cost equal to the lesser of $19,000 or the actual cost for Zevex to manufacture the system, plus 30%. The term of the agreement is for three years. However, the agreement can be terminated at any time by the Company if Zevex fails for two consecutive quarters to timely fulfill the Company's purchase orders, or by Zevex if the Company fails to timely make the payments required by the agreement after having received a 20-day notice from Zevex demanding payment. Zevex is also under an exclusive contract with the Company, which

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

expires September 23, 1999, that prohibits Zevex from manufacturing complete ultrasound or laser surgical systems for any other company, without permission from the Company.

The laser cavity, optical train and power source for the Photon(trademark) laser cataract system are supplied by Sunrise Technologies, Inc. in Fremont, California ("Sunrise") under a separate manufacturing agreement which expired June 1, 1996. The Company is negotiating with Sunrise to renew the agreement. The President and Chief Executive Officer of Sunrise is currently on the Company's Board of Directors. The Company is in the process of establishing an internal laser cataract probe manufacturing facility and plans all probe production in Salt Lake City. The remaining operating elements of the Photon(trademark) laser cataract system, the computer controller, fluidics and ancillary surgical modalities, are developed through Zevex. Although substantial reliance is currently placed with Zevex and Sunrise, the Company believes it would be able to find alternative manufacturers for its products currently manufactured by these two sources. The Company also believes that there are multiple sources of raw materials that are used or could be used in its products.

Installation, Service and Training. The Company installs and maintains its products through its international dealers or representatives and domestic direct sales force. Service for the Company's products is overseen from its Salt Lake City, Utah headquarters and is augmented by its international dealer network, which dealers also provide technical service and repair. Installation, on-site training and a 12 to 18 month warranty are included as the standard terms of sale. The Company provides distributors with replacement parts at no charge during the warranty period. To date, the Company has incurred minimal expenses under this warranty program. International distributors are responsible for installation, repair and other customer service to installed systems in their territory. All system parts are modular sub-components that are easily removed and replaced. The Company maintains an adequate parts inventory and provides 24 hour replacement parts shipment to its dealers. After the warranty period expires, the Company offers one year service contracts to its domestic customers and will continue to sell parts to international dealers who in turn create their own service plans with their customers. As of the date of this prospectus, the Company has not sold any one year service contracts.

Third-Party Reimbursement. It is expected that the Company's laser systems will generally be purchased by ophthalmologists and hospitals which will then bill various third-party payors for the health care services provided to their patients. These payors include Medicare, Medicaid and private insurers. Government agencies generally reimburse at a fixed

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

rate based on the procedure performed. Some of the potential procedures for which the Photon(trademark) laser cataract systems may be used, may be determined to be elective in nature, and third-party reimbursement may not be available for such procedures, even if approved by the FDA. In addition, third-party payors may deny reimbursement if they determine that the procedure was unnecessary, inappropriate, not cost-effective, experimental or used for a non-approved indication. There can be no assurance that reimbursement from third-party payors will be available, or if available, that reimbursement will not be limited, thereby materially adversely affecting the Company's ability to develop new products on a profitable basis.

Research and Development

The Company's primary product development strategy is to commercialize its core technology for participation in the cataract surgery market. Further, the Company believes that its laser systems may potentially have broader ophthalmic applications, as well as non-ophthalmic medical and dental applications. Consequently, the Company believes that a strong research and development capability is important for the Company's future. The Company, therefore, has contacted several recognized and respected consultants and other technical personnel to act in technical and medical advisory capacities. Several of these consultants have been organized to form a Clinical Advisory Board which provides the Company with expert and technical support for current and proposed products, programs and services.

The Company also believes its research and development capabilities provides it with the ability to respond to regulatory developments that may, from time to time, require the Company to effectively deal with U.S. and foreign government entities who oversee the Company's products. The Company intends to continue investing in research and development and strengthen its ability to enhance existing products and develop new products. The Company spent $207,451 on research and development in fiscal year 1994, $236,043 in fiscal year 1995 and $192,917 in fiscal year 1996.

Competition

General. The Company is subject to competition from two principal sources: (i) manufacturers of competing ultrasound systems for performing cataract treatments and (ii) developing technologies for cataract and ophthalmic surgical treatment. The cataract surgical equipment industry is dominated by a few large companies who are well established in the marketplace, have experienced management, are well financed and have well recognized trade names and product lines. The Company believes

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

that the combined sales of five entities account for over 90% of the Company's market. The remaining market is fragmented among emerging smaller companies, some of which are foreign.

Most major competitors either entered or expanded into the market through the acquisition of smaller, entrepreneurial high-technology manufacturing companies. Therefore, because existing competitors or other entities desiring to enter the market could conceivably acquire current entrepreneurial enterprises with small market activity, their products cannot be ignored even though, under current circumstances, they may not appear to be formidable competitors.

The Cataract Surgical System Industry. Presently, products currently in use are offered by the major manufacturers utilizing ultrasonic technology. Additionally, those systems rely on accessories including single-use cassette packs and other ancillary surgical disposables such as saline solution, sutures and intraocular lens for their profits. The cassette packs are required for fluid and tissue collection during the surgical procedure. The cassette packs are generally unique and proprietary to their respective systems and represent a barrier to entry for third-party, lower cost after-market suppliers. While there is growing market resistance in the United States and internationally to single-use cassettes, the Company anticipates that manufacturers of ultrasound equipment will continue to develop and enhance their present ultrasound products in order to protect their investments in system and cassette technology and to protect their profits from sales of these cassettes and accessories. The Company's Precisionist(trademark) ultrasonic phaco system has the ability to use either reusable or single-use disposable components. The Photon(trademark) laser cataract system utilizes probes and cassette packs designed for single-use and semi-disposable instruments priced at a level consistent with the demands of health care cost containment. This will allow the health care providers a substantial measure of cost containment, while providing the Company the quality control and income capability from cassette sales.

The typical list price of a competitive advanced ultrasonic system ranges from approximately $60,000 to $100,000. Lower cost models generally have a list price ranging from approximately $30,000 to $60,000. The list price for the Company's Precisionist(trademark) Phaco System, which is comparable to advanced ultrasonic systems, is $45,500. The list price for the Precisionist(trademark) Thirty Thousand ocular surgery system is $89,900. The Company's Photon(trademark) Laser Phaco(trademark) will be sold at a price of approximately $119,000. The international market, with significantly lower medical budgets, has not been able to justify the expense of using disposable components. Budgetary constraints have limited current manufacturers from gaining a

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

significant share of the international ultrasound equipment market, and has provided a niche for the emerging smaller companies discussed above.

Ultrasound Equipment Manufacturers. As a relatively recent entrant into the cataract surgical equipment market with a newer equipment line, the Company is establishing itself and, as yet, does not hold a significant share of the market. The Company currently recognizes Alcon Laboratories/Surgical Division, Storz Instruments, Allergan Medical Optics and Chiron Vision as its primary competitors in the ultrasound phaco cataract removal market.

Laser Equipment Manufacturers. Ophthalmic surgical equipment offered, or being readied for market, in the United States is typically presented or displayed at the American Academy of Ophthalmology held each year in November. Prior to 1993, no fully operational laser-assisted cataract surgery system was ever present or displayed as a commercial product. In November 1993, October 1995 and October 1996, however, the Company presented the Photon(trademark) laser cataract system at the American Academy of Ophthalmology meeting.

To the Company's knowledge, only four other companies have attempted to develop laser equipment for cataract surgery. Based on the information currently available to the Company, these competitive laser companies appear to offer a less viable means of treating cataracts using laser technology. Based on the Company's opinion that the Photon(trademark) laser cataract system is not only operational, but also meets many of the market's requirements for immediate commercialization, the Company believes that, at least for the immediate future, there is no directly competing laser-assisted cataract surgical system available to the market. The Company also believes that its product is sufficiently distinctive and, if properly marketed, can capture a significant share of the cataract surgical device market. However, there are always substantial risks in undertaking a new venture in an established and already highly competitive industry. In the short-term, the Company is seeking to exploit these opportunities. Depending upon further developments, the Company may ultimately exploit those opportunities through a merger with a stronger entity already established or one that desires to enter the medical industry.

The Company believes that its ability to compete successfully will depend on its capability to create and maintain advanced technology, develop proprietary products, attract and retain scientific personnel, obtain patent or other proprietary protection for its products and technologies, obtain required regulatory approvals and manufacture, assemble and successfully market products either alone or through other parties.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Intellectual Property Protection

The Company's cataract surgical products are proprietary in design, engineering and performance. The Company's ultrasonic products have not been patented to date because the primary technology for ultrasonic tissue fragmentation, as available to all competitors in the market, is mainly in the public domain. The Company intends, however, to file patents on its proprietary cassette system utilized in both the ultrasonic Precisionist(trademark) Thirty Thousand system and in its Photon(trademark) laser cataract system. Such patents will be filed prior to product shipments being made internationally and in the United States.

The Photon(trademark) laser cataract system is protected under a United States patent issued in 1987 to Daniel M. Eichenbaum, M.D. (U.S. Patent Number 4,694,828) for the utility and methods of laser ablation, aspiration and irrigation of tissue through a hand-held probe of a unique design. The Company secured the exclusive worldwide right to this patent shortly after its issue, and to the international patents pending, from Dr. Eichenbaum by means of a license agreement that entitled Dr. Eichenbaum to a royalty payment equal to 1% of the proceeds from the net commercial sales of the Photon(trademark) laser cataract system and accessories in all medical specialties. The Royalty Agreement terminates July 7, 2003. The Company has also entered into a Consulting Agreement with Dr. Eichenbaum which provides him with consulting fees equal to $25,000 per year through July 7, 2003. Dr. Eichenbaum is also the Company's lead technical engineering and clinical investigator for the Photon(trademark) laser cataract system and is a member of the Company's Clinical Advisory Board.

The Company has filed for a United States patent on an innovative corneal surgery system to treat nearsightedness, farsightedness and astigmatism. This device utilizes the Company's core ultrasound technology. This device presents a novel means of reducing or eliminating corneal refractive surgery complications and improving the post-operative outcome for radial keratotomy refractive surgery. It is designed to be an alternative to expensive corneal refractive lasers. The Company intends to continue its development of patentable technology products for manufacture and sale, or for licensing to strategic partners in ophthalmology and other medical specialties.

Although the Company's trademarks are important to its business, it is not the Company's policy to pursue trademark registrations for its trademarks associated with its products. Consequently, the Company relies on common law trademark rights to protect its unregistered trademarks, although common law trademark rights do not provide the Company with the same level of protection as would U.S. federal registered trademarks.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Common law trademark rights only extend to the geographical area in which the trademark is actually used while U.S. federal registration prohibits the use of the trademark by any party anywhere in the United States.

The Company also relies on trade secret law to protect some aspects of its intellectual property. All of the Company's key employees, consultants and advisors are required to enter into a confidentiality agreement with the Company. Most of the Company's third-party manufacturers and formulators are also bound by confidentiality agreements with the Company.

Regulation

The Company's surgical systems are regulated as medical devices by the FDA under the FDC Act. As such, these devices require premarket clearance or premarket approval by the FDA prior to commercialization. Such clearance or approval is premised on the production of evidence sufficient for the Company to show reasonable assurance of safety and effectiveness regarding its products. Pursuant to the FDC Act, the FDA regulates the manufacture, distribution and production of medical devices in the United States and the export of medical devices from the United States. Noncompliance with applicable requirements can result in fines, injunctions, civil penalties, recall or seizure of products, total or partial suspension of production, denial of premarket clearance or approval for devices, recommendations by the FDA that the Company not be allowed to enter into government contracts, and criminal prosecution.

Following the enactment of the Medical Device Amendments to the FDC Act in May 1976, the FDA began classifying medical devices in commercial distribution into one of three classes: Class I, II or III. This classification is based on the controls that are perceived to be necessary to reasonably ensure the safety and effectiveness of medical devices. Class I devices are those devices, the safety and effectiveness of which can reasonably be ensured through general controls, such as adequate labeling, advertising, premarket notification and adherence to the FDA's Good Manufacturing Practice ("GMP") regulations. Some Class I devices are exempt from some of the general controls. Class II devices are those devices the safety and effectiveness of which can reasonably be assured through the use of special controls, such as performance standards, postmarket surveillance, patient registries and FDA guidelines. Class III devices are devices that must receive premarket approval by the FDA to ensure their safety and effectiveness. Generally, Class III devices are limited to life-sustaining, life-supporting or implantable devices, or to new devices that have been found not to be substantially equivalent to legally marketed devices.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

There are two principal methods by which FDA approval may be obtained. One route is to seek FDA approval through a premarket notification filing under Section 510(k) of the FDC Act. If a manufacturer or distributor of a medical device can establish that a proposed device is "substantially equivalent" to a legally marketed Class I or Class II medical device or to a pre-1976 Class III medical device for which the FDA has not called for a pre-marketing approval ("PMA"), the manufacturer or distributor may seek FDA 510(k) premarket clearance for the device by filing a 510(k) premarket notification. The 510(k) notification and the claim of substantial equivalence will likely have to be supported by various types of data and materials, possibly including clinical testing results, obtained under an Investigational Device Exemption ("IDE") granted by the FDA. The manufacturer or distributor may not place the device into interstate commerce until an order is issued by the FDA granting premarket clearance for the device. By regulation, the FDA has no specific time limit by which it must respond to a 510(k) notification. The FDA has recently been requiring more rigorous demonstrations of substantial equivalence in connection with 510(k) notifications and in many cases, the time periods required for product approvals have increased. There can be no assurance that the Company will obtain 510(k) premarket clearance for any of the future devices for which the Company seeks such clearance.

The FDA may determine that the device is "substantially equivalent" to another legally marketed Class I, Class II or pre-1976 Class III device for which the FDA has not called for a PMA, and allow the proposed device to be marketed in the United States. The FDA may determine, however, that the proposed device is not substantially equivalent, or may require further information, such as additional test data, before the FDA is able to make a determination regarding substantial equivalence. A "not substantially equivalent" determination or a request for additional information could delay the Company's market introduction of its products and could have a material adverse effect on the Company's continued operations.

The alternate method to seek approval is to obtain premarket approval from the FDA. If a manufacturer or distributor of a medical device cannot establish that a proposed device is substantially equivalent to another legally marketed device, whether or not the FDA has made a determination in response to a 510(k) notification, the manufacturer or distributor will have to seek premarket approval for the proposed device. A PMA application would have to be submitted and be supported by extensive data, including preclinical and clinical trial data to prove the safety and efficacy of the device. If human clinical trials of a proposed device are required and the device presents a "significant risk," the manufacturer or the

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

distributor of the device will have to file an IDE application with the FDA prior to commencing human clinical trials. The IDE application must be supported by data, typically including the results of animal and mechanical testing. If the IDE application is approved, human clinical trials may begin at a specific number of investigational sites, and the approval letter could include the number of patients approved by the FDA. An IDE clinical trial can be divided into several parts or phases. Sometimes, a company will conduct a feasibility study to confirm that a device functions according to its design and operating parameters. This is usually done with a limited number of patients at one clinical trial site. If the results of the first study phase are promising, the sponsor may, with the FDA's permission, expand the number of clinical trial sites and the number of patients to be treated to assure reasonable stability of clinical results. Phase II studies are performed to confirm predictability of results and the absence of adverse reactions. The company may, upon receipt of the FDA's authorization, subsequently expand the study to a third phase with a larger number of clinical trial sites and a greater number of patients. This involves longer patient follow-up times and the collection of more patient data. Product claims, labeling and core data for the PMA are derived primarily from this portion of the clinical trial. The company may also, upon receipt of the FDA's permission, consolidate one or more of such portions of the study. Sponsors of clinical trials are permitted to sell those devices distributed in the course of the study, provided such compensation does not exceed recovery of the costs of manufacture, research, development and handling. Although both approval methods may require clinical testing of the device in question under an approved IDE, the premarket approval procedure is more complex and time consuming.

Upon receipt of the PMA application, the FDA makes a threshold determination whether the application is sufficiently complete to permit a substantive review. If the FDA determines that the PMA is sufficiently complete to permit a substantive review, the FDA will "file" the application. Once the submission is filed, the FDA has by regulation 90 days to review it; however, the review time is often extended significantly by the FDA asking for more information or clarification of information already provided in the submission. During the review period, an advisory committee may also evaluate the application and provide recommendations to the FDA as to whether the device should be approved. In addition, the FDA will inspect the manufacturing facility to ensure compliance with the FDA's GMP requirements prior to approval of a PMA. While the FDA has responded to PMA applications within the allotted time period, PMA reviews generally take approximately 12 to 18 months or more from the date of filing to approval. The PMA process is a lengthy and expensive one, and there can be no assurance that such approval will be obtained for any of the Company's products determined to

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

be subject to such requirements. A number of devices for which PMA approval has been sought by other companies have never been approved for marketing.

Any products manufactured or distributed by the Company pursuant to a premarket clearance notification or PMA are or will be subject to pervasive and continuing regulation by the FDA. The FDA Act also requires that the Company's products be manufactured in registered establishments and in accordance with GMP regulations. Labeling, advertising and promotional activities are subject to scrutiny by the FDA and, in certain instances, by the Federal Trade Commission. The export of medical devices is also subject to regulation in certain instances. In addition, the use of the Company's products may be regulated by various state agencies.

All lasers manufactured for the Company are subject to the Radiation Control for Health and Safety Act administered by the Center for Devices and Radiological Health of the FDA. The law requires laser manufacturers to file new product and annual reports and to maintain quality control, product testing and sales records, to incorporate certain design and operating features in lasers sold to end users pursuant to a performance standard, and to comply with labeling and certification requirements. Various warning labels must be affixed to the laser, depending on the class of the product under the performance standard.

Although the Company believes that it and its manufacturers currently comply and will continue to comply with all applicable regulations regarding the manufacture and sale of medical devices, such regulations are always subject to change and depend heavily on administrative interpretations. There can be no assurance that future changes in review guidelines, regulations or administrative interpretations by the FDA or other regulatory bodies, with possible retroactive effect, will not materially adversely affect the Company. In addition to the foregoing, the Company is subject to numerous federal, state and local laws relating to such matters as safe working conditions, manufacturing practices, environmental protection, fire hazard control and disposal of hazardous or potentially hazardous substances. There can be no assurance that the Company will not be required to incur significant costs to comply with such laws and regulations and that such compliance will not have a material adverse effect upon the Company's ability to conduct business.

The Company and the manufacturers of the Company's products may be inspected on a routine basis by both the FDA and individual states for compliance with current GMP regulations and other requirements.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Congress has considered several comprehensive federal health care programs designed to broaden coverage and reduce the costs of existing government and private insurance programs. These programs have been the subject of criticism within Congress and the health care industry, and many alternative programs and features of programs have been proposed and discussed. Therefore, the Company cannot predict the content of any federal health care program, if any is passed by Congress, or its effect on Company and its business. Some measures that have been suggested as possible elements of a new program, such as government price ceilings on nonreimbursable procedures and spending limitations on hospitals and other healthcare providers for new equipment, could have an adverse effect on the Company's profitability. Uncertainty concerning the features of any health care program considered by the Congress, its adoption by the Congress and the effect of the program on the Company's business could result in volatility of the market price of the Company's Common Stock.

Furthermore, the introduction of the Company's products in foreign countries may require the Company to obtain foreign regulatory clearances. The Company believes that only a limited number of foreign countries have extensive regulatory requirements, including France, Germany, Korea and Japan. The time involved for regulatory approval in foreign countries varies and can take a number of years. During the period in which the Company will be attempting to obtain the necessary regulatory approvals in these countries, the Company also expects to market its products on a limited basis in certain European, Latin American and Asian countries where its products satisfy applicable regulatory standards. There is no assurance that the Company's products will be approved by the FDA or other governmental agencies for intended applications in the United States and targeted foreign markets, nor is there any assurance that the FDA will approve the export of the Company's products, which approval is required on a country-by-country basis for applications not yet approved in the United States.

A number of European and other economically advanced countries, including Italy, Spain and Scandinavia, have not developed a regulatory agency for intensive supervision of such devices. Instead, they generally have been willing to accept the approval of the FDA. Therefore, a PMA, 510(k) or approved IDE from the FDA is tantamount to approval in those countries. These countries and most third world countries have simply deferred direct discretion to the licensed practicing surgeons themselves to determine, along with other professional discretion, the nature of devices that they will use in medical procedures. Both the Precisionist(trademark) system (the Company's ultrasonic system) and the Photon(trademark) laser cataract system (the Company's laser-assisted system) are devices requiring such approval. Therefore, a

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

significant aspect of the acceptance of the devices in the market is, in large part, the effectiveness of the Company in obtaining the necessary approvals. Having an approved IDE will allow the Company, once adequate funding is available, to obtain export rights to manufacture and ship over $6 million in backlog orders it has received from international dealers.

Regulatory Status of Products

The Precisionist(trademark) and the Precisionist(trademark) Thirty Thousand Ocular Surgery Systems. Pursuant to Section 510(k) of the Food Drug and Cosmetic Act ("FD&C"), the FDA granted market clearance for the commercialization of the Precisionist(trademark) system in 1990 and the Precisionist(trademark) Thirty Thousand system in 1995, thereby allowing the Company to sell these devices in the United States for their intended use as cataract surgical systems. That clearance, in turn, has allowed for similar approvals in several foreign countries, allowing sales to be undertaken in all of those countries. Because no approvals are required in many third world countries, including several countries in the Middle East and Latin America, those areas are open for sales.

Applications for approval in other western countries, including Germany and France, are currently pending. Under present circumstances, although there is no assurance, approval of the German application is expected. Because France places substantial credence in German approvals, it is expected that approval in France will follow sometime thereafter. In Japan and Korea, the Company has provided the Precisionist(trademark) system to established dealers that have applied for approval in those respective countries.

The Photon(trademark) laser cataract. The Company has acquired permission from the FDA to manufacture the device, and export approval from the United States is pending. The Company expects to have systems available for delivery outside the United States by March 1997. Photon(trademark) laser cataract sales may commence in foreign markets as soon as the Company has devices available for delivery. Orders can also be delivered to dealers and manufacturer's representatives in such countries as Japan and Korea where the dealers will make applications for approval.

With regard to the United States, although the Photon(trademark) laser cataract system is uniquely configured in an original and proprietary manner, its distinctive component is the laser system it employs. The laser system, a Nd:YAG laser, is not proprietary to the device or the Company and is widely used in the medical industry and other industries as well. Of particular significance is the fact that this particular component has received previous market clearance from the FDA for other ophthalmic and medical applications. Also of significance is the

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Company's belief that the surgical treatment method used with the Photon(trademark) laser cataract is similar to the current ultrasound cataract treatment employed by ophthalmologists.

The Company submitted its Premarket Notification under Section 510(k) of the FD&C Act for the Photon(trademark) laser cataract system in September 1993. The FDA requested clinical support data for claims made in the 510(k) Premarket Notification, and in October 1994 the Company submitted an IDE application to provide for a "modest clinical study" in order to collect the data required by the FDA for clearance of the Photon(trademark) laser cataract system. The FDA granted this IDE in May 1995. The Company began human clinical trials in April 1996 and successfully completed the clinical surgeries in December 1996. The Company has also provided the FDA with other operational, clinical and safety data and results that the Company believes qualifies the Photon(trademark) laser cataract system for "substantial equivalence" to medical devices previously cleared for commercialization. The Company received its documentation for Export of Unapproved Devices from the FDA as soon as the IDE was granted and is now completing this documentation. With permission to export, the Company can manufacture the Photon(trademark) laser cataract system in the United States and export against its international customer backlog.

Employees

As of December 20, 1996, the Company had 15 full-time employees. This number does not include the Company's 16 manufacturer's representatives who are independent contractors rather than employees of the Company. The Company also utilizes 13 consultants and advisors. There can be no assurance that the Company will be successful in recruiting or retaining key personnel. None of the Company's employees is a member of a labor union and the Company has never experienced any business interruption as a result of any labor disputes. The Company considers its relations with its employees to be good.

Item 2. Description of Properties

The Company's executive offices are currently located at 1772 West 2300 South, Salt Lake City, Utah. This facility consists of approximately 5,400 square feet of leased office space under a one year lease that will expire on December 31, 1997. The facility is leased from Tri-Cox, L.C., a Utah limited liability company at a base monthly rate of $2,972 plus a monthly common maintenance area fee of $354. Pursuant to the lease, the Company pays all insurance on the premises. The Company believes it will be able to either enter into a new lease after the current lease expires or find new space to lease. The Company believes that this facility is adequate and satisfies its needs

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

for the foreseeable future.

Item 3. Legal Proceedings

On November 25, 1996, the Company was served with a Summons and Complaint in an action commenced in the United States District Court for the Southern District of New York against the Company by Federman Associates, Inc. ("Federman Associates"), a New York based investment banking company, and its principal officer, Hyman L. Federman ("Federman"). The action is based upon a March 31, 1995, agreement between Federman Associates and the Company (the "Agreement") in which Federman Associates agreed to obtain $5,000,000 to $8,000,000 in capitalization for the Company prior to December 31, 1995 in exchange for the right to purchase a five percent (5%) equity position in the Company for $25,000 and the payment of $3,000 per month for a period of 36 months. The action is also based upon the additional services Federman Associates alleges it performed for the Company.

Federman and Federman Associates assert in their first claim for relief that they fully performed the Agreement and are therefore entitled to 256,780 shares of the Company's common stock and $3,000 per month for a period of 36 months commencing July 1996. In their second claim for relief, Federman and Federman Associates claim that they "were ready, able and willing to perform" the Agreement, but were prevented from performing the Agreement by the Company not filing a Registration Statement with the Securities and Exchange Commission (the "Commission") within the requisite time period. In the final claim for relief, Federman claims he is personally owed 100,000 shares of Common Stock for the additional services he claims to have performed.

It should be noted that Federman passed away during the last week of November, 1996. The lawsuit will be therefore be turned over to Federman's estate. The Company believes the Complaint brought by Federman Associates and Federman is without merit as Federman Associates did not obtain the required capitalization for the Company prior to December 31, 1995 and there was no agreement between Federman and the Company for the payment of services performed by Federman. The Company intends to vigorously defend the action. Nevertheless, in the event the Company does not prevail in its defenses, the lawsuit could have a material adverse impact on the Company's financial condition and could result in dilution to the Company's shareholders.

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

None.

PART II

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Item 5. Market for Common Equity and Related Stockholder Matters

The Company's Common Stock, Class A Warrants and Units (each Unit consisting of one share of Common Stock and one Class A Warrant) trade on the Nasdaq SmallCap Market under the respective symbols of "PMED", "PMEDW" and "PMEDU". Prior to July 22, 1996, there was no public market for the Common Stock. The following are the high and low sales prices for the Common Stock as reported by Nasdaq.

<TABLE>
<CAPTION>

Period (Calendar Year)	Price Range	
	High	Low
<S>	<C>	<C>
1996		
Third Quarter (since July 22, 1996)	6	2
Fourth Quarter (through December 20, 1996)	5-5/8	

</TABLE>

The Company's Series A Preferred Stock and Series B Preferred Stock are not traded.

The Company has never paid any cash dividends on its Common Stock and does not anticipate paying any cash dividends on its Common Stock in the foreseeable future. The Company must pay cash dividends to holders of its Series A Preferred and Series B Preferred before it can pay any cash dividend to holders of its Common Stock. Dividends paid in cash pursuant to outstanding shares of the Company's Series A and Series B Preferred Stock are only payable from surplus earnings of the Company and are non-cumulative and therefore, no deficiencies in dividend payments from one year will be carried forward to the next. The Company currently intends to retain future earnings, if any, to fund the development and growth of the Company's proposed business and operations. Any payment of cash dividends in the future on the Common Stock will be dependent upon the Company's financial condition, results of operations, current and anticipated cash requirements, plans for expansion, restrictions, if any, under any debt obligations, as well as other factors that the Company's Board of Directors deems relevant. The Company issued 6,764 shares of its Series A Preferred and 6,017 shares of its Series B Preferred on January 8, 1996 as a stock dividend to Series A and Series B shareholders of record as of December 31, 1994.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

As of December 20, 1996, there were 612 record holders of Common Stock, 21 record holders of Series A Preferred Stock and 36 record holders of Series B Preferred Stock.

Item 6. Management's Discussion and Analysis or Plan of Operation

General

The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the Financial Statements (including the notes thereto), and the other information included elsewhere herein. The Company's fiscal year runs from October 1 to and including September 30.

The Company is engaged in the development, manufacture and sale of ophthalmic surgical devices designed to perform minimally invasive cataract removal surgery. Paradigm's activities for fiscal years ending September 30, 1994, 1995 and 1996 include international and domestic sales of the Precisionist Phaco system, research and development for the Photon(trademark) laser cataract system and primary research for other new products and businesses.

Results of Operations

Fiscal Year Ended September 30, 1996 Compared to Fiscal Year Ended September 30, 1995.

Sales decreased by $255,450, or 50%, to $252,134 in fiscal 1996 from $507,584 for the comparable period in 1995. This decrease was a result of a reduction in the sales of the Precisionist Phaco System resulting from the Company focusing its limited financial resources on the public offering. Cost of sales decreased $86,338, or 32%, to $180,010 in fiscal 1996 from $266,348 for the comparable period in 1995, as a result of the reduced sales. The gross margin in fiscal 1996 of 29% is down from the gross margin for the comparable period in 1995 of 48% because sales in 1996 included more parts and accessories which have a lower gross margin.

Marketing and selling expenses decreased by $212,137, or 50%, to $216,128 in fiscal 1996 from $428,265 for the comparable period in 1995. The decrease was a result of the Company focusing its limited financial resources on the public offering. The Company expects to increase its marketing and selling activities now that the public offering has been completed.

General and administrative expenses increased by $415,388,

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

or 102%, to $823,191 in fiscal 1996 from $407,803 for the comparable period in 1995. This increase was the result of the increased administrative costs related to preparation for the public offering of the Company's Common Stock. The Company expects to increase its staff significantly to support the activities associated with the introduction of the Photon(trademark) laser cataract system.

Research and development expenses increased by $52,811, or 22%, to $288,854 in fiscal 1996 from $236,043 for the comparable period in 1995. The Company expects the amount spent on research and development for the Photon(trademark) laser cataract system and other new products to increase in fiscal 1997.

In fiscal 1996, the Company incurred $179,000 of expenses in connection with obtaining the relinquishment of certain anti-dilution rights. See "Item 13. Certain Relationships and Related Transactions."

Fiscal Year Ended September 30, 1995 Compared to Fiscal Year Ended September 30, 1994.

Sales increased by $39,703, or 8%, to $507,584 in fiscal 1995 from $467,881 in fiscal 1994. This increase was primarily due to increased sales of the Company's Precisionist Phaco System and the sale of one prototype Photon(trademark) laser cataract system. Cost of sales decreased $42,098, or 14%, to $266,348 in fiscal 1995 from $308,446 in fiscal 1994. Cost of sales decreased as a percentage of net revenues to 52% in 1995 as compared to 66% in 1994. The reduction in cost of sales as a percentage of net revenues was the result of increased unit sales in 1995 at higher retail prices through a direct sales force in the United States and a reduction in cost of sales on a per unit basis resulting from lower component and accessory prices in 1995.

Marketing and selling expenses increased by $77,483, or 22%, to $428,265 in fiscal 1995 from $350,782 in fiscal 1994. This increase was primarily due to expanded marketing, advertising and publicity activities related to the FDA approval of the laser-ready Precisionist Thirty Thousand ocular surgery system, the Company's laser upgrade sales program, expanded convention activities including symposiums, live demonstrations of the laser system, expanded training courses and attendance at the European Society of Cataract and Refractive Surgery meeting to expand international distribution and backlog.

General and administrative expenses increased by $70,518, or 21%, to $407,803 in fiscal 1995 from $337,285 in fiscal 1994. This increase was the result of increased administrative costs related to preparation for the planned public offering of the Company's Common Stock and the expansion of sales activities.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

The Company anticipates increasing its staff significantly to support the activities associated with the introduction of the Photon(trademark) laser cataract system.

Research and development expenses increased by $28,592, or 14%, to $236,043 in fiscal 1995 from $207,451 in fiscal 1994. This increase was due to the continued development of the Photon(trademark) laser cataract System, including costs associated with development, submission and management of the premarket notification and investigational clinical trial plan through the FDA. The Company expects the amount spent on research and development for the Photon(trademark) laser cataract system and new products to increase in fiscal 1996.

Liquidity and Capital Resources

The Company used cash in operating activities of $1,315,399 in fiscal 1996 compared to $979,848 for the comparable period in 1995. The increase in cash used in fiscal 1996 was a result of the higher loss during that period. The Company used cash in investing activities of $590,921 in fiscal 1996 compared to $40,681 for the comparable period in 1995. These operating and investing cash outflows were financed primarily from the proceeds of private placements of the Company's preferred stock and Bridge Notes and the public offering.

The Company generated $6,250,000 from the public offering of its Common Stock before deducting expenses totaling $1,509,569. The Company generated $575,000 from the private placement of Bridge Notes in fiscal 1996. In fiscal 1996, the Company made $611,256 in principal and interest payments to retire the Bridge Notes and $61,829 in principal payments on long-term debt. During fiscal 1995, the Company received proceeds from the private placement of its Series B Convertible Preferred Stock in the net amount of $1,469,650. During fiscal 1995, the Company made $143,261 in principal payments on long-term debt.

The Company used cash in operating activities of $979,848 in fiscal 1995, compared to cash used in operating activities of $794,528 in fiscal 1994. The increase in cash used was a direct result of the increase in operating expenses, which was only partially offset by increased gross profit from product sales. The Company used cash in investing activities of $40,681 in fiscal 1995, compared to cash used in investing activities of $12,112 in fiscal 1994. The increase in cash used in fiscal 1995 is primarily a result of the Company's purchase of an automobile using proceeds from a bank loan. These operating and investing cash outflows were financed primarily from the proceeds of private placements of the Company's preferred and common stock.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

From May 1994 to September 1995, the Company raised a total of $1,972,000 from a private placement of its Series B Convertible Preferred Stock. In fiscal 1994 the net proceeds from this private placement were approximately $183,470 after deducting commissions and expenses totaling $59,530, and in fiscal 1995 the net proceeds were $1,469,650 after deducting commissions and expenses totaling $259,350. Through April 1994 the Company raised a total of $464,000 from a private placement of its Series A Convertible Preferred Stock. The net proceeds from this private placement were $403,680 after deducting commissions and expenses totaling $60,320. During fiscal 1994 the Company also raised $108,225 from the issuance of its common stock. Such proceeds were for working capital purposes, including general and administrative expenses, research and development related to the Company's present and new products and to repay $12,807 of long-term debt in fiscal 1994 and $143,260 of long-term debt in fiscal 1995.

In March 1993, the Company obtained a loan from the Utah Technology Finance Corporation ("UTFC") in the amount of $50,000. The loan bears interest at a rate of 4% above the prime rate per annum. In September 1993, the Company obtained a second loan from UTFC in the amount of $40,000. The loan bears interest at a rate of 4% above the prime rate per annum. The proceeds from both loans were used for working capital purposes, including general and administrative expenses and research and development related to the Company's present and new products. The UTFC loans were paid off from the proceeds of the Company's public offering. In September 1995, the Company obtained a 9.95% loan from a bank to purchase an automobile.

The Company expects that the net proceeds of the public offering will enable it to meet its liquidity and capital requirements for approximately 12 months following the completion of the offering in July 1996. There can be no assurance that the Company can generate sufficient revenues from product sales to satisfy its working capital requirements after such time. The Company's working capital requirements will depend upon numerous factors, including progress of the Company's research and development program for the development of new products and new applications for its present core product, the success of its regulatory programs with domestic and foreign agencies for its new products, the levels of resources devoted by the Company to the development of manufacturing and marketing capabilities, technological advances, the status of competitors and the success or lack thereof of the Company's marketing efforts. To meet its short-term and long-term requirements, including research and development activities, the Company may be required to obtain additional financing. The Company currently has a $600,000 line of credit with Key Bank related to accounts receivable and inventory financing. The Company may seek funding to meet its

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

working capital requirements through collaborative arrangements and strategic alliances, additional public offerings and/or private placements of its securities, or bank borrowings. There can be no assurance, however, that additional funds, if required, will be available from any of the foregoing or other sources on favorable terms, if at all.

At September 30, 1996, the Company had net operating loss carryforwards (NOLs) of approximately $3,300,000 and research and development tax credit carryforwards of approximately $47,700. These carryforwards are available to offset future taxable income, if any, and expire in the years 2005 through 2011. Because the Company has yet to recognize significant revenue from the sale of its Photon(trademark) laser cataract System, a valuation allowance has been provided in full for these deferred tax assets. The Company's ability to use its NOLs to offset future income may be subject to restrictions enacted in the United States Internal Revenue Code of 1986, as amended. These restrictions could limit the Company's future use of its NOLs if there is a cumulative ownership change of more than 50%, which would include the changes of ownership related to the offering.

Effect of Inflation and Foreign Currency Exchange

The Company has not realized a reduction in the selling price of the Precisionist phaco system as a result of domestic inflation. Nor has the Company experienced unfavorable profit reductions due to currency exchange fluctuations or inflation with its foreign customers.

Impact of New Accounting Pronouncements

The Company intends to adopt the disclosure approach provided for in Statement of Financial Accounting Standards (SFAS) No. 123, Accounting for Stock Based Compensation, with respect to options and warrants granted to employees. Because the Company has only a minimal investment in long-lived assets, the adoption of SFAS 121, Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of, and which will occur October 1, 1996, is not expected to have an impact on the Company.

Item 7. Financial Statements and Supplementary Data

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Directors of
Paradigm Medical Industries, Inc.:

We have audited the accompanying balance sheet of Paradigm Medical Industries, Inc. (the Company) as of September 30, 1996, and the related statements of operations, changes in stockholders' equity, and cash flows for the years ended September 30, 1996 and 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with 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 financial statements referred to above present fairly, in all material respects, the financial position of Paradigm Medical Industries, Inc. as of September 30, 1996, and the results of its operations and its cash flows for the years ended September 30, 1996 and 1995 in conformity with generally accepted accounting principles.

COOPERS & LYBRAND L.L.P.

Coopers & Lybrand L.L.P.
Salt Lake City, Utah
November 8, 1996

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

<TABLE>
<CAPTION>

BALANCE SHEET
as of September 30, 1996

ASSETS	
<S>	<C>
Current assets:	
Cash and cash equivalents	$ 3,040,152
Marketable debt securities, available-for-sale	486,039
Trade accounts receivable	55,454
Inventories	369,045
Prepaid expenses	18,361
Total current assets	3,969,051
Deferred charges	100,000
Property and equipment, net	123,544
Total assets	$ 4,192,595

<CAPTION>

LIABILITIES AND STOCKHOLDERS' EQUITY	
<S>	<C>
Current liabilities:	
Accounts payable	$ 38,656
Accrued liabilities	118,359
Note payable to bank-current	3,198
Total current liabilities	160,213
Note payable, less current portion	16,455
Total liabilities	176,668
Commitments (Notes 4, 10 and 11)	
Stockholders' equity:	
Preferred stock, Authorized: 5,000,000 $.001 par value shares	
Series A, Authorized: 500,000 shares; issued and outstanding: 122,764 $.001 par value shares (aggregate liquidation preference of $122,764)	123

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Series B, Authorized: 500,000 shares; issued and outstanding: 466,055 $.001 par value shares (aggregate liquidation preference of $1,864,220)	466
Additional paid-in capital, preferred stock	1,975,487
Common stock, Authorized: 20,000,000 shares; Issued: 3,174,198 shares; Outstanding: 3,171,598 shares; $.001 par value	3,172
Additional paid-in capital, common stock	6,186,251
Treasury stock, 2,600 shares, at cost	(3,777)
Unearned compensation	(82,083)
Accumulated deficit	(4,050,009)
Unrealized loss on marketable debt securities, available-for-sale	(13,703)
Total stockholders' equity	4,015,927
Total liabilities and stockholders' equity	$ 4,192,595

</TABLE>

The accompanying notes are an integral part of the financial statements

Paradigm Medical Industries, Inc.

<TABLE>
<CAPTION>

STATEMENTS OF OPERATIONS
for the years ended September 30, 1996 and 1995

	1996	1995
<S>	<C>	<C>
Sales	$ 252,134	$ 507,584
Cost of sales	180,010	266,348
Gross profit	72,124	241,236
Operating expenses:		
Marketing and selling	216,128	428,265
General and administrative	823,191	407,803
Research and development	288,854	236,043
Total operating expenses	1,328,173	1,072,111

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Operating loss	(1,256,049)	(830,875)
Other income (expense):		
Stock issued for relinquishment of anti-dilution rights	(179,000)	(3,425)
Interest income	42,859	10,124
Interest expense	(56,829)	(8,381)
	(192,970)	(1,682)
Net loss	(1,449,019)	(832,557)
Preferred stock dividend on 6% Series A and 12% Series B Preferred Stock		(51,124)
Return of stock dividend on 12% Series B Preferred Stock	848	
Net loss attributable to common shareholders	$(1,448,171)	$ (883,681)
Net loss per common share	$(.61)	$(.38)
Shares used in computing net loss per common share	2,379,121	2,352,031

</TABLE>

The accompanying notes are an integral part of the financial statements

PARADIGM MEDICAL INDUSTRIES, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
for the years ended September 30, 1996 and 1995

<TABLE>
<CAPTION>

	Preferred Stock	
	Series A	Series B

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

	No. of Shares	Amount	Shares	Amount
<S>	<C>	<C>	<C>	<C>
Balance at September 30, 1994	116,000	$403,680	60,750	$ 183,470
Issuance of 12% Series B Preferred Stock (net of offering costs of $259,350)			432,250	1,469,650
6% Series A Preferred Stock committed to be issued as a stock dividend				
12% Series B Preferred Stock committed to be issued as a stock dividend				
Balance at September 30, 1995	116,000	403,680	493,000	1,653,120
Issuance of 6% Series A Preferred Stock dividend	6,764	27,056		
Issuance of 12% Series B Preferred Stock dividend			6,017	24,068
Conversion of no par value preferred shares to $.001 par value preferred shares upon				

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

reincorporation in Delaware		(430,613)		(1,676,689)
Redemption of recision offer of Series B Preferred Stock			(32,962)	(33)
Balance at September 30, 1996	122,764	$ 123	466,055	$ 466

</TABLE>

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (CONTINUED)
for the years ended Septembesr 30, 1996 and 1995

<TABLE>
<CAPTION>

	Preferred Stock				
	Series A Committed to be issued		Series B Committed to be issued		Additional Paid in Capital,
	No. of Shares	Amount	No. of Shares	Amount	Preferred Stock
<S>	<C>	<C>	<C>	<C>	<C>
Balance at September 30, 1994					
Issuance of 12% Series B Preferred Stock (net of offering costs of $259,350)					
6% Series A Preferred Stock committed to be issued as a stock dividend	6,764	27,056			
12% Series B Preferred Stock committed to be					

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

issued as a stock dividend			6,017	$ 24,068	
Balance at September 30, 1995	6,764	27,056	6,017	24,068	
Issuance of 6% Series A Preferred Stock dividend	(6,764)	(27,056)			
Issuance of 12% Series B Preferred Stock dividend			(6,017)	(24,068)	
Conversion of no par value preferred shares to $.001 par value preferred shares upon reincorporation in Delaware					$2,107,302
Redemption of recision offer of Series B Preferred Stock					(131,815)
Balance at September 30, 1996		$		$	$1,975,487

</TABLE>

- Continued-

The accompanying notes are an integral part of the financial statements

PARADIGM MEDICAL INDUSTRIES, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY, Continued
for the years ended September 30, 1996 and 1995

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

<TABLE>
<CAPTION>

	Common Stock		Additional	Treasury Stock	
	No. of Shares	Amount	Paid-in-capital, Common Stock	No. of Shares	Amount
<S>	<C>	<C>	<C>	<C>	<C>
Balance at September 30, 1994	1,982,148	$ 976,953		2,600	$(3,777)
Issuance of common stock for relin-quishment of anti-dilution rights	3,425	3,425			
1995 net loss					
Preferred stock dividend on 6% Series A and 12% Series B Preferred Stock					
Balance at September 30, 1995	1,985,573	980,378		2,600	(3,777)
Issuance of common stock previously accrued as a liability for services rendered in connection with Series B Preferred Stock offering	25,000	10,251			
Issuance of common stock for relinquish-ment of anti-dilution rights	20,000	30,000			
Transfer of common stock from Company					

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

officers for relinquishment of anti-dilution rights | | | $ 149,000

Issuance of common stock for future services | 101,025 | 151,538 |

Amortization of unearned compensation

</TABLE>

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (Continued)
for the years ended September 30, 1996 and 1995

<TABLE>
<CAPTION>

	Unearned Compensation	Accumulated Deficit	Net Unrealized Loss on Debt Securities, Available-for-Sale
<S>	<C>	<C>	<C>
Balance at September 30, 1994		$(1,717,309)	
Issuance of common stock for relinquish-ment of anti-dilution rights			
1995 net loss		(832,557)	
Preferred stock dividend on 6% Series A and 12% Series B Preferred Stock		(51,124)	
Balance at September 30, 1995		(2,600,990)	
Issuance of common stock previously accrued as a			

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

liability for services rendered in connection with Series B Preferred Stock offering	
Issuance of common stock for relinquish-ment of anti-dilution rights	
Transfer of common stock from Company officers for relinquishment of anti-dilution rights	
Issuance of common stock for future services	$(151,538)
Amortization of unearned compensation	69,455

</TABLE>

- Continued -

The accompanying notes are an integral part of the financial statements

PARADIGM MEDICAL INDUSTRIES, INC.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY, Continued
for the years ended September 30, 1996 and 1995

<TABLE>
<CAPTION>

	Common Stock		Additional	Treasury Stock	
	No. of Shares	Amount	Paid-in-capital Common Stock	No. of Shares	Amount
<S>	<C>	<C>	<C>	<C>	<C>
Issuance of warrants in					

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

connection with private placement of notes (net of offering costs of $2,175)			$ 27,825		
Conversion of no par value common shares to $.001 par value common shares upon reincorpora-tion in Delaware		$(1,170,035)	1,170,035		
Issuance of common stock for initial public offering (net of offering costs of $1,509,569)	1,000,000	1,000	4,739,431		
Issuance of common stock	40,000	40	99,960		
Unrealized loss on marketable debt securities, available-for-sale					
1996 net loss					
Balance at September 30, 1996	3,171,598	$ 3,172	$6,186,251	2,600	$(3,777)

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

</TABLE>

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (CONTINUED)
for the years ended September 30, 1996 and 1995

<TABLE>
<CAPTION>

	Unearned Compensation	Accumulated Deficit	Net Unrealized Loss on Debt Securities, Available-for-sale
<S>	<C>	<C>	<C>
Issuance of warrants in connection with private placement of notes (net of offering costs of $2,175)			
Conversion of no par value common shares to $.001 par value common shares upon reincorp-oration in Delaware			
Issuance of common stock for initial public offering (net of offering costs of $1,509,569)			
Issuance of common stock			
Unrealized loss on marketable debt securities, available-for-sale			$(13,703)
1996 net loss		$(1,449,019)	
Balance at September 30, 1996	$(82,083)	$(4,050,009)	$(13,703)

</TABLE>

The accompanying notes are an integral part of the financial statements

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

PARADIGM MEDICAL INDUSTRIES, INC.

<TABLE>
<CAPTION>
STATEMENTS OF CASH FLOWS
for the years ended September 30, 1996 and 1995

	1996	1995
<S>	<C>	<C>
Cash flows from operating activities:		
Net loss	$(1,449,019)	$ (832,557)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	17,771	5,518
Issuance of common stock for services and relinquishment of anti-dilution rights	179,000	3,425
Amortization of unearned compensation	69,455	
Amortization of debt offering costs	41,325	
Issuance of bridge note and warrants for services	25,000	
Increase (decrease) from changes in:		
Trade accounts receivable	49,445	86,458
Inventories	31,855	(378,645)
Prepaid expenses	3,282	(6,043)
Deferred charges	(100,000)	
Accounts payable	(255,791)	144,091
Accrued liabilities	72,278	(2,095)
Net cash used in operating activities	(1,315,399)	(979,848)
Cash flows from investing activities:		
Purchase of property and equipment	(91,179)	(40,681)
Purchase of marketable debt securities, available-for-sale	(499,742)	
Net cash used in investing		

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

activities	(590,921)	(40,681)
Cash flows from financing activities:		
Proceeds from issuance of promissory notes and warrants	575,000	
Debt offering costs	(41,325)	
Proceeds from other notes payable		22,549
Principal payments on notes payable	(631,829)	(143,260)
Proceeds from issuance of common stock	6,350,000	
Issuance costs - common stock	(1,509,569)	
Proceeds from issuance of preferred stock		1,729,000
Issuance costs - preferred stock		(259,350)
Payments for recision offer of Series B preferred stock	(131,848)	
Issuance costs - warrants	(2,175)	
Net cash provided by financing activities	4,608,254	1,348,939
Net increase in cash and cash equivalents	2,701,934	328,410
Cash and cash equivalents at beginning of period	338,218	9,808
Cash and cash equivalents at end of period	$ 3,040,152	$ 338,218

</TABLE>

- Continued -

The accompanying notes are an integral part of the financial statements

PARADIGM MEDICAL INDUSTRIES

<TABLE>
<CAPTION>

STATEMENTS OF CASH FLOWS, Continued
for the years ended September 30, 1996 and 1995

	1996	1995
<S>	<C>	<C>

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 56,829	$ 8,895
Supplemental disclosure of noncash investing and financing activities:		
Preferred stock dividend on 6% Series A and 12% Series B Preferred Stock		$ 51,124
Issuance of common stock for services rendered in connection with preferred stock offering	$ 10,251	
Common stock issued for future services	$ 151,538	

</TABLE>

The accompanying notes are an integral part of the financial statements

PARADIGM MEDICAL INDUSTRIES, INC.
NOTES TO FINANCIAL STATEMENTS

1. Organization and Significant Accounting Policies:

Organization

Effective May 5, 1993, French Bar Industries, Inc. (French Bar) entered into a merger agreement with Paradigm Medical, Inc. (Paradigm) a California Corporation incorporated in October 1989. The agreement merged French Bar and Paradigm Medical, Inc. into a single public corporation under the name of Paradigm Medical Industries, Inc. (the Company). For accounting purposes the merger was accounted for as a purchase with Paradigm treated as the acquirer because the shareholders of Paradigm obtained control of the Company.

Since its inception in October 1989, the Company has been engaged in marketing and selling advanced surgical systems for cataracts, various attachments and disposable accessories. The Company is in the process of introducing a proprietary laser-based surgical machine which is expected to become its core business.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

The Company is dependent upon a single product line targeted towards minimally invasive cataract surgery devices. Revenues recognized to date primarily represent revenues from the sale of the Company's conventional ultrasound cataract surgery machine (the Precisionist). The Company has recognized minimal revenue from the sale of its proprietary laser-based product, the Photon LaserPhaco System (the Photon). In May, 1995 the Company received regulatory approval to manufacture the Photon in limited quantities and conduct clinical trials in the U.S. on a limited basis. Clinical trials of the Photon commenced in April, 1996. The Company's ability to achieve profitability depends upon its ability to obtain the regulatory approvals required to manufacture and market the Photon on an unlimited scale.

Change in Fiscal Year

In August 1996, the Company decided to change its fiscal year from September 30 to December 31 beginning with the period subsequent to September 30, 1996.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash, money market funds and highly liquid investments with original maturities of three months or less. Essentially all of the cash and cash equivalents balance is not covered by FDIC insurance.

Inventories

Inventories are stated at the lower of cost or market, with cost determined using the weighted average method. Inventories consist of finished goods of $273,900 and components of $95,147 for the Precisionist and the Photon at September 30, 1996.

Property and Equipment

Property and equipment are recorded at cost. Replacement and major improvements are capitalized and maintenance and repairs are charged to expense as incurred. The cost and related accumulated depreciation of assets sold or otherwise disposed of are removed from the accounts and any resulting gain or loss is charged to operations.

Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the related assets, which range from five to seven years.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Debt Offering Costs

Debt offering costs related to the private placement of promissory notes were amortized on a straight-line basis (which approximates the interest method) over the one year term of the notes.

Deferred Charges

Deferred charges represent the deferral of payments to a manufacturer for engineering services (see Note 10) and will be amortized using the units of production method once the manufacturing of the product begins in 1997.

Income Taxes

The Company accounts for income taxes in accordance with SFAS No. 109, Accounting For Income Taxes. Deferred income taxes are provided for differences between the financial statement and tax bases of assets and liabilities using enacted future tax rates.

Use of 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 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.

Revenue Recognition

Revenues are recognized when a product is shipped.

Research and Development

Costs incurred in connection with research and development activities are expensed as incurred. These costs consist of direct and indirect costs associated with specific projects as well as fees paid to various entities that perform certain research on behalf of the Company.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Net Loss Per Share

Net loss per common share is computed on the weighted average number of common and common equivalent shares outstanding during each period. Common stock equivalents consist of convertible preferred stock, common stock options and warrants. Common equivalent shares are excluded from the computation when their effect is anti-dilutive, except common stock equivalents related to common stock, stock options and warrants issued within one year prior to the July 1996 initial public offering, which have been included as if they were outstanding for all periods presented. Other common stock equivalents have not been included in loss years because they are anti-dilutive.

Concentrations of Risk

The market for ophthalmic lasers is subject to rapid technological change, including advances in laser and other technologies and the potential development of alternative surgical techniques or new pharmaceutical products. Development by others of new or improved products, processes or technologies may make products developed by the Company obsolete or less competitive.

The high technology product line requires the Company to deal with suppliers and subcontractors supplying highly specialized parts, operating highly sophisticated and narrow tolerance equipment and performing highly technical calculations and tasks. The Company relies on related party suppliers for parts and equipment. In addition, substantially all of the Company's current products are manufactured and assembled by two companies who are related parties (see Note 10). Although there are a limited number of suppliers and manufacturers that meet the standards required of a regulated medical device, management believes that other suppliers and manufacturers could provide similar components and services. A change in supplier or manufacturer, however, could cause a delay in manufacturing and a possible loss of sales, which would affect operating results adversely. In addition, since the supplier and manufacturer are related parties, there can be no assurance that comparable terms could be obtained.

The nature of the Company's business exposes it to risk from product liability claims. The Company maintains product liability insurance providing coverage up to $1 million per claim with an aggregate policy limit of $1 million. Any losses that the Company may suffer from any product liability litigation could have a material adverse effect on the Company.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

A significant portion of the Company's product sales are in foreign countries. The economic and political instability of some foreign countries may affect the ability of medical personnel to purchase the Company's products and the ability of the customers to pay for the procedures for which the Company's products are used. Such circumstances could cause a possible loss of sales, which would affect operating results adversely.

Accounts receivable are due from medical distributors, surgery centers, hospitals and ophthalmologists located throughout the U.S. and a number of foreign countries. The receivables are generally due within thirty days for domestic customers and sixty days for international customers. Credit losses historically have not been significant.

2. Investment in Marketable Debt Securities:

The Company's investment in marketable debt securities is classified as available-for-sale and carried at market value, with the unrealized loss, net of deferred taxes, reflected as a separate component of stockholders' equity. There were no sales of available-for-sale securities.

The cost and estimated market values of marketable debt securities available-for-sale at September 30, 1996, are as follows:

<TABLE>
<CAPTION>

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
<S>	<C>	<C>	<C>	<C>
Corporate bonds	$499,742	-	$13,703	$486,039

</TABLE>

The marketable debt securities available-for-sale are due in one year or less.

3. Property and Equipment:

<TABLE>

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

<CAPTION>

Property and equipment consist of the following:

<S>	<C>
Automobile	$ 26,099
Office equipment	83,541
Furniture and fixtures	10,170
Computer equipment	30,709
	150,519
Accumulated depreciation	(26,975)
	$123,544

</TABLE>

<TABLE>
<CAPTION>

4. Note Payable:

<S>	<C>
Note payable to bank, collateralized by an automobile, bearing interest at 9.95%, payable in monthly installments of $418, final payment due September, 2001.	$ 19,653
Less current portion	(3,198)
	$ 16,455

</TABLE>

<TABLE>
<CAPTION>

The Company's note payable has scheduled maturities for years ending September 30 as follows:

<S>	<C>
1997	$ 3,198
1998	3,531
1999	3,899
2000	4,305
2001	4,720
	$19,653

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

========

</TABLE>

Rates currently available to the Company for loans with similar terms and maturities are used to estimate the fair value of notes payable. At June 30, 1996, the carrying value of the note payable approximates fair value.

In May 1996, the Company established a one year $600,000 line of credit with a bank which bears interest at 3% above the prime rate (8 1/4% at September 30, 1996) through November 1996, after which the interest rate is 1 1/2% above the prime rate. Interest is due monthly with principal due May 1997. The line of credit is guaranteed by a shareholder of the Company.

5. Income Taxes:

At September 30, 1996, the Company has net operating loss carryforwards for income tax purposes of approximately $3,300,000 and research and development tax credit carryforwards of approximately $47,700. These carryforwards are available to offset future taxable income, if any, and expire in the years 2005 through 2011.

<TABLE>
<CAPTION>

The components of the net deferred tax asset as of September 30, 1996 are as follows:

<S>	<C>
Deferred tax assets:	
Net operating loss carryforwards	$ 1,244,000
Research and development tax credit carryforwards	47,700
Other	3,200
Valuation allowance	(1,294,900)
Net deferred tax asset	$ -

</TABLE>

The Company recognized no income tax benefit from the losses generated in the years ended September 30, 1996 and 1995.

The valuation allowance increased by approximately $577,100 during fiscal 1996 primarily as a result of the increases in deferred tax assets related to net operating losses and research and development tax credits. SFAS No. 109 requires that a valuation allowance be provided if it is more likely than not that some portion or all of a deferred tax asset will not be

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

realized. The Company's ability to realize the benefit of its deferred tax asset will depend on the generation of future taxable income. Because the Company has yet to recognize significant revenue from the sale of its laser-based Photon, the Company believes that a full valuation allowance should be provided.

6. Capital Stock:

In November 1995, the Company obtained the necessary director and shareholder approvals to reincorporate in Delaware. In conjunction with the reincorporation, which was finalized in February 1996, the Company established three series of preferred stock with a total of 5,000,000 authorized shares with a par value of $.001, including two series with rights and privileges similar to the previously issued Series A and B preferred stock, and one series of common stock with a par value of $.001 and a total of 20,000,000 authorized shares. All outstanding shares of the Company were converted on a one-for-one basis into shares in the new Delaware Corporation.

In November 1995, the Company granted 50,512 and 50,513 shares of common stock to two individuals who are officers and directors of the Company. The shares will be forfeited in the event either individual resigns or is removed for cause as an officer and director of the Company within two years from the date of grant. The value assigned by the Company's investment banker of $1.50 per share is being charged to compensation expense ratably over two years.

During fiscal year 1996, the Company participated in a private placement of $600,000 of units of its securities. Each unit consisted of a $25,000 promissory note with a stated rate of 12% and warrants to purchase 12,500 shares of the Company's common stock at a price of $3.33 per share. The value assigned by the Company's investment banker to the warrants was $.10 per warrant. The notes bear interest at an imputed rate of 18% and were due the earlier of the Company raising at least $4,000,000 through a public offering or December 31, 1996. The warrants are exercisable beginning on the date the note is issued and expiring on December 1, 2000, and are redeemable by the Company under certain conditions at a price of $.05 per warrant. The Company sold 23 units for cash proceeds of $575,000. An additional $25,000 unit was issued for services, which amount is included in operating expenses. These notes were paid in July 1996 upon the Company raising $4.7 million through their public offering.

In December 1995, the Company entered into an agreement with a significant shareholder which terminated certain previously granted anti-dilution rights which provided this

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

shareholder a 5% fixed equity position in the Company. Under the terms of the agreement, two of the Company's officers sold a total of 100,000 shares of their common stock to this shareholder for $1,000 and the Company issued 20,000 shares to this shareholder. Based on the value assigned by the Company's investment banker of $1.50 per share, the Company recognized $30,000 of expense for the 20,000 shares issued by the Company and $149,000 of expense and additional paid-in-capital for the 100,000 shares sold by the officers.

In July 1996, the Company closed an initial public offering (the "Offering") of their securities selling 1,000,000 units at a price of $6.25 per unit. Each unit consists of one share of common stock and one warrant to purchase one share of common stock (see Note 9). The net proceeds to the Company from the Offering were approximately $4.7 million.

In August 1996, the Company granted 40,000 restricted shares of common stock to a consultant as compensation for services and patent licensing rights. The shares were valued at the trading price at date of commitment and charged to compensation expense.

7. Preferred Stock:

On September 1, 1993 the Company established a series of non-voting preferred shares designated as the 6% Series A Preferred Stock, consisting of 500,000 shares with no par value, of which 116,000 shares were issued and outstanding as of September 30, 1995 and 122,764 issued and outstanding as of September 30, 1996. This series is part of the Company's 5,000,000 authorized shares of non-voting preferred stock. The Series A Preferred Stock has the following rights and privileges:

1. The holders of the shares are entitled to dividends at the rate of twenty-four cents ($.24) per share per annum, payable in cash only from surplus earnings of the Company or in additional shares of Series A Preferred Stock. The dividends are non-cumulative and therefore deficiencies in dividend payments from one year are not carried forward to the next year.

2. Upon the liquidation of the Company, the holders of the Series A Preferred Stock are entitled to receive, prior to any distribution of any assets or surplus funds to the holders of shares of common stock or any other stock, an amount equal to $1.00 per share, plus any accrued and unpaid dividends related to the fiscal year in which such liquidation occurs.

3. The shares are convertible at the option of the holder at any time into common shares, based on an initial

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

conversion rate of one share of Series A Preferred Stock for 1.2 common shares.

4. The holders of the shares have no voting rights.

5. The Company may, at its option, redeem all of the then outstanding shares of the Series A Preferred Stock at a price of $4.50 per share, plus accrued and unpaid dividends related to the fiscal year in which such redemption occurs.

On April 21, 1995, the Company declared a 6% preferred stock dividend in the amount of $27,056 to all shareholders of record as of December 31, 1994, which was paid through the issuance of 6,764 shares of Series A Preferred Stock on January 8, 1996.

On May 9, 1994, the Company established a series of non-voting preferred shares designated as the 12% Series B Preferred Stock, consisting of 500,000 shares with no par value, of which 493,000 shares were issued and outstanding as of September 30, 1995 and 466,055 shares were issued and outstanding as of September 30, 1996. This series is also part of the Company's 5,000,000 authorized shares of non-voting preferred stock. The Series B Preferred Stock have the following rights and privileges:

1. The holders of the shares are entitled to dividends at the rate of forty-eight cents ($.48) per share per annum, payable in cash only from surplus earnings of the Company or in additional shares of Series B Preferred Stock. The dividends are non-cumulative and therefore deficiencies in dividend payments from one year are not carried forward to the next year.

2. Upon the liquidation of the Company, the holders of the Series B Preferred Stock are entitled to receive, prior to any distribution of any assets or surplus funds to the holders of shares of common stock or any other stock, an amount equal to $4.00 per share, plus any accrued and unpaid dividends related to the fiscal year in which such liquidation occurs. Such right, however, is subordinate to the right of the holders of Series A Preferred Stock to receive a distribution of $1.00 per share plus accrued and unpaid dividends.

3. The shares are convertible at the option of the holder at any time into common shares, based on an initial conversion rate of one share of Series B Preferred Stock for 1.2 common shares.

4. The holders of the shares have no voting rights.

5. The Company may, at its option, redeem all of the

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

then outstanding shares of the Series B Preferred Stock at a price of $4.50 per share, plus accrued and unpaid dividends related to the fiscal year in which such redemption occurs.

On April 21, 1995, the Company declared a 12% preferred stock dividend in the amount of $24,068 to all shareholders of record as of December 31, 1994, which was paid through the issuance of 6,017 shares of Series B Preferred Stock on January 8, 1996.

In structuring and proceeding with the private offering of Series B Preferred Stock, the Company may not have complied with certain aspects of California corporate law and federal and state securities laws. The Company decided that, in order to effectively proceed with its initial public offering, it would provide its holders of Series B Preferred Stock a rescission offer. The rescission offer was designed to reduce any type of contingent liability the Company may be subject to in connection with the sale of the Series B Preferred Stock. The rescission offer, however, may not fully relieve the Company from exposure to contingent liability under federal or state securities laws. Two shareholders owning a combined total of 32,750 shares accepted the Recision Offer. These shareholders were paid $4.00 per share plus interest from the date the Rescission shares were purchased to July 25, 1996, the date these shareholders were paid. In addition, the shareholders returned 212 shares which had been issued due to the 12% preferred stock dividend.

8. 1995 Stock Option Plan:

In November, 1995, the Company's Board of Directors and shareholders approved the Company's 1995 Stock Option Plan (the Option Plan) which reserved 300,000 shares of the Company's authorized but unissued common stock for the granting of stock options. In February 1996, 300,000 options to purchase shares of the Company's common stock at $5.00 per share were granted, of which 2,000 were returned to the Company and 500 have expired. As of September 30, 1996, 259,174 options are exercisable and no options have been exercised.

The Option Plan provides for the grant of incentive stock options within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended, and non-qualified stock options to employees and non-employee directors of the Company. Incentive stock options may be granted only to employees. The Option Plan is administered by the Board of Directors or a Compensation Committee, which determines the terms of options granted including the exercise price, the number of shares subject to the option, and the exercisability of the option.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

9. Warrants:

The Company, in conjunction with the $600,000 private placement (see Note 6), issued warrants to purchase 300,000 shares of the Company's common stock at a price of $3.33 per share. These warrants are exercisable and expire on December 1, 2000, and are redeemable by the Company under certain conditions at a price of $.05 per warrant. Subsequent to September 30, 1996, warrants were exercised for 12,500 shares of common stock.

The Company issued warrants to purchase 25,000 shares of the Company's common stock at a price of $3.33 per share to a law firm, of which a director of the Company is a shareholder, as consideration for legal services. The warrants are exercisable beginning March 15, 1997, expire on December 1, 2000, and are redeemable by the Company under certain conditions at a price of $.05 per warrant.

In conjunction with the Offering, the Company issued Class A warrants to purchase 1,000,000 shares of the Company's common stock at a price of $7.50 per share. These warrants are currently exercisable and expire on July 10, 2001. These warrants are subject to redemption by the Company beginning May 17, 1997 at a price of $.05 per warrant, if the closing bid price of the Company's common stock averages in excess of $8.50 per share for 30 consecutive business days ending within 15 days of the date of redemption.

The Company issued to the Underwriter's of the Offering warrants to purchase 100,000 shares of the Company's common stock at a price of $7.50 per share. These warrants are exercisable on or after July 10, 1998 and expire on July 10, 2001. These warrants are subject to redemption by the Company beginning on July 10, 1998 at a price of $.05 per warrant, if the Company's common stock has been trading at a price equal to or above $10.00 per share for 30 consecutive business days ending within 15 days of the date of redemption.

In conjunction with its Series A Preferred private placement, the Company issued warrants to purchase 11,600 shares of the Company's Series A Preferred Stock at a price of $4.00 per share at any time prior to May 8, 1999. These warrants are subject to redemption by the Company beginning on July 9, 1997 at a price of $.05 per warrant if the Company redeems all of the then outstanding shares of Series A stock or the Company's common stock has been trading at a price equal to or above $7.50 per share for 20 consecutive business days ending within 15 days of the date of redemption.

In connection with its Series B Preferred private

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

placement, the Company issued warrants to purchase 21,525 shares of the Company's Common Stock at a price of $3.00 per share. These warrants are currently exercisable and expire on December 31, 1999.

10. Related Party Transactions:

The Company has subcontracted the manufacturing of its Precisionist and Photon LaserPhaco systems to a company (the "Manufacturer") that is a shareholder. During fiscal 1996 and 1995, the Company purchased design and manufacturing services from this company in the amount of $353,949 and $509,837, respectively.

In September 1996, the Company entered into an exclusive three year design, engineering and manufacturing agreement (the "Agreement") for its Photon laser cataract system with the Manufacturer. Under the provisions of the Agreement, the Company agrees to pay a total of $1,000,000 to the Manufacturer at various milestone dates through approximately March 1997 for engineering and design services. The first payment of $100,000 was made in September 1996.

In addition, the Company will pay the actual cost of tooling, plus a two percent mark-up, which is not expected to be significant. All items for tooling purposes will belong to the Company. The Agreement establishes the purchase price of the systems at the lessor of a fixed purchase price of the actual cost of manufacturing plus a markup. The Agreement requires the Manufacturer to deliver 19 complete systems on or about March 31, 1997.

The Agreement prohibits the Manufacturer from participating in any activities, including manufacturing, related to laser surgical systems for any other company for a period of two years beyond the term or any renewed term of the Agreement. The Agreement includes certain termination provisions, which include the event that the Company is unable to obtain governmental or regulatory approvals. The Agreement is renewable for successive one year additional terms.

The Company has contracted with a company, of which one of the Company's directors serves as President and Chief Executive Officer, to purchase certain components for the Photon. During fiscal 1996 and 1995, the Company purchased $5,284 and $263,000, respectively, of materials from this company.

In 1988, the Company signed an exclusive patent license agreement with a company which owns the patent for the laser-based Photon machine. This company is owned by a

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

shareholder of the Company. The agreement provides for the payment of a 1% royalty on all sales proceeds related directly or indirectly, to the Photon machine. The agreement terminates on July 7, 2003. Through September 30, 1996, no significant royalties have been earned under this agreement. The Company has also entered into a consulting agreement with this individual which provides for annual consulting fees of $25,000 through July 7, 2003.

A law firm, of which a director of the Company is a shareholder, has rendered legal services to the Company. During fiscal 1996 and 1995, the Company paid this firm $234,504 and $7,500, respectively, for legal services, and as of September 30, 1996, owed this firm $18,816, which is included in accounts payable.

11. Leases:

Total lease expense for fiscal 1995 and 1996 was $22,880 and $28,954, respectively. In November 1995, the Company renewed its lease for office space through November 30, 1996 at a monthly rent of $1,436. In December 1996, the Company renewed its lease through December 1997 at a monthly rent of $2,972. The lease is subject to renegotiation at that time.

12. Export Sales:

<TABLE>
<CAPTION>

Total sales for fiscal 1995 and 1996 include the following export sales by major geographic area:

<S>	<C> 1995	<C> 1996
Geographic Area		
Europe	$105,142	$107,161
Far East	122,032	46,270
Middle East	56,690	72,691
	$283,864	$226,122

</TABLE>

13. Employment Agreements:

Effective February 1, 1996, the Company entered into employee agreements with three officers which expire on February 1, 2001. The agreements provide for aggregate annual

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

compensation of $380,000 effective upon completion of the Offering. On February 16, 1996 the officers were granted options to acquire 190,000 shares of common stock at a price of $5.00 under the Company's 1995 Stock Option Plan.

14. Profit Sharing Plan:

In February 1996, the Company adopted a profit sharing plan pursuant to which an amount equal to 10% of the pretax profits of the Company will be set aside for the benefit of the Company's officers and key employees. This amount will only be paid if the Company's qualified pretax profits exceed $10,000,000 for any fiscal year beginning October 1, 1996 and ending September 30, 2001.

15. Legal Proceedings:

On March 31, 1995, the Company entered into an agreement with an investment banking company to obtain capitalization through a public offering. The agreement was deemed terminated if the required capitalization was not obtained by December 31, 1995. In a complaint filed in November 1996, the investment banking company and its principal officer requested 356,780 shares of the Company's common stock, along with monthly payments of $3,000 for three years, as compensation under the agreement. The Company believes the complaint is without merit and intends to vigorously defend the action. Nevertheless, in the event the Company does not prevail in its defenses, the lawsuit could have a material adverse impact on the Company's financial condition and could result in dilution to the Company's existing shareholders.

16. Subsequent Events:

Savings Plan

In November 1996, the Company established a 401(k) Retirement Savings Plan for the Company's officers and employees. The Plan provisions include eligibility after six months of service, a three year vesting provision and 100% matching contribution by the Company of up to 3% of a participant's compensation.

Preferred Stock Conversions

Subsequent to September 30, 1996, 1,060 shares of Series A

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Preferred Stock and 24,032 shares of Series B Preferred Stock were converted into 1,272 and 28,838 shares, respectively, of the Company's common stock.

17. New Accounting Pronouncements:

The Company intends to adopt the disclosure approach provided for in Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock Based Compensation", with respect to options and warrants granted to employees. Because the Company has only a minimal investment in long-lived assets, the adoption of SFAS No. 121, "Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed Of", is not expected to have an impact on the Company.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

PART III

Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act

<TABLE>
<CAPTION>

The executive officers and directors of the Company, their ages and their positions are set forth below:

<S>	<C>	<C>
Name	Age	Position
Thomas F. Motter	48	Chairman of the Board, President and Chief Executive Officer
Robert W. Millar	39	Vice President and Director
John W. Hemmer	69	Treasurer, Chief Financial Officer and Director
Randall A. Mackey	51	Secretary and Director
Michael C. Stelzer	49	Director
William C. Fitzhugh	47	Director
David W. Light	50	Director
David M. Silver	55	Director

</TABLE>

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Thomas F. Motter has served as Chief Executive Officer and a director of the Company since April 1993 and will serve as Chief Executive Officer and director until a new officer and director, respectively, are duly elected and qualified. Mr. Motter may be elected to successive terms of office. From June 1989 to April 1993, Mr. Motter served as Chief Executive Officer of Paradigm Medical, Inc. which merged with the Company in May 1994. From September 1990 to April 1992, he was employed by HGM Medical Laser Systems as General Manager of their International Division. From October 1978 to June 1989, Mr. Motter was employed by SmithKline Beckman's Humphrey Instruments Division, a company engaged in the development of advanced ophthalmic diagnostic instruments, serving last as its National Sales Manager overseeing all domestic sales in its ophthalmic computer division. Mr. Motter received a Bachelors of Arts degree in English from Stephen's College in 1970 and a Master of Business Administration from Pepperdine University in 1975. Mr. Motter has a five-year employment contract with the Company which expires on February 1, 2001.

Robert W. Millar has served as Vice President of the Company since August 1995 and a director of the Company since April 1993 and will serve as Vice President and director until a new officer and director, respectively, are duly elected and qualified. Mr. Millar may be elected to successive terms of office. From January 1991 to April 1993, Mr Millar was employed as President by Paradigm Medical, Inc. which merged with the Company in May 1994. From January 1990 to January 1991, Mr. Millar was employed by HGM Medical Laser Systems, serving as Director of Marketing and Product Management for all ophthalmic and surgical markets. From October 1988 to December 1989, Mr. Millar was employed by Esselte Pendaflex Corporation, a company engaged in the business of manufacturing and distributing office supply products. He served as group product manager for the customer products division. From July 1986 to February 1988, Mr. Millar was employed by TechnaVision Inc. a company engaged in the manufacture of diagnostic and other equipment. From February 1980 to July 1986, he was employed by Pogue McJunkin & Associates, a professional industrial design firm. Mr. Millar received a Bachelors of Science degree in Industrial Design from the College of Design in Detroit, Michigan in 1979. Mr. Millar has a five-year employment contract with the Company which expires on February 1, 2001.

John W. Hemmer has been Treasurer, Chief Financial Officer and a director of the Company since November 1995 and will serve as Treasurer, Chief Financial Officer and director until a new officer and director, respectively, are duly elected and qualified. Mr. Hemmer may be elected to successive terms of office. Since October 1989, Mr. Hemmer has served as a director and consultant for Sea Pride Industries, Inc., and subsidiaries

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

in Gulf Breeze, Florida, which developed the first offshore marine production system licensed and permitted for use in the Gulf of Mexico. From March 1992 to July 1994, Mr. Hemmer was employed as the Secretary and Vice President of Finance of Advance Electronics, Inc., Kendall Park, New York, which is engaged in the retail distribution of health and beauty products. From May 1989 to October 1991, Mr. Hemmer was employed as the Chief Financial Officer and a director of Innovative Designer Products, Inc., engaged in the manufacture of personal beauty care appliances, located in Kendall Park, New Jersey. From November 1991 to December 1994, Mr. Hemmer was employed as the Secretary and Treasurer of Belize Agro Industrial Development, Ltd. which established a Free Trade Zone in Belize engaged in the production and export of seafood. He was the President and Chief Executive Officer of John W. Hemmer, Inc., a registered broker/dealer firm from May 1987 to May 1989 which subsequently changed its name to Westfalia Investments Inc., but retained his registered representative status until March 1995. Prior thereto, he was Vice President of Bankers Trust Company in charge of venture capital and a member of the research and investment management committees. Mr. Hemmer was Vice President of corporate finance at Dempsey, Tegler & Company, Inc., a Senior Analyst at Lazard Freres & Company and an Investment Officer of The Chase Manhattan Bank. Mr. Hemmer received a Bachelors of Arts degree in Economics from Queens College in 1951 and a Master of Science degree in Banking and Finance from Columbia University Graduate School of Business in 1952. Mr. Hemmer has a five-year employment contract with the Company which expires on February 1, 2001.

Randall A. Mackey has been Secretary and a director of the Company since November 1995 and will serve as Secretary and director until a new officer and director, respectively, are duly elected and qualified. Mr. Mackey may be elected to successive terms of office. Since 1989, Mr. Mackey has been a shareholder of the Salt Lake City law firm Mackey Price & Williams and its predecessor firms. From 1979 to 1989, he practiced law with the Salt Lake City law firm of Fabian & Clendenin, where he was a shareholder and a director of the firm from 1982 to 1989. From 1977 to 1979, Mr. Mackey was associated with the Washington D.C. law firm of Hogan and Hartson. Mr. Mackey received a Bachelor of Science degree in Economics from the University of Utah in 1968, a Master of Business Administration degree from Harvard University in 1970, a Juris Doctor degree from Columbia University in 1975 and a Bachelor of Civil Law degree from Oxford University in 1977.

Michael C. Stelzer joined the Company's Board of Directors in April 1993 to serve as a director until the Company's next annual shareholders' meeting at which time Mr. Stelzer may be elected to successive terms of office. From June 1989 to April

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

1993, Mr. Stelzer served as a director of Paradigm Medical, Inc. which merged with the Company in May 1994. Mr. Stelzer is presently Executive Vice President and General Counsel of Rhino Marketing, Inc. and has practiced law in California since 1980. From March 1972 to January 1980, Mr. Stelzer was Comptroller of Ponderosa Telephone Company. Mr. Stelzer received a Bachelor of Science degree in Business Administration from the University of California, Davis in 1970 and a Juris Doctorate from Humphreys College in 1979.

William C. Fitzhugh, M.D. joined the Company's Board of Directors in November 1995 to serve as a director until the Company's next annual shareholders' meeting at which time Dr. Fitzhugh may be elected to successive terms of office. Dr. Fitzhugh has operated a private ophthalmology practice in Twin Falls, Idaho since 1980 and is the past president of the Idaho Society of Ophthalmology. Dr. Fitzhugh received a Bachelor of Science degree in pre-medicine from the University of Idaho in 1971 and a Medical Degree from the University of Oregon Medical School in 1976.

David W. Light joined the Company's Board of Directors in November 1995 to serve as a director until the Company's next annual shareholders' meeting at which time Mr. Light may be elected to successive terms of office. Mr. Light is currently Chief Executive Officer of Sunrise Technologies, Inc., a medical laser manufacturer located in Fremont, California. From 1986 to 1994, Mr. Light was employed by Advanced Polymer Systems, Inc. ("APS"), a public company involved in the development and manufacture of polymer based delivery systems for the controlled release of active ingredients and therapeutic agents. Mr. Light served as Vice President, Operations of APS from 1989 to 1994 and as the Chief Financial Officer of APS from 1986 to 1989. Mr. Light received a Bachelor of Arts degree in Accounting from Boise State University and is a Certified Public Accountant.

David M. Silver, Ph.D joined the Company's Board of Directors in November 1995 to serve as a director until the Company's next annual shareholders' meeting at which time Dr. Silver may be elected to successive terms of office. Dr. Silver currently is a member of the Principal Staff of The Johns Hopkins University Applied Physics Laboratory. He received a B.S. degree in Chemistry from the Illinois Institute of Technology in 1962, an M.A. degree from The Johns Hopkins University in 1964 and a Ph.D. degree from Iowa State University in 1968. After a postdoctoral fellowship at Harvard University and a visiting scientist position at the University of Paris, Dr. Silver returned to The Johns Hopkins University in 1970. Currently, he is Senior Scientist in the Milton S. Eisenhower Research Center at The Johns Hopkins University Applied Physics Laboratory.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Technical and Medical Advisory Personnel

The Company utilizes an informal Clinical Advisory Board of recognized practicing ophthalmic surgeons in technical and medical advisory capacities. Outside consultants are generally used on an ad hoc basis and such individuals do not meet together as a group and are not compensated. The Members of the Company's Clinical Advisory Board are as follows:

Paul L. Archambeau, M.D. -- Dr. Archambeau is an ophthalmologist in Santa Rosa, California and a faculty member at the University of California at San Francisco. He received his medical degree at the University of Buffalo Medical School in 1959 and performed his residency at the Mayo Clinic in Rochester, Minnesota.

Daniele S. Aron-Rosa, Ph.D, M.D. -- Dr. Aron-Rosa is a faculty member at the Rothschild Eye Institute in Paris, France. She received a doctorate degree in physics from the University of Paris in 1957 and received her medical degree there in 1962 and performed her residency at the University of Paris Hospital.

David C. Brown, III, M.D. -- Dr. Brown is an ophthalmologist in Fort Myers, Florida. He received his medical degree at the University of Florida in 1963 and also performed his residency at that facility.

Alan S. Crandall, M.D. -- Dr. Crandall is an ophthalmologist in Salt Lake City, Utah. He received his medical degree at the University of Utah in 1973 and performed his residency at the University of Pennsylvania.

Daniel M. Eichenbaum, M.D. -- Dr. Eichenbaum is an ophthalmologist practicing in Murphy, North Carolina. He received his medical degree from the Yale School of Medicine in 1969 and performed his residency at the Bascom Palmer Eye Institute in Miami, Florida. The Company licenses a patent held by Dr. Eichenbaum for use in its laser technology.

Bruce L. Erickson, M.D. -- Dr. Erickson is an ophthalmologist in Great Falls, Montana. He received his medical degree at the University of Minnesota in 1979 and performed his residency at the University of Minnesota.

I. Howard Fine, M.D. -- Dr. Fine is an ophthalmologist practicing in Eugene, Oregon and a member of the Oregon Health Sciences University faculty. Dr. Fine received his medical degree at Boston University in 1966 and also performed his residency at that facility.

Stephane P. Ganem, M.D. -- Dr. Ganem is chairman of the

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

ophthalmology department at the Rothschild Eye Institute in Paris, France.

Frederic B. Kremer, M.D. -- Dr. Kremer is an ophthalmologist in Radnor, Pennsylvania. He received his medical degree at the Jefferson Medical Center in 1976 and performed his residency at the Wills Eye Hospital in Philadelphia, Pennsylvania.

Doyle Leslie, M.D. -- Dr. Leslie is an ophthalmologist in Austin, Texas. He received his medical degree at the University of Texas, Dallas in 1964, and performed his residency at the University of Texas, San Antonio.

Francis A. L'Esperance, M.D. -- Dr. L'Esperance is President of the American Board of Laser Surgery and a faculty member at the Columbia College of Physicians and Surgeons. He received his medical degree from Harvard Medical School in 1956 and performed his residency at the Massachusetts Eye and Ear Infirmary.

Michael B. Limberg, M.D. -- Dr. Limberg is an ophthalmologist practicing in San Luis Obispo, California. He received his medical degree at the University of Utah Medical School in 1982 and performed his residency at Louisiana State University.

Marc A. Michelson M.D. -- Dr. Michelson is an ophthalmologist in Birmingham, Alabama. He received his medical degree at the University of Alabama in 1975, and performed his residency at the Eye Foundation Hospital in Birmingham, Alabama.

Lawrence E. Noble M.D. -- Dr. Noble is an ophthalmologist in Provo, Utah. He received his medical degree at the University of Oregon in 1964, and performed his residency at the Good Samaritan Hospital.

Jaswant Singh Pannu, M.D. -- Dr. Pannu is an ophthalmologist in Lauderdale Lakes, Florida. He received his medical degree at the University of Miami in 1967 and performed his residency at the Milwaukee, Wisconsin Veterans Administration Hospital and at Evanston Hospital in Evanston, Illinois.

David M. Schneider, M.D. -- Dr. Schneider is an ophthalmologist in Cincinnati, Ohio. He received his medical degree at the University of Cincinnati in 1975, and performed his residency at the University of Cincinnati.

David M. Silver, Ph.D. -- Dr. Silver is the Senior Scientist in the Milton S. Eisenhower Research Center at The Johns Hopkins University Applied Physics Laboratory. He received his Ph.D. from the Iowa State University in 1968, and finished

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

his postdoctoral fellowship at Harvard University and held a scientist position at the University of Paris.

Jeffrey G. Straus, M.D. -- Dr. Straus is an ophthalmologist in Metairie, Louisiana. He received his medical degree at State University of New York at Buffalo in 1984 and performed his residency at Ochsner Foundation Hospital and Clinic in New Orleans, Louisiana.

Gerald Zelman, M.D. -- Dr. Zelman is a Ophthalmologist in Manhasset, New York. He received his medical degree at the University of Lausanne in 1964, and performed his residency at the Brooklyn Eye and Ear facility in Brooklyn, New York.

Board Meetings and Committees

The Board of Directors held a total of five meetings during the fiscal year ended September 30, 1996. The Audit Committee of the Board of Directors consisting of directors John Hemmer, Dr. David Light, Randall Mackey and Michael Stelzer was formed on October 27, 1996 and, as a consequence, did not meet during the 1996 fiscal year. The Audit Committee is primarily responsible for reviewing the services performed by the Company's independent public accountants and internal audit department and evaluating the Company's accounting principles and its system of internal accounting controls. The Compensation Committee of the Board of Directors consisting of directors John Hemmer, Dr. David Light, Randall Mackey and Michael Stelzer was also formed on October 27, 1996 and, as a consequence, did not meet during the 1996 fiscal year. The Compensation Committee is primarily responsible for reviewing compensation of executive officers and overseeing the granting of stock options. No director attended fewer than 75% of all meetings of the Board of Directors during the 1996 fiscal year.

Compliance with Section 16(a) of the Securities and Exchange Act of 1934

Effective May 1, 1991, the Securities and Exchange Commission adopted revised rules regarding reporting of beneficial ownership of securities by officers, directors and owners of more than 10% of any class of a company's equity securities. During fiscal 1996 the Company's officers and directors holding shares of the Company's Common Stock, through an oversight, filed late Form 3 reports.

Item 10. Executive Compensation

The following table contains information regarding compensation to the Company's Chairman of the Board, President and Chief Executive Officer and its Vice President for services

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

in all capacities to the Company for the fiscal years listed. No other executive officer of the Company earned compensation in excess of $100,000.

<TABLE>
<CAPTION>

		Annual Compensation		Awards
	Fiscal Year	Salary	Bonus	Securities Underlying Options/SARs($)
<S>	<C>	<C>	<C>	<C>
Thomas F. Motter, Chairman of the Board, President and Chief Executive Officer	1996	$111,042	$1,000	0<F1>
	1995	72,000<F1>	300	0
	1994	68,352	0	0
Robert W. Millar, Vice President	1996	$ 99,792	$1,000	0<F1>
	1995	60,265	300	0
	1994	42,500	0	0

_____

<FN>
<F1>
On February 16, 1996, the Company granted Mr. Motter and Mr. Millar options to purchase 106,000 and 84,000 shares, respectively, of the Company's Common Stock at an exercise price of $5.00 per share. Such options expire on February 15, 2001.

</TABLE>

Director Compensation

Outside directors receive cash compensation in the amount of $10,000 per year for their services as members of the Board of Directors and are reimbursed for their expenses in attending Board and committee meetings. Directors are not precluded from serving the Company in any other capacity and receiving compensation therefor.

Employee 401(k) Plan

In October 1996, the Company's Board of Directors adopted a 401(k) Retirement Savings Plan. Under the terms of the 401(k)

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

plan, effective as of November 1, 1996, the Company may make discretionary employer matching contributions to its employees who choose to participate in the plan. The plan allows the Board to determine the amount of the contribution at the beginning of each year. The Board adopted a contribution formula specifying that such discretionary employer matching contributions would equal 100% of the participating employee's contribution to the plan up to a maximum discretionary employee contribution of 3% of a participating employee's compensation, as defined by the plan. All persons who have completed at least six months' service with the Company and satisfy other plan requirements are eligible to participate in the 401(k) plan.

1995 Stock Option Plan

The Company has adopted a 1995 Stock Option Plan (the "Plan"), for officers, employees, directors and consultants of the Company, which became effective on February 16, 1996. The Plan authorized the granting of stock options ("Plan Options") to purchase an aggregate of not more than 300,000 shares of the Company's Common Stock. Prior to March 31, 1996, options for all 300,000 shares had been granted. On May 20, 1996, however, when an employee terminated her employment with the Company, 2,000 options were returned to the Plan. Accordingly, there are presently 2,000 options to be granted under the Plan. No Plan Options have been exercised. The following table contains information regarding the Plan Options granted to the Company's executive officers as of the date of this Prospectus:

<TABLE>
<CAPTION>

Option/SAR Grants to Executive Officers in the Current Fiscal Year

<S> (a)	<C> (b)	<C> (c)	<C> (d)	<C> (e)
Name	Number of Securities Underlying Options/SARs Granted(#)	$ of Total Options/SARs Granted to Employees in Fiscal Year	Exercise or Base Price ($/Sh)	Expiration Date
Thomas F. Motter, Chairman of the Board, President and Chief Executive Officer . . .	106,000	35%	$5.00	February 15, 2001

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Robert W. Millar, Vice President and Director . . .	84,000	28%	$5.00	February 15, 2001

</TABLE>

Plan Options have also been granted to Jack A. Whiteside and Corinne Powell, who were each given the right to purchase 50,000 shares of Common Stock at an exercise price of $5.00 per share. Mr. Whiteside is the Company's Eastern Sales Manager and Ms. Powell is the Company's Western Sales Manager and International Sales Manager. Of the options granted to Mr. Whiteside and Ms. Powell, 33,337 options are fully vested to each of them as of February 16, 1996, with the balance of the options, or 16,667 options to each of them, to be vested as follows: 16,667 to Mr. Whiteside on December 7, 1996; and 16,667 to Ms. Powell on December 1, 1996.

Finally, Plan Options were also granted to Jason A. Jahn, Leslie A. Nunley and Jennifer Kotowski on February 16, 1996, to purchase 5,000, 2,500 and 2,500 shares of Common Stock, respectively, at an exercise price of $5.00 per share. Of the options granted to Mr. Jahn, 1,000 are fully vested as of February 16, 1996, with the balance of the options, or 4,000 options, to be vested as follows: 1,000 on January 30, 1997, 1,000 on January 30, 1998, 1,000 on January 30, 1999 and 1,000 on January 30, 2000. Of the options granted to Ms. Nunley, 1,000 are fully vested as of February 16, 1996, with the balance of the options, or 1,500 options, to be vested as follows: 500 on March 16, 1996, 500 on March 16, 1997 and 500 on March 16, 1998. Of the options granted to Ms. Kotowski, 500 are fully vested as of February 16, 1996. The balance of Ms. Kotowski's options, or 2,000 options, have been returned to the Plan since Ms. Kotowski terminated her employment with the Company on May 20, 1996. Unless properly exercised on or before August 18, 1996, Ms. Kotowski's 500 vested options shall terminate and be returned to the Plan. Mr. Jahn is the Company's Comptroller, Ms. Nunley is the Company's Customer Sales Manager and Ms. Kotowski was an accounting clerk of the Company.

The Plan is administered by the Board of Directors or a Compensation Committee of not less than two disinterested members of the Board of Directors. In general, the Board of Directors or the Compensation Committee, as the case may be, will select the person to whom options will be granted and will determine, subject to the terms of the Plan, the number, exercise, and other provisions of such options. Options granted under the Plan will become exercisable at such times as may be determined by the

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Board of Directors or the Compensation Committee, as the case may be.

Plan Options may be either incentive stock options ("ISOs"), as such term is defined in the Internal Revenue Code, or non-ISOs. ISOs may only be granted to persons who are employees of the Company. Non-ISOs may be granted to any person, including, but not limited to, employees of the Company, independent agents, consultants, as the Board of Directors or the Compensation Committee, as the case may be, believes has contributed, or will contribute, to the success of the Company. The Board of Directors or the Compensation Committee as the case may be, shall determine the exercise price of options granted under the Plan, provided that, in the case of ISOs, such price may not be less than 100% (110% in the case of ISOs granted to holders of 10% of voting power of the Company's stock) of the fair market value (as defined in the Plan) of the Common Stock on the date of grant. The aggregate fair market value (determined at the time of option grant) of stock with respect to which ISOs become exercisable for the first time in any year cannot exceed $100,000.

Plan Options are evidenced by written agreement containing in the terms described above which are applicable and such other terms and conditions consistent with the Plan as the Board of Directors or the Compensation Committee, as the case may be, may impose. The term of each Plan Option shall not be more than 10 years (five years in the case of ISOs granted to holders of 10% of the voting power of the Company's stock) from the date of grant. The Board of Directors has a right to amend, suspend or terminate the Plan at any time; provided, however, that unless ratified by the Company stockholders, no amendment or change in the Plan will be effective which would increase the total number of shares which may be issued under the Plan, materially increase the benefits accruing to persons granted under the Plan or materially modify the requirements as to eligibility and participation in the Plan. No amendment, supervision or termination of the Plan shall, without the consent of an employee to whom an option shall heretofore have been granted, affect the rights of such employee under such option.

All Plan Options were granted on February 16, 1996 to award certain officers and key employees who have been employed by the Company for a number of years and to help the Company retain these officers and key employees by providing them with additional incentives to contribute to the success of the Company.

Employment Agreements

The Company has entered into employment agreements with

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

each of Thomas F. Motter, Robert W. Millar and Jack W. Hemmer, which expire on February 1, 2001. The agreements require each employee to devote substantially all of his working time to the Company, provide that each of them may be terminated for "cause" (as provided in the agreements) and prohibit each of them from competing with the Company for two years following the termination of his Employment Agreement. The agreements provide for the payment of an initial base salary of $135,000 to Mr. Motter, $125,000 to Mr. Millar and $120,000 to Mr. Hemmer, effective upon the completion of the offering. Messrs. Motter and Millar also each received a grant by the Company of Employee incentive stock options to purchase 106,000 and 84,000 shares, respectively, of the Company's Common Stock at a price of $5.00 per share under the Company's Option Plan. The agreements provide for salary increases and bonuses as shall be determined at the discretion of the Board of Directors.

Profit Sharing Plan

On February 16, 1996, the Company adopted a Profit Sharing Plan, pursuant to which an amount equal to 10% of the pretax profits of the Company will be set aside for the benefit of the Company's officers and key employees. This funding will be paid to the Company's officers and key employees as follows: Thomas W. Motter, the Company's President and Chief Executive Officer--30%; Robert W. Millar, the Company's Vice President--25%; John W. Hemmer, the Company's Chief Financial Officer and Treasurer--20%; and a pool of 25% to be allocated among the other officers and key employees as determined by the Compensation Committee and approved by the Board of Directors. This funding will only be paid if the Company's qualified pretax profits exceed $10,000,000 for any fiscal year beginning October 1, 1996 and ending September 30, 2001. If the Company's pretax profits reach $10,000,000 for any fiscal year, the entire pretax profits for that year will qualify for the funding. The plan expires at the end of its fifth fiscal year on September 30, 2001.

Limitation of Liability and Indemnification

The Company reincorporated in Delaware in February 1996, in part, to take advantage of certain provisions in Delaware's corporate law relating to limitations on liability of corporate officers and directors. The Company believes that the reincorporation into Delaware, the provisions of its Certificate of Incorporation and Bylaws and the separate indemnification agreements outlined below are necessary to attract and retain qualified persons as directors and officers. The Company's Certificate of Incorporation limits the liability of directors to the maximum extent permitted by Delaware law. This provision is intended to allow the Company's directors the benefit of Delaware

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

General Corporation Law which provides that directors of Delaware corporations may be relieved of monetary liabilities for breach of their fiduciary duties as directors, except under certain circumstances, including breach of their duty of loyalty, acts or omissions not in good faith or involving intentional misconduct or a knowing violation of law, unlawful payments of dividends or unlawful stock repurchases or redemptions or any transaction from which the director derived an improper personal benefit. The Company's Bylaws provide that the Company shall indemnify its officers and directors to the fullest extent provided by Delaware law. The Bylaws authorize the use of indemnification agreements and the Company has entered into such agreements with each of its directors and executive officers.

There is no pending litigation or proceeding involving a director, officer, employee or other agent of the Company as to which indemnification is being sought, nor is the Company aware of any threatened litigation that may result in claims for indemnification by any director, officer, employee or other agent.

Insofar as indemnification for liabilities arising under the Act may be permitted to directors, officers and controlling persons of the Company pursuant to the foregoing provisions, or otherwise, the Company has been advised that in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable.

Item 11. Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information with respect to beneficial ownership of the Company's Common Stock as of December 20, 1996 for (i) each executive officer of the Company (ii) each director of the Company (iii) each person known to the Company to be the beneficial owner of more than 5% of the outstanding shares, and (iv) all directors and officers as a group.

<TABLE>
<CAPTION>

Name and Address<F1>	Number of Shares	Percent of Ownership<F2>
<S>	<C>	<C>
Thomas F. Motter<F3>	588,666	18.6%
Douglas MacLeod	418,451	13.2%
Robert W. Millar<F4>	374,605	11.8%

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

William C. Fitzhugh	63,071	2.0%
Michael Stelzer	59,071	1.9%
John W. Hemmer	50,513	1.6%
Randall A. Mackey	50,512	1.6%
David W. Light	--	*
David M. Silver	1,000	*
Executive officers and directors as a group	1,187,438	37.4%

_____

* Less than 1%.
<FN>
<F1>
The address for Mr. Motter and Mr. Millar is c/o Paradigm Medical Industries, Inc., 1772 West 2300 South, Salt Lake City, Utah 84119. The address for Mr. MacLeod is 1002 South 10th Street, Tacoma, Washington 98405. The address for Mr. Stelzer is 2811 Airpark Drive, Santa Maria, California 93455. The address for Mr. Fitzhugh is 589 Sharp Avenue West, Twin Falls, Idaho 83301. The address for Mr. Hemmer is 88 Meadow Road, Briarcliff Manor, New York 10510. The address for Mr. Mackey is 170 South Main Street, Suite 900, Salt Lake City, Utah 84101. The address for Mr. Light is 724 Laurel Avenue, Number 511, San Mateo, California 94401. The address for Mr. Silver is 17 Avalon Court, Bethesda, Maryland 20816.

<F2>
Assumes no exercise of the Class A Warrants, the Note Holders' warrants and the Attorney's Warrants, and no conversion of shares of the Company's Series A and Series B Preferred Stock into Common Stock.

<F3>
Does not include 106,000 options granted to Mr. Motter under the Company's 1995 Option Plan.

<F4>
Includes 2,000 shares held by William E. Millar, Mr. Millar's father, 1,000 shares held by Michael S. Millar, Mr. Millar's brother, and 100 shares to Nathan Glynn, Mr. Millar's nephew. Mr. Millar disclaims beneficial ownership of these 3,100 shares. Does not include 84,000 options granted to Mr. Millar under the Company's 1995 Option Plan.

</TABLE>

Item 12. Certain Relationships and Related Transactions

The information set forth herein describes certain

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

transactions between the Company and certain affiliated parties. Future transactions, if any, will be approved by a majority of the disinterested members of the Company and will be on terms no less favorable to the Company than those that could be obtained from unaffiliated parties.

The Company purchases the laser cavity, optical train and power source for the Photon(trademark) laser cataract system from Sunrise Technologies, Inc. ("Sunrise") of which one of the Company's directors, David Light, serves as Chief Executive Officer. These materials are purchased pursuant to a Manufacturing Agreement entered into by Sunrise and the Company before Mr. Light joined the Company's Board of Directors, which expired on June 1, 1996. The Company is currently negotiating with Sunrise for a renewal of this agreement. For the fiscal years ended September 30, 1995 and 1996, the Company paid Sunrise $263,000 and $5,284, respectively, for materials purchased.

The Company subcontracts the manufacture of its Precisionist(trademark) and Photon(trademark) laser cataract systems to one of its shareholders, Zevex, Inc. ("Zevex") which is located in Salt Lake City, Utah. On September 22, 1996, the Company entered into a Design, Engineering and Manufacturing Agreement with Zevex for the engineering and manufacture of the Photon(trademark) laser cataract system, except for the laser cavity and surgical probes. The agreement prohibits Zevex from manufacturing invasive ophthalmic medical lasers for any other company until September 21, 2001. For the fiscal year ended September 30, 1995 and 1996, the Company purchased design and manufacturing services in the amounts of $509,837 and $353,949, respectively, from Zevex.

On December 19, 1995, the Company entered into a settlement and release agreement (the "Settlement Agreement") with Douglas A. MacLeod, a significant shareholder of the Company. Pursuant to this agreement, Mr. MacLeod agreed to terminate certain anti-dilution rights granted to him by the Company. Under the terms of this Settlement Agreement, Mr. MacLeod agreed to terminate his anti-dilution rights in consideration for the following: (i) Mr. Motter agreeing to sell to Mr. MacLeod from his personal holdings 61,111 shares of the Company's Common Stock at a purchase price of $611.11, (ii) Mr. Millar agreeing to sell to Mr. MacLeod from his personal holdings 38,889 shares of the Company's Common Stock at a purchase price of $388.89, and (iii) the Company agreeing to issue to MacLeod an additional 20,000 shares of Common Stock. Based on the value assigned by the Company's investment banker, Kenneth Jerome & Company, Inc., of $1.50 per share, the Company recognized $30,000 of expense for the 20,000 shares issued by the Company and $149,000 of expense and additional paid-in-capital for the 100,000 shares sold by Mr. Motter and Mr. Millar. The Company represented in the Settlement Agreement that a public offering of the Company's securities

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

would be completed by June 1, 1996. On May 24, 1996, the Company and Mr. MacLeod amended the Settlement Agreement to indicate that a public offering of the Company's securities would be completed by July 15, 1996. By order dated July 10, 1996, the Securities and Exchange Commission declared the Company's Registration Statement to be effective and following the sale of the Company's securities, the closing of the public offering occurred on July 25, 1996.

Mr. Mackey, a director of the Company since September 1995, is President and a shareholder of the law firm of Mackey Price & Williams, which has rendered legal services to the Company since February 1995 in connection with this public stock offering and other corporate matters. Legal fees and expenses paid to Mackey Price & Williams for the fiscal year ended September 30, 1995 and 1996 totaled $7,500 and $234,504, respectively, which was primarily for legal services related to the public stock offering. The Company also granted Mackey Price & Williams Warrants to purchase 25,000 shares of Common Stock at $3.33 per share in partial payment for legal services relating to the public stock offering.

PART IV

Item 13. Exhibits and Reports on Form 8-K

(a) Exhibits

The following Exhibits are filed herewith pursuant to Rule 601 of Regulation S-B or are incorporated by reference to previous filings.

<TABLE>
<CAPTION>

Table No.	Document
<S>	<C>
2.1	Amended Agreement and Plan of Merger between Paradigm Medical Industries, Inc., a California corporation and Paradigm Medical Industries, Inc., a Delaware corporation*
3.1	Certificate of Incorporation*
3.2	Bylaws*
4.1	Warrant Agency Agreement with Continental Stock Transfer & Trust Company
4.2	Specimen Common Stock Certificate **
4.3	Specimen Class A Warrant Certificate**
4.4	Form of Class A Warrant Agreement**
4.5	Underwriter's Warrant with Kenneth Jerome & Co., Inc.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

4.6	Attorney's Warrant with Mackey Price & Williams*
10.1	Exclusive Patent License Agreement with Photomed*
10.2	Consulting Agreement with Dr. Daniel M. Eichenbaum*
10.3	Confidential Disclosure Agreement with Zevex, Inc.*
10.4	Indemnity Agreement with Zevex International, Inc.*
10.5	Manufacturing Agreement with Sunrise Technologies, Inc.*
10.6	Royalty Agreement dated January 30, 1992, with Dennis L. Oberkamp Design Services*
10.7	Indemnity Agreement dated January 30, 1992, with Dennis L. Oberkamp Design Services*
10.8	Royalty Agreement (for Ultrasonic Phaco Handpiece) with Dennis L. Oberkamp Design Services*
10.9	Commercial Office Lease with Tri-Cox, L.C.
10.10	Settlement and Release Agreement with Douglas A. MacLeod*
10.11	Form of Indemnification Agreement*
10.12	1995 Stock Option Plan and forms of Stock Option Grant Agreements*
10.13	Form of Promissory Note between the Company and third parties*
10.14	Form of Warrant to Purchase Common Stock between the Company and third parties*
10.15	Employee's Lock-Up Agreement
10.16	Registering Shareholders Lock-Up Agreement
10.17	Employment Agreement with Thomas F. Motter*
10.18	Employment Agreement with Robert W. Millar*
10.19	Employment Agreement with Jack W. Hemmer*
10.20	Amendment of Settlement and Release Agreement with Douglas A. MacLeod***
10.21	Design, Engineering and Manufacturing Agreement with Zevex, Inc.
11.1	Statement regarding Computation of Net (Loss) Per Share
23.1	Consent of Medical Laser Insight ***
23.2	Consent of Frost & Sullivan ***
23.3	Consent of Ophthalmologists Times ***
27	Financial Data Schedule

*	Incorporated by reference from Registration Statement on Form SB-2, as filed on March 19, 1996.
**	Incorporated by reference from Amendment No. 1 to Registration Statement on Form SB-2, as filed on May 14, 1996.
***	Incorporated by reference from Amendment No. 2 to Registration Statement on Form SB-2, as filed on June 13, 1996.
****	Incorporated by reference from Amendment No. 3 to Registration Statement on Form SB-2, as filed on June 28, 1996.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

</TABLE>

(b) Reports on Form 8-K

On August 26, 1996, the Company filed a report on Form 8-K regarding the change in the Company's fiscal year from September 30 to December 31.

SIGNATURES

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

PARADIGM MEDICAL INDUSTRIES, INC.

Dated: December 30, 1996 By: Thomas F. Motter
Chairman of the Board,
President and Chief Executive
Officer

Pursuant to the requirements of the Securities Act of 1934, this report has been signed by the following persons in counterpart on behalf of the Company on the dates indicated.

<TABLE>
<CAPTION>

Signature	Title	Date
<S>	<C>	<C>
Thomas F. Motter	Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)	December 30, 1996
Robert W. Millar	Vice President and Director	December 30, 1996
John W. Hemmer	Treasurer, Chief Financial Officer and Director	

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

	(Principal Financial and Accounting Officer)	December 30, 1996
Randall A. Mackey	Secretary and Director	December 30, 1996
---------- William C. Fitzhugh	Director	December __, 1996
---------- David W. Light	Director	December __, 1996
David M. Silver	Director	December 30, 1996
---------- Michael W. Stelzer	Director	December __, 1996

</TABLE>

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

PARADIGM MEDICAL INDUSTRIES, INC.

AND

CONTINENTAL STOCK TRANSFER & TRUST COMPANY, WARRANT AGENT

WARRANT AGENCY AGREEMENT

Dated as of July 22, 1996

WARRANT AGENCY AGREEMENT dated as of July 22, 1996, between PARADIGM MEDICAL INDUSTRIES, INC., 1772 West 2300 South, Salt Lake City, Utah 84119 (the "Company") and CONTINENTAL STOCK TRANSFER & TRUST COMPANY of Jersey City, New Jersey, as warrant agent (the "Warrant Agent").

WHEREAS, the Company proposes to issue and sell in a public offering (the "Public Offering") 1,000,000 Units (the "Units"), each Unit consisting of one share of common stock (together with the stock of any other class to which such shares may hereafter have been changed, the "Common Stock"), and one Class A warrant (the "Warrant"). Each Warrant entitles the registered holder thereof to purchase one share of Common Stock.

WHEREAS, the Company desires the Warrant Agent to act on behalf of the Company, and the Warrant Agent is willing so to act, in connection with the issuance, registration, transfer, exchange and exercise of the Warrants.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein set forth, the parties hereto agree as follows:

Section 1. Appointment of Warrant Agent. The Company hereby appoints the Warrant Agent to act as agent for the Company in accordance with the instructions hereinafter set forth in this Agreement, and the Warrant Agent hereby accepts such appointment.

Section 2. Form of Warrant. The text of the Warrants and of the form of election to purchase shares on the reverse thereof shall be substantially as set forth in Exhibit "A" attached hereto and made a part hereof. The per share warrant exercise price and the number of shares issuable upon exercise of the Warrants are subject to adjustment upon the occurrence of certain events, all as set forth in the text of the Warrants. The Warrants shall be executed on behalf of the Company by the manual or facsimile signature of the present or any future Chairman of the Board, President or Vice President of the Company, attested

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

by the manual or facsimile signature of the present or any future Secretary or Assistant Secretary of the Company. Warrants shall be dated as of the date of issuance by the Warrant Agent either upon initial issuance or upon transfer or exchange.

Section 3. Countersignature and Registration. The Warrant Agent shall maintain books for the transfer and registration of the Warrants. Upon the initial issuance of the Warrants in the names of the respective holders thereof. The Warrants shall be countersigned manually or by facsimile by the Warrant Agent (or by an successor to the Warrant Agent then acting as warrant agent under this Agreement) and shall not be valid for any purpose unless so countersigned. Warrants may be so countersigned, however, by the Warrant Agent (or by its successor as warrant agent) and be delivered by the Warrant Agent, notwithstanding that the persons whose manual or facsimile signatures appear thereon as proper officers of the Company shall have ceased to be such officers at the time of such countersignature or delivery.

Section 4. Transfers and Exchanges. The Warrant Agent shall transfer, from time to time, the outstanding Warrants upon the books to be maintained by the Warrant Agent for that purpose, upon surrender thereof for transfer properly endorsed or accompanied by appropriate instructions for transfer. Upon any such transfer, a new Warrant shall be issued to the transferee and the surrendered Warrant shall be canceled by the Warrant Agent. Warrants so canceled shall be delivered by the Warrant Agent to the company from time to time upon request. Warrants may be exchanged at the option of the holder thereof, when surrendered at the office of the Warrant Agent, for another Warrant, or other Warrants of different denominations, of like tenor and representing in the aggregate the right to purchase a like number of shares of Common Stock.

Section 5. Exercise of Warrants. Subject to the provisions of this Agreement and prior to the fifth anniversary of the date of the Prospectus (the "Expiration Date"), each registered holder of Warrants shall have the right to purchase from the Company (and the Company shall issue and sell to such registered holder of Warrants) the number of fully paid and non-assessable shares of Common Stock, upon surrender to the Company at the office of the Warrant Agent of such Warrants, with the form of election to purchase on the reverse thereof duly filled in and signed, and upon payment to the Company of the Warrant Price, as defined and determined in accordance with the provisions of Sections 9 and 10 of this Agreement, for the securities in respect of which such Warrants are then exercised. Payment of such Warrant Price shall be made in cash or by certified check or bank draft to the order of the Company. No adjustment shall be made for any cash dividends on any shares of Common Stock issuable upon exercise of a Warrant. Subject to

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Section 6 hereof, upon such surrender of Warrants, and payment of the Warrant Price as aforesaid, a certificate or certificates for the number of full shares of Common Stock so purchased upon the exercise of such Warrants shall be issued to the registered holder of such Warrants or, upon the written order of such registered holder, in such name or names as such registered holder may designate. Such certificate or certificates shall be deemed to have been issued and any person so designated to be named therein shall be deemed to have become a holder of record of such securities as of the date of the surrender of such Warrants and payment of such Warrant Price as aforesaid; provided, however, that if at the date of surrender of such Warrants and payment of such Warrant Price, the transfer books for the shares of Common Stock or other class of securities purchasable upon the exercise of such Warrant shall be closed, the certificates for the shares of Common Stock, if any, in respect of which such Warrants are then exercised shall be issuable as of the date on which such books shall be opened (whether before, on or after, 5:00 P.M. Eastern Time on the Expiration Date), and until such date the Company shall be under no duty to deliver any certificate for such securities; provided, further, however, that such transfer books, unless otherwise required by law or by applicable rule of any national securities exchange, shall not be closed at any one time for a period longer than 20 days. The rights of purchase represented by the Warrants shall be exercisable, at the election of the registered holders thereof, either as an entirety or from time to time for part only of the securities specified therein and, in the event that any Warrant is exercised in respect of less than all of the securities specified therein at any time prior to the date of expiration of the Warrant, a new Warrant or Warrants will be issued to such registered holder for the remaining number of securities specified in the Warrant so surrendered, and the Warrant Agent is hereby irrevocably authorized to countersign and to deliver the required new Warrants pursuant to the provisions of this Section 5 and of Section 3 hereof, and the Company, whenever requested by the Warrant Agent, will supply the Warrant Agent with Warrants duly executed on behalf of the Company for such purpose. The Common Stock and Warrants comprising the Units will be immediately detachable and separately transferable upon issuance.

Section 6. Payment of Taxes. The Company will pay any documentary stamp taxes attributable to the initial issuance of securities issuable upon the exercise of the Warrants; provided, however, that the Company shall not be required to pay any tax or taxes which may be payable in respect of any transfer involved in the issue or delivery of any certificates for securities in a name other than that of the registered holder of Warrants in respect of which such securities are issued, and in such case neither the Company nor the Warrant Agent shall be required to

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

issue or deliver any certificate for securities or any Warrant until the person requesting the same has paid to the Company the amount of such tax or has established to the Company's satisfaction that such tax has been paid.

Section 7. Mutilated or Missing Warrants. In case any of the Warrants shall be mutilated, lost, stolen, or destroyed, the Company may in its discretion issue and the Warrant Agent shall countersign and deliver in exchange and substitution for and upon cancellation of the mutilated Warrant, or in lieu of and substitution for the Warrant lost, stolen or destroyed, a new Warrant of like tenor and representing an equivalent right or interest, but only upon receipt of evidence satisfactory to the Company and the Warrant Agent of such loss, theft or destruction of such Warrant and, in the case of a lost, stolen or destroyed Warranty indemnity, if requested, also satisfactory to them. Applicants for such substitute Warrants shall also comply with such other reasonable regulations and pay such reasonable charges as the Company or the Warrant Agent may prescribe.

Section 8. Reservation of Common Stock. There have been reserved and the Company shall at all times keep reserved, out of the Company's authorized and unissued shares of Common Stock, a number of shares sufficient to provide for the exercise of the rights of purchase represented by the Warrants, and the Transfer Agent for the shares of Common Stock and every subsequent transfer agent for the shares of the Company's capital stock issuable upon the exercise of any of the rights of purchase aforesaid are hereby irrevocably authorized and directed at all times to reserve such number of authorized and unissued shares as shall be required for such purpose. The Company agrees that all shares of Common Stock issued upon exercise of the Warrants shall be, at the time of delivery of the certificates for such shares of Common Stock, validly issued and outstanding, fully paid and non-assessable and shall be listed on any national securities exchange, including Nasdaq National Market System or Nasdaq SmallCap National Market System, upon which the other shares of Common Stock are then listed. The Company will keep a copy of this Agreement on file with the Transfer Agent for the shares of Common Stock and with every subsequent transfer agent for any shares of the Company's capital stock issuable upon the exercise of the rights of purchase represented by the Warrants. The Warrant Agent is hereby irrevocably authorized to requisition from time to time from such Transfer Agent stock certificates required to honor outstanding Warrants. The Company will supply such Transfer Agent with duly executed stock certificates for such purpose. All Warrants surrendered in the exercise of the rights thereby evidenced shall be canceled by the Warrant Agent and shall thereafter be delivered to the Company, and such canceled Warrants shall constitute sufficient evidence of the number of shares of Common Stock and other securities which have

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

been issued upon the exercise of such Warrants. Promptly after the date of expiration of the Warrants, the Warrant Agent shall certify to the Company the total aggregate amount of unexercisable Warrants then outstanding, and thereafter no shares of Common Stock shall be subject to reservation in respect to such Warrants which shall have expired.

Section 9. Warrant Price. The Warrant price (the "Warrant Price") at which Common Stock shall be purchasable pursuant to the Warrants shall be $7.50 per share. After the Expiration Date, any warrants which have not been exercised will be void.

Section 10. Adjustments. Subject and pursuant to the provisions of this Section 10, the Warrant Price, number and kind of securities purchasable upon exercise of the Warrants shall be subject to adjustment from time to time if any of the following circumstances shall occur after the initial issuance of the Units, all as hereinafter set forth:

(a) If the Company shall at any time subdivide its outstanding shares of Common Stock by recapitalization, reclassification or split-up thereof, or if the Company shall declare a stock dividend or distribute shares of Common Stock to its stockholders, the number of shares of Common Stock purchasable upon exercise of the Warrants immediately prior to such subdivision shall be proportionately increased in each instance, and if the Company shall at any time combine the outstanding shares of Common Stock by recapitalization, reclassification or combination thereof, the number of shares of Common Stock purchasable upon exercise of the Warrants immediately prior to such combination shall be proportionately decreased in each instance. Any such adjustment to the Warrant Price pursuant to Section 10(c) herein shall be effective at the close of business on the effective date of such subdivision or combination or, if any adjustment is the result of a stock dividend or distribution, then the effective date for such adjustment based thereon shall be the record date therefor.

(b) If the Company after the date hereof shall distribute to all of the holders of its shares of Common Stock securities (except as provided in the preceding paragraph of this Section 10) or other assets (other than a distribution made as a dividend payable out of earnings or out of any earned surplus legally available for dividends under the laws of the jurisdiction of incorporation of the Company), the Board of Directors shall be required to make such equitable adjustment in the Warrant Price, in the securities issuable thereunder, or both, as in effect immediately prior to the second date of such distribution as may be necessary to preserve to the holders of the Warrants rights substantially proportionate to those enjoyed hereunder by such holder immediately prior to the happening of

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

such distribution. Any such adjustment shall become effective as of the day following the record date for such distribution.

(c) Whenever the number of shares of Common Stock purchasable upon the exercise of any of the Warrants is required to be adjusted as provided in Section 10(a), the Warrant Price shall be adjusted (to the nearest cent) in each instance by multiplying such Warrant Price immediately prior to such adjustment by a fraction (i) the numerator of which shall be the number of shares of Common Stock purchasable upon the exercise of the Warrants, immediately prior to such adjustment, and (ii) the denominator of which shall be the number of shares of Common Stock so purchasable immediately thereafter.

(d) In case of any reclassification of the outstanding shares of Common Stock, other than a change covered by Section 10(a) hereof or which solely affects the par value of such shares of Common Stock, or in the case of any merger or consolidation of the Company with or into the Corporation (other than a consolidation or merger in which the Company is the continuing corporation and which does not result in any reclassification or capital reorganization of the outstanding shares of Common Stock), or in the case of any sale or conveyance to another corporation of the property of the Company as an entirety or substantially as an entirety in connection with which the Company is dissolved, the holders of the Warrants shall have the right thereafter (until the expiration of the rights of exercise of the Warrants) to receive hereunder immediately prior to such event, the kind and amount of shares of stock or other securities or property receivable upon such reclassification, capital reorganization, merger or consolidation, or upon the dissolution following any sale or other transfer, which a holder of the number of shares of Common Stock of the Company would obtain upon exercise of the Warrants immediately prior to such event; and if any reclassification also results in a change in shares of Common Stock covered by Section 10(a) herein, then such adjustment shall be made pursuant to both Section 10(a) herein and this Section 10(d). The provisions of this Section 10(d) shall similarly apply to successive reclassifications, or capital reorganizations, mergers or consolidations, sales or other transfers.

(e) In case of the dissolution, liquidation or winding-up of the Company, all rights under any of the Warrants not redeemed or expired by their terms shall terminate on a date fixed by the Company, such date so fixed to be not earlier than the date of the commencement of the proceedings for such dissolution, liquidation or winding-up and not later than 30 days after such commencement date. Notice of such termination of purchase rights shall be given to the registered holders of the Warrants as the same shall appear on the books of the company

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

maintained by the Warrant Agent, by registered mail at least 30 days prior to such termination date.

(f) In case the Company shall, at any time prior to the Expiration Date of the Warrants, and prior to the exercise thereof, offers to the holders of its Common Stock any rights to subscribe for additional shares of any class of the Company, then the Company shall give written notice thereof to the registered holders of the Warrants not less than 30 days prior to the date on which the books of the Company are closed or a record date fixed for the determination of stockholders entitled to such subscription rights. Such notice shall specify the date as to which the books shall be closed or record date be fixed with respect to such offer or subscription, and the right of the holders to participate in such offer or subscription shall terminate if the Warrants shall not be exercised on or before the date of such closing of the books or such record date.

(g) If the Company after the date hereof shall take any action affecting the shares of its Common Stock, other than action described in this Section 10, which, in the opinion of the Board of Directors of the Company, would materially affect the rights of the holders of the Warrants, the Warrant Price, and the number of shares of Common Stock purchasable upon exercise of the Warrants shall be adjusted in each instance and at such time as the Board of Directors of the Company, in good faith, may determine to be equitable under the circumstances.

(h) The form of Warrants need not be changed because of any change pursuant to this Section 10, and Warrants issued after any such change may state the same nominal Warrant Price and the same number of shares as is stated in the Warrants initially issued pursuant to this Agreement, without altering the rights of registered holders of the Warrants to claim the benefit of changes pursuant to this Section 10. However, the Company may at any time in its sole discretion (which shall be conclusive) make any change in the form of Warrants that the Company may deem appropriate and that does not affect the substance thereof; and any Warrants thereafter issued or countersigned, whether in exchange or substitution for an outstanding Warrant or otherwise, may be in the form as so changed.

Section 11. Fractional Interest. The Company shall not be required to issue fractions of shares of Common Stock on the exercise of Warrants. Final fractions of shares amounting to less than one-half of a share shall be disregarded. Final fractions of a share amounting to one-half a share or more shall be rounded upward to the nearest whole share.

Section 12.Notices to Warrantholders.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

(a) Upon any adjustment of the Warrant Price and the number of shares issuable on exercise of a Warrant, then and in each such case the Company shall give written notice thereof to the Warrant Agent, which notice shall state the Warrant Price resulting from such adjustment and the increase or decrease, if any, in the number of shares purchasable at such price upon the exercise of a Warrant, setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based.

(b) In case at any time:

(i) the Company shall pay any dividends payable in stock upon its Common Stock or make any distribution (other than regular cash dividends) including any distribution of assets as a liquidating or partial liquidating dividend to the holders of its Common Stock;

(ii) the Company shall offer for subscription pro rata to the holders of its Common Stock any additional shares of stock of any class or other rights;

(iii) there shall be any capital reorganization or any stock split, stock distribution, combination or reclassification of the capital stock of the Company, or any consolidation or merger of the Company with, or sale of all or substantially all of its assets to, another corporation; or

(iv) there shall be a voluntary or involuntary dissolution, liquidation, or winding-up or the Company;

then, in any one or more such cases, the Company shall give written notice to each registered holder of Warrants, and publish the same in the manner set forth in this Section 12, of the date on which (i) the books of the Company shall close or a record shall be taken for purposes of any such dividend, distribution, stock split, or subscription rights, or (ii) such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation, or winding-up shall take place, as the case may be. Such notice shall also specify the date as of which the holders of Common Stock of record shall date as of which the holders of Common Stock of record shall participate in such dividend, distribution, or subscription rights, or shall be entitled to exchange their Common Stock for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation, or winding-up as the case may be. Such notice shall be given at least 30 days prior to the action in question and not less than 30 days prior to the record date or the date on which the Company's transfer books are closed in respect thereof. Failure to give such notice, or any defect therein, shall not affect the

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

legality or validity of any of the matters set forth in this Section 12 inclusive.

(c) The Company shall cause copies of all financial statements and reports, proxy statements and other documents as it shall send to its stockholders to be sent by first-class mail, postage prepaid, on the date of mailing to such stockholders, to each registered holder of Warrants at his address appearing on the Warrant register as of the record date for the determination of the stockholders entitled to such documents.

Section 13. Disposition of Proceeds on Exercise of Warrants.

(a) The Warrant Agent shall promptly forward to the Company all monies received by the Warrant Agent for the purchase of shares of Common Stock through the exercise of the Warrants.

(b) The Warrant Agent shall keep copies of this Agreement available for inspection by holders of Warrants during normal business hours.

Section 14. Redemption of Warrants. The Warrants are redeemable by the Company beginning one year from the date of the Prospectus and prior to the Expiration Date upon 30 days' written notice, at a redemption price of $.05 per Warrant, provided that prior to the redemption the market price for the Common Stock issuable upon exercise of a Warrant shall equal or exceed $8.50 per share for 30 consecutive business days ending within 15 days prior to the date on which the notice of redemption is given. Market price for the purpose of this Section 14 shall mean the average of the highest bid and lowest ask prices as reported by the National Quotation Bureau, Inc., or the average of closing bid and ask prices, as reported by Nasdaq, if the Common Stock is quoted on Nasdaq, or, if the Common Stock is listed on a national securities exchange or on the Nasdaq National Market System, shall be determined by the closing sales price on the primary exchange on which the Common Stock is traded or on the National Market System. Prior to redeeming the Warrants, the Company shall furnish a certificate to the Warrant Agent, signed by an executive officer, certifying as to fulfillment of the aforesaid condition. If the Company shall elect to redeem Warrants as permitted by this Section 14, notice of redemption shall be given to the holders of all outstanding Warrants to whom the redemption shall apply by mailing by first-class mail a notice of such redemption, not less than 30 nor more than 60 days prior to the date fixed for redemption, to their last addresses as they shall appear upon the registry books, but failure to give such notice by mailing to the holder of any Warrant, or any defect therein, shall not affect the legality or validity of the proceedings for the redemption of any other Warrants. The notice of redemption

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

to each holder of Warrants shall specify the date fixed for redemption and the redemption price at which Warrants are to be redeemed, and shall state that payment of the redemption price of the Warrants will be made at the office of the Warrant Agent upon presentation and surrender of such Warrants, and shall also state that the right to exercise the Warrants so redeemed will terminate as provided in this Agreement (stating the date of such termination) and shall state the then current Warrant Price. If the giving of notice of redemption shall have been completed as above provided, and if funds sufficient for the redemption of the Warrants shall have been deposited with the Warrant Agent for such purpose, the right to exercise the Warrants shall terminate at the close of business on the business day preceding the date fixed for redemption, and the holder of each Warrant shall thereafter be entitled upon surrender of his Warrant only to receive the redemption price thereof, without interest.

Section 15. Merger or Consolidation or Change of Name of Warrant Agent. Any corporation or company which may succeed to the business of the Warrant Agent by any merger or consolidation or otherwise to which the Warrant Agent shall be a party, or any corporation or company succeeding to the corporate trust business of the Warrant Agent, shall be the successor to the Warrant Agent hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided that such corporation would be eligible for appointment as a successor Warrant Agent under the provisions of Section 17 hereof. In case, at the time such successor to the Warrant Agent shall succeed to the agency created by this Agreement, any of the Warrants shall have been countersigned but not delivered, any such successor to the Warrant Agent may adopt the counter-signature of the original Warrant Agent and deliver such Warrants so countersigned; and in case at that time any of the Warrants shall not have been countersigned, any successor to the Warrant Agent may countersign such Warrants; and in all such cases such Warrants shall have the full force provided in the Warrants and in this Agreement.

In case at any time the name of the Warrant Agent shall be changed and at such time any of the Warrants shall have been countersigned but not delivered, the Warrant Agent may adopt the countersignature under its prior name and deliver Warrants so countersigned; and in case at that time any of the Warrants shall have been countersigned, the Warrant Agent may countersign such Warrants either in its prior name or in its changed name; and in all such cases such Warrants shall have the full force provided in the Warrants and in this Agreement.

Section 16. Duties of Warrant Agent. The Warrant Agent undertakes the duties and obligations imposed by this Agreement upon the following terms and conditions, by all of which the

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Company and the holders of Warrants, by their acceptance hereof, shall be bound:

(a) The statements of fact and recitals contained herein and in the Warrants shall be taken as statements of the Company, and the Warrant Agent assumes no responsibility for the correctness of any of the same except such as describe the Warrant Agent or action taken or to be taken by it. The Warrant Agent assumes responsibility with respect to the distribution of the Warrants except as herein expressly provided.

(b) The Warrant Agent shall not be responsible for any failure of the Company to comply with any of the covenants contained in this Agreement or in the Warrants to be complied with by the Company.

(c) The Warrant Agent may consult at any time with counsel satisfactory to it (who may be counsel for the Company) and the Warrant Agent shall incur no liability or responsibility to the Company or to any holder of any Warrant in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with the opinion or the advice of such counsel.

(d) The Warrant Agent shall incur no liability or responsibility to the Company or with respect to any notice, resolution, waiver, consent, order, certificate, or other paper, document or instrument believed by it to be genuine and to have been signed, sent or presented by the proper party or parties.

(e) The Company agrees to pay to the Warrant Agent reasonable compensation for all services rendered by the Warrant Agent in the execution of this Agreement, to reimburse the Warrant Agent for all expenses, taxes and governmental charges and other charge of any kind and nature incurred by the Warrant Agent in the execution of this Agreement, and to indemnify the Warrant Agent and save it harmless against any and all liabilities, including judgments, costs and reasonable counsel fees, for anything done or omitted by the Warrant Agent in the execution of this Agreement except as a result of the Warrant Agent's negligence, willful misconduct or bad faith.

(f) The Warrant Agent shall be under no obligation to institute any action, suit or legal proceeding or to take any other action likely to involve expenses unless the Company or one or more registered holders of Warrants shall furnish the Warrant Agent with reasonable security and indemnity for any Costs and expenses which may be incurred, but this provision shall not affect the power of the Warrant Agent to take such action as the Warrant Agent may consider proper, whether with or without any such security or indemnity. All rights of action under this Agreement or under any of the Warrants may be enforced by the

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Warrant Agent without the possession of any of the Warrants or the production thereof at any trial or other proceeding relative thereto, and any such action, suit or proceeding instituted by the Warrant Agent shall be brought in its name as Warrant Agent, and any recovery of judgment shall be for the ratable benefit of the registered holders of the Warrants, as their respective rights or interests may appear.

(g) The Warrant Agent and any stockholder, director, officer, partner or employee of the Warrant Agent may buy, sell or deal in any of the Warrants or other securities of the Company or become pecuniarily interested in any transaction in which the Company may be interested, or contract with or lend money to or otherwise act as fully and freely as though it were not Warrant Agent under this Agreement. Nothing herein shall preclude the Warrant Agent from acting in any other capacity for the Company or for any other legal entity.

(h) The Warrant Agent shall act hereunder solely as agent and not in a ministerial capacity, and its duties shall be determined solely by the provisions hereof. The Warrant Agent shall not be liable for anything which it may do or refrain from doing in connection with this Agreement except for its own negligence, willful misconduct or bad faith.

(i) The Warrant Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys, agents or employees, and the Warrant Agent shall not be answerable or accountable for any act, default, neglect or misconduct of such attorneys, agents or employees or for any loss to the Company resulting from such neglect or misconduct, provided reasonable care has been exercised in the selection and continued employment thereof.

(j) Any request, direction, election, order or demand of the Company shall be sufficiently evidenced by an instrument signed in the name of the Company by its Chairman of the Board, President or a Vice President or its Secretary or an Assistant Secretary or its Treasurer or an Assistant Treasurer (unless other evidence in respect thereof be herein specifically prescribed); and any resolution of the Board of Directors may be evidenced to the Warrant Agent by a copy thereof certified by the Secretary or an Assistant Secretary of the Company.

Section 17. Change of Warrant Agent. The Warrant Agent may resign and be discharged from its duties under this Agreement by giving to the Company notice in writing, and to the holders of the Warrant notice by mailing such notice to holders at their addresses appearing on the Warrant register, of such resignation, specifying a date when such resignation shall take effect. The

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Warrant Agent may be removed by like notice to the Warrant Agent from the Company and by like mailing of notice or be removed or shall otherwise become incapable of acting, the Company shall appoint a successor to the Warrant Agent. If the Company shall fail to make such appointment within a period of 30 days after such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Warrant Agent or by the registered holder of a Warrant (who shall, with such notice, submit his Warrant for inspection by the Company), then the registered holder of any Warrant may apply to any court of competent jurisdiction for the appointment of a successor to the Warrant Agent. Any successor warrant agent, whether appointed by the Company or by a court, shall be a bank or trust company, in good standing, incorporated under the laws of any state or the United States of America. After appointment, the successor warrant agent shall be vested with the same powers, rights, duties an responsibilities as if it had been originally named as Warrant Agent without further act or deed; but the former Warrant Agent shall deliver and transfer to the successor warrant agent all canceled Warrants, records and property at the time held by it hereunder, and execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Failure to file or mail any notice provided for in this Section, however, or any defect therein, shall not affect the legality or validity of the resignation or removal of the Warrant Agent or the appointment of the successor warrant agent, as the case may be.

Section 18. Identity of Transfer Agent. Forthwith upon the appointment of any Transfer Agent for the shares of Common Stock or of any subsequent transfer agent for shares of Common Stock or other shares of the Company's capital stock issuable upon the exercise of the rights of purchase represented by the Warrants, the Company will file with the Warrant Agent a statement setting forth the name and address of such Transfer Agent.

Section 19. Notices. Any notice pursuant to this Agreement to be given or made by the Warrant Agent or by the registered holder of any Warrant to or on the Company shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing by the Company with the Warrant Agent) as follows:

Paradigm Medical Industries, Inc.
1772 West 2300 South
Salt Lake City, Utah 84119

Any notice pursuant to this Agreement to be given or made by the Company or by the registered holder of any Warrant to or on the Warrant Agent shall be sufficiently given or made if sent by

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

first-class mail, postage prepaid, addressed (until another address is filed in writing by the Warrant Agent with the Company) as follows:

Continental Stock Transfer & Trust Company
2 Broadway
New York, New York 10004

Section 20.Supplements and Amendments. The Company and the Warrant Agent may from time to time supplement or amend this agreement in order to cure any ambiguity or correct or supplement any provision contained herein which may be defective or inconsistent with any other provision herein, or to make any other provisions in regard to matters or questions arising hereunder which the Company and the Warrant Agent may deem necessary or desirable and which shall not be inconsistent with the provisions of the Warrants and which shall not adversely affect the interest of the holders of Warrants.

Section 21.Successors. All the covenants and provisions of this Agreement by or for the benefit of the Company or the Warrant Agent shall bind and inure to the benefit of their respective successors and assigns hereunder.

Section 22.Utah Contract. This Agreement and each Warrant issued hereunder shall be deemed to be a contract made under the laws of the State of Utah and for all purposes shall be construed in accordance with the laws of said State.

Section 23.Benefits of this Agreement. Nothing in this Agreement shall be construed to give to any person or corporation other than the Company, the Warrant Agent and the registered holders of the Warrants any legal or equitable right, remedy or claim under this Agreement; but this Agreement shall be for the sole and exclusive benefit of the Company, the Warrant Agent and the registered holders of the Warrants.

Section 24. Counterparts. This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

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

PARADIGM MEDICAL INDUSTRIES, INC.

By: Thomas F. Motter

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Its: President & CEO
(Title)
Date: July 22, 1996

CONTINENTAL STOCK TRANSFER
& TRUST COMPANY

By: Michael J. Nelson
Its: President
(Title)

Date: July 22, 1996

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY NOT BE OFFERED FOR SALE, SOLD OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT MADE UNDER THE SECURITIES ACT OF 1933 (THE "ACT") OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE ACT.

PARADIGM MEDICAL INDUSTRIES, INC.

UNDERWRITER'S WARRANT

Paradigm Medical Industries, Inc., a Delaware corporation (the "Company") , hereby certifies that, for an aggregate consideration of $100.00, Kenneth Jerome & Company, Inc. ("Holder") is entitled, subject to the terms set forth below, at any time or from time to time but not earlier than twenty four (24) months nor later than five (5) years from July 10, 1996 (the "Issue Date"), to purchase from the Company one hundred thousand (100,000) Units, each such Unit consisting of one share of Common Stock ($.001 par value per share) of the Company and one redeemable common stock purchase warrant, exercisable into one share of Common Stock per warrant for a period of five years from July 10, 1996, purchase from the Company of the Unit at the purchase price per Unit of Eight Dollars and Twelve and one half Cents ($8.125) (equal to 130% of the public offering price per Unit) (the purchase price per unit, as adjusted from time to time pursuant to the provisions hereunder set forth, being referred to herein as the "Exercise Price") all as described in the prospectus contained in the Company's Registration Statement on Form SB-2 (File No.333-2496), as amended, which Registration Statement was originally filed with the Securities and Exchange Commission on or about March 19, 1996, 1996 (the "Registration Statement"). The Issue Date shall be the same date as the closing date of the public offering. Except as set forth herein, the Units issuable upon exercise of this Underwriter's Warrant have the same respective terms as the Units offered by the Registration Statement. This Underwriter's Warrant and all rights hereunder, to the extent such rights shall not have been exercised, shall terminate and become null and void to the extent the holder fails to exercise any portion of this Underwriter's Warrant prior to 5:00 p.m., New Jersey time, on July 10, 2001, or if the Transfer Agent (as defined in Section 4 below) shall not regularly be open for business on that day, then on the next such business day.

1. Registration.

a. The Company agrees for a period of three years

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

commencing two year after the Issue Date, that if during such three-year period, no current registration statement by the company is on file with the U.S. Securities and Exchange Commission covering the securities underlying this underwriter's Warrant, upon receipt of a demand for registration in the form of a written request from the holder of this Underwriter's Warrant or a majority of the securities issued or issuable hereunder, it will prepare and file under the Act one registration statement or Notification on Form 1-A, if then required, to permit a public offering of this Underwriter's Warrant and the securities then underlying this Underwriter's Warrant, and will use its best efforts to cause such registration statement or notification to become effective at the earliest possible date and to remain effective for a period not to exceed 90 days. The Company will bear the cost of such registration statement, including but not limited to counsel fees of the Company and disbursements, accountants' fees and printing costs, if any, but excluding the fees of counsel and others hired by the holder. The foregoing demand registration right by the Underwriter at the expense of the Company shall be on a one-time request basis only.

b. Additionally, whenever during the three-year period commencing two year after the Issue Date the Company or any successor proposes to file a Notification on Form 1-A under the Act or a registration statement relating to a public offering of its equity securities under the Act (whether for its own benefit or for the holders of any of its equity securities or otherwise), but not including a registration on Form S-8, it shall offer, upon 30 days' written notice to the holder of this Underwriter's Warrant or the holders of the underlying securities (the "Holders"), to include and shall include, at the Holders' option(s), all or any portion of this Underwriter's Warrant and the securities underlying this Underwriter's Warrant in such registration statement at the expense of the Company, limited in the case of a Regulation A Offering to the amount of the available exemption.

c. In connection with any registration statement or Notification on Form 1-A pursuant to subsection a or b of this Section 1, the Company agrees that it will furnish to you the representations and warranties and opinions of counsel to the same effect as provided in Sections 1 and 5(b) of the Underwriting Agreement entered into by the parties hereto on July 22, 1996 (the "Underwriting Agreement"), to the extent then applicable, except that such representations, warranties, and opinions shall relate to the registration statement or Notification on Form 1-A and to the securities which shall be offered thereby. The Company and you further agree that as to such registration statement or Notification on Form 1-A, the provisions of Section 3 (but not including subsections (l), (m) or (n)) of the Underwriting Agreement, shall apply. The Company

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

and you further agree that the provisions of section 8 of the Underwriting Agreement shall apply, with the holder having the rights and obligations afforded the Underwriter in that section, and that such section shall apply with respect to that offering.

2. Exercise of Warrant.

a. This Underwriter's Warrant may be exercised in full or from time to time in part by the holder by surrendering it, with the form of subscription at the end hereof duly executed by such holder, to the Company's transfer agent accompanied by payment in full, in cash or by certified or official bank check, of the Exercise Price payable in respect of all or part of this Underwriter's Warrant being exercised.

b. Upon such surrender of this Underwriter's Warrant and payment of such Exercise Price, the Company shall issue and cause to be delivered to or upon the written order of the holder of this Underwriter's Warrant and in such name or names as the holder may designate a certificate or certificates for the number of full Units so purchased, together with cash, as provided in Section 3 hereof, in respect of any fractional Units otherwise issuable upon such surrender. Such certificate or certificates shall be deemed to have been issued and any person so designated to be named therein shall be deemed to have become a holder of record of such Units as of the date of surrender of this Underwriter's Warrant and payment of such Exercise Price notwithstanding that the certificate or certificates representing such Units shall not actually have been delivered or that the stock transfer books of the Company shall then be closed.

c. If less than the entire Underwriter's Warrant is exercised, the Company shall, upon such exercise, execute and deliver to the holder thereof a new warrant in the same form as this Underwriter's Warrant evidencing that Underwriter's Warrant to the extent not exercised.

d. The Company shall, at the time of any exercise of all or part of this Underwriter's Warrant, upon the request of the holder hereof, acknowledge in writing its continuing obligation to afford to such holder any rights to which such holders shall continue to be entitled after such exercise in accordance with the provisions of this Underwriter's Warrant, provided that if the holder of this Underwriter's Warrant shall fail to make any such request, such failure shall not affect the continuing obligations of the Company to afford to such holder any such rights.

3. Fractional units. No fractional securities or scrip representing fractional securities shall be issued upon the exercise of this Underwriter's Warrant. With respect to any

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

fraction of a Unit called upon any such exercise hereof, the Company shall pay to the holder an amount in cash equal to such fraction multiplied by the current market value of such fractional securities, determined as follows:

a. If the security is listed on a national securities exchange or admitted to unlisted trading privileges on such exchange, the current value shall be the last reported sale price of the security on such exchange on the last business day prior to the date of exercise of this Underwriter's Warrant, or if no such sale is made on such day, the average closing bid and asked prices for such day on such exchange; or

b. If the security is not listed or admitted to unlisted trading privileges, the current value shall be the last reported sale price or the mean of the last reported bid and asked prices reported by the National Association of Securities Dealers Automated Quotation System (or, if not so quoted an NASDAQ, by the National Quotation Bureau, Inc.) on the last business day prior to the date of the exercise of this Underwriter's Warrant; or

c. If the security is not so listed or admitted to unlisted trading privileges and prices are not reported on NASDAQ, the current value shall be an amount, not less than the book value, determined in such reasonable manner as may be prescribed by the Board of Directors of the Company.

4. Exchange, Assignment, or Loss of Warrant.

a. This Underwriter's Warrant is exchangeable, without expense, at the option of the holder, upon presentation and surrender hereof to the transfer agent for other Underwriter's Warrants of different denominations entitling the holder thereof to purchase in the aggregate the same number of securities purchased hereunder. This Underwriter's Warrant is restricted from sale, transfer, assignment, or hypothecation except to the officers, principals and successors of Kenneth Jerome & Co., Inc., and may be exercised in whole or in part at any time and from time to time during the three (3) year period following the expiration of two (2) year from the Issue Date. Any such assignment shall be made by surrender of this Underwriter's Warrant to Continental Stock Transfer and Trust Co. or any successor transfer agent designated by the Company in writing (the "Transfer Agent") with the Form of Assignment annexed hereto duly executed and funds sufficient to pay any transfer tax, whereupon the Transfer Agent shall, without charge, cause to be executed and delivered a new Underwriter's Warrant in the name of the assignee named in such instrument or assignment and this Underwriter's Warrant shall promptly be canceled. This Underwriter's Warrant may be divided or combined with other

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Underwriter's Warrants that carry the same rights upon presentation hereof to the office of the Transfer Agent together with a written notice specifying the name and denomination in which new Underwriter's Warrants are to be issued and signed by the holder hereof. The term "Underwriter's Warrant" as used in this Warrant includes any Underwriter's Warrants issued in substitution for or replacement of this Underwriter's Warrant, or into which this Underwriter's Warrant may be divided or exchanged.

b. Upon receipt by the Company of evidence satisfactory to it of the loss, theft, destruction or mutilation of this Underwriter's Warrant, and, in the case of loss, theft or destruction of reasonably satisfactory indemnification, and upon surrender and cancellation of this Underwriter's Warrant, if mutilated, the Transfer Agent will cause to be executed and delivered a new Underwriter's Warrant of like tenor and date. Any such new Underwriter's Warrant executed and delivered shall constitute an additional contractual obligation on the part of the Company, whether or not this Underwriter's Warrant so lost, stolen, destroyed, or mutilated shall be at any time enforceable by anyone.

5. Rights of the Holder. The holder of this Underwriter's Warrant shall not, by virtue hereof, be entitled to any rights of a stockholder in the Company, either at law or equity, and the rights of the holder are limited to those expressed in this Underwriter's Warrant.

6. Adjustments.

a. In case the Company shall, while this Underwriter's Warrant remains in force, effect a recapitalization of such character that the securities covered hereby shall be changed into or become exchangeable for a larger or smaller number of such securities, then thereafter, the number of securities of the Company which the holder of this Underwriter's Warrant shall be entitled to purchase hereunder, shall be increased or decreased, as the case may be, in direct proportion to the increase or decrease in the number of shares of the Company, by reason of such recapitalization, and the purchase price hereunder, per Unit, shall in the case of an increase in the number of shares be proportionately reduced, and in the case of a decrease in the number of share be proportionately increased.

b. In case the Company shall, at any time prior to the exercise of an underwriter's Warrant, consolidate or merge with, or shall transfer its property as an entirety to, or substantially as an entirety to, any other corporation, the holder of an Underwriter's Warrant who thereafter exercises the same as herein provided shall be entitled to receive, for the

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

purchase price per Unit stated in this Underwriter's Warrant, that number of shares or other securities or property of the corporation resulting from such consolidation or merger or transfer to which each Unit deliverable upon exercise of this Underwriter's Warrant would have been entitled, upon such consolidation or merger or transfer, had the holder of such Underwriter's Warrant exercised his right to purchase Units, and had such holder exercised the redeemable common stock purchase warrant comprising a part of the Unit, and had said shares or other securities been issued and outstanding, and had such holder been the holder of record of such shares or other securities at the time of such consolidation or merger or transfer.

c. In case the Company shall at any time prior to the exercise of an Underwriter's Warrant make any distribution of its assets to holders of its Common Stock by liquidating or partial liquidating dividend or by way of return of capital, or other than as a dividend payable out of earnings or any surplus legally available for dividends under the laws of the State of Delaware, then the holder of an Underwriter's Warrant who thereafter exercises the same as herein provided and the redeemable common stock purchase warrant comprising a part of the Unit as therein provided after the date of record for the determination of those holders of Common Stock entitled to such distribution of assets, shall be entitled to receive for the purchase price, in addition to each Share, the amount of such assets (or at the option of the Company a sum equal to the value thereof at the time of such distribution to holders of Common Stock as such value is determined by the Board of Directors of the Company in good faith) which would have been payable to such holder had he been the holder of record of such share receivable upon exercise of such Underwriter's Warrant and redeemable common stock purchase warrant on the record date for the determination of those entitled to such distribution.

d. In case of the dissolution, liquidation or winding-up of the Company, all rights under this Underwriter's Warrant and the redeemable common stock purchase warrants shall terminate on a date fixed by the Company, such date so fixed to be not earlier than the date of the commencement of the proceedings for such dissolution, liquidation or winding-up and not later than thirty days after such commencement date. In any such case of termination of purchase rights the Company shall give notice of such termination date to the registered holder of this Underwriter's Warrant.

e. Upon any adjustment of the purchase price and/or any increase or decrease in the number of securities purchasable upon the exercise of this Underwriters Warrant or the redeemable common stock purchase warrant comprising a part of the Unit, then, and in each case, the company, within 30 days thereafter,

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

shall give written notice thereof to the registered holder of this Underwriter's Warrant, which notice shall state the adjusted purchase price and/or the increased or decreased number of securities purchasable upon the exercise of this Underwriter's Warrant or the redeemable common stock purchase warrant, setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based.

7. Notices of Record Dates, Etc. Upon the occurrence of any of the events listed in subsections a to c below, the Company shall mail or cause to be mailed (on the same date as the company informs its stockholders of such event) to the holder of this Underwriter's Warrant a notice specifying, as the case may be, (i) the date on which a record is to be taken for the purpose of such dividend, distribution or right and stating the amount and character of such dividend, distribution or right, or (ii) the date on which a record is to be taken for the purpose of voting on or approving such reorganization, recapitalization, reclassification, consolidation, merger, conveyance, dissolution, liquidation or winding up and the date on which such event is to take place and the time, if any is to be fixed, as of which the holder of record of Common Stock (or any other securities at the time deliverable on exercise of this Underwriter's Warrant) shall be entitled to exchange its shares of Common Stock (or such other securities) for securities or other property deliverable on such reorganization, recapitalization, reclassification, consolidation, merger, conveyance, dissolution, liquidation or winding up.

a. The Company shall fix a record date of the holders of Common Stock (or other securities at the time deliverable on exercise of this Underwriter's Warrant) for the purpose of entitling or enabling them to receive any dividends or other distribution, or to receive any right to subscribe for or purchase any shares of any class or any securities, or to receive any other right contemplated by Section 6 or otherwise; or

b. Any reorganization or recapitalization of the Company, any reclassification of the Capital stock of the Company, any consolidation or merger of the Company with or into another corporation or any transfer of all or substantially all of the assets of the Company to another entity; or

c. The voluntary or involuntary dissolution, liquidation or winding up of the Company.

8. Reservation of the Units and Shares. The Company shall at all times reserve, and the Transfer Agent shall be irrevocably authorized and directed at all times to reserve, for the purpose of issuance on exercise of this Underwriter's Warrant, such number of authorized Units and authorized shares of Common Stock

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

or such class or classes of capital stock or other securities as shall from time to time be sufficient to comply with this Underwriter's Warrant, and the Company shall promptly take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized and unissued Units and authorized and unissued shares of Common Stock or such other class or classes of capital stock or other securities to such number as shall be sufficient for that purpose. The Company shall keep a copy of this Underwriter's Warrant on file with the Transfer Agent. The Company shall supply the Transfer Agent with duly executed stock and other certificates, as appropriate, for such purpose and shall provide or otherwise make available any cash which may be payable as provided in Section 3 hereof.

9. Approvals. The Company shall from time to time use its best efforts to obtain and continue in effect any and all permits, consents, registrations, qualifications and approvals of governmental agencies and authorities and to make all filings under applicable securities laws that may be or become necessary in connection with the issuance, sale, transfer and delivery of this Underwriter's Warrant and the issuance of securities on any exercise hereof, and if any such permits, consent, qualifications, registrations, approvals or filings are not obtained or continued in effect as required, the Company shall immediately notify the holder thereof. Nothing contained in this Section 9 shall in any way expand, alter or limit the rights of the holder set forth in Section 1 hereof.

10. Survival. All agreements, covenants, representations and warranties herein shall survive the execution and delivery of this Underwriter's Warrant and any investigation at any time made by or on behalf of any parties hereto and the exercise, sale and purchase of this Underwriter's Warrant (and any other securities or property) issuable on exercise hereof.

11. Remedies. The company agrees that the remedies at law of the holder of this Underwriters Warrant, in the event of any default or threatened default by the Company in the performance of or compliance with any of the terms of this Underwriter's Warrant, are not adequate and such terms may, in addition to and not in lieu of any other remedy, be specifically enforced by a decree of specific performance of any agreement contained herein or by an injunction against a violation of any of the terms hereof or otherwise.

12. Notices. All demands, notices, consents and other communications to be given hereunder shall be in writing and shall be deemed duly given when delivered personally or by telecopier or five days after being mailed by first class mail, postage prepaid, properly addressed, if to the holder of this Underwriter's Warrant, to Kenneth Jerome & Co., Inc., 247

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Columbia Turnpike, Florham Park, New Jersey 07932, (201) 966-6669 Fax: (201) 966-6319 Attention: Mr. Robert Kaplon, with a copy to Roger Fidler, Esq., 400 Grove Street, Glen Rock, New Jersey 07452, (201) 445-8862 Fax: (201) 670-7218; if to the Company, to Paradigm Medical Industries, Inc., 1772 West 2300 South, Salt Lake City, Utah 84119 Attention: Thomas Motter, with a copy to: Randall Mackey, Esq., Mackey Price & Williams, 900 First Interstate Plaza, 170 South Main Street, Salt Lake City, Utah 84101-1655 (801) 575-5000, Fax (801) 575-5006. The Company and each holder may change such address at any time or times by notice hereunder to the other.

13. Amendments; Waivers; Terminations; Governing Law; Headings. This Underwriter's Warrant and any term hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of such change, waiver, discharge or termination is sought. This Underwriter's Warrant and any disputes arising hereunder shall be governed by and construed and interpreted in accordance with the laws of the State of Arizona. The headings in this Underwriter's Warrant are for convenience of reference only and are not part of this Underwriter's Warrant.

14. Payment of Taxes. The Company shall pay all taxes, if any, attributable to the initial issuance of this Underwriter's Warrant and the Units and the securities comprising the Units; provided, however, that the Company shall not be required to pay any tax which may be payable in respect of any secondary transfer of this Underwriter's Warrant on the Units.

DATED: July 25, 1996

PARADIGM MEDICAL INDUSTRIES, INC., a Delaware corporation

(CORPORATE SEAL)

By: Thomas F. Motter
President

ATTEST:

By: Randall A. Mackey
Corporate Secretary

FORM OF ASSIGNMENT
(To be executed upon transfer of Warrant)

FOR VALUE RECEIVED,

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

---

hereby sells, assigns and transfers to

---

the within Underwriter's

Warrant together with all rights, title and interest therein, and does hereby irrevocably constitute and appoint attorney to transfer such Underwriter's Warrant on the warrant register of the within named Company, with full power of substitution.

Signature:

Dated:

Signature Guarantee:

SUBSCRIPTION

(To be completed and signed only upon an exercise of the Underwriter's Warrant in whole or in part)

To:

---

as Transfer Agent for Paradigm Medical Industries, Inc.

The undersigned, the Holder of the attached Underwriter's Warrant, hereby irrevocably elects to exercise the purchase right represented by the Underwriter's Warrant for, and to purchase thereunder, Units (as such terms are defined in the original Underwriter's Warrant dated July 25, 1996, from Paradigm Medical Industries, Inc.), and herewith makes payment of $ therefor in cash or by certified or official bank check. The undersigned hereby requests that the Certificate(s) for such securities be issued in the name(s) and delivered to the addresses) as follows:

Name:

Address:

Deliver to:

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Address:

(Attach additional sheets as necessary)

If the foregoing Subscription evidences an exercise of the Underwriter's Warrant to purchase fewer than all of the Units (or other securities or property) to which the undersigned is entitled under such Underwriter's Warrant, please issue a new Underwriter's Warrant, of like tenor, for the remaining Units (or other securities or property) in the name(s), and deliver the same to the addresses), as follows:

Name:

Address:

(Attach additional sheets as necessary)

DATED:

(Name of Holder)

(Signature of Holder or Authorized Signatory)

(Social Security or Taxpayer Identification Number of Holder)

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

COMMERCIAL OFFICE LEASE

TRI COX, L. C.

and

PARADIGM MEDICAL INDUSTRIES, INC.

LEASE, between TRI-COX, L.C. a Utah limited liability company, with its principal office at 1818 West 2300 South, West Valley City, Utah, as "Landlord" and PARADIGM MEDICAL INDUSTRIES, INC, a Delaware Corporation, with its principal office at 1772 West 2300 South, West Valley City, Utah as "Tenant."

1. DEFINITIONS - Each of the following terms shall have the indicated meaning:

"Base Rent" means Two Thousand Nine Hundred Seventy One Dollars Eighty Seven Cents ($2,971.87) per calendar month, subject to adjustment pursuant to Paragraph 3.

"Buildings" means the office buildings located at 1772 West 2300 South and 1780 West 2300 South in the City of West Valley, County of Salt Lake, State of Utah City, Utah.

"Commencement Date" means January 1, 1997.

"Development" means that certain real property known as 1772 West 2300 South and 1780 West 2300 South, West Valley City, Utah.

"Expiration Date" means the date which is twelve months after the Commencement Date, plus any partial calendar month occurring between the Commencement Date and the first day of the first full calendar month following the Commencement Date, if the Commencement Date does not occur on the first day of a calendar month.

"Permitted Use" means office and component assembly only, and no other purpose.

"Premises" means 1772 West 2300 South, 1774 West 2300 South, 1776 West 2300 South, and 1780 West 2300 South, West Valley City, Utah, consisting of approximately 5,442 net rentable square feet, shown on the attached Exhibit A, located in the Buildings. The Premises does not include the foundation, roof and structural portions of the Buildings. Tenant warrants that

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

it has measured the Premises and agrees that any payment based on the square feet of the Premises will be calculated using 5,442 square feet throughout the Term.

"Tenant's Parking Allocation" means seventeen (17) parking stalls at 1770-1776 West 2300 South, and six (6) parking stalls at 1780 West 2300 South shown on the attached Exhibit B.

"Term" means the period commencing on the Commencement Date and expiring on the Expiration Date, unless this Lease is terminated earlier pursuant to the provisions of this Lease.

2. AGREEMENT OF LEASE - Landlord leases the Premises to Tenant and Tenant leases the Premises from Landlord for the Term, together with such rights of pedestrian and vehicular ingress and egress on, over and across the Common Areas as are reasonably necessary for the use of the Premises, in accordance with the provisions set forth in this Lease. In addition, Tenant shall have the use of a number of parking stalls designated by Landlord for Tenant's exclusive use equal to Tenant's Parking Allocation.

3. RENT - Tenant shall pay the minimum total rental of Thirty Five Thousand Six Hundred Sixty Two Dollars Forty Four Cents ($35,662.44) and any additional rent assessed pursuant to the terms of this Lease ("Additional Rent"). Such minimum total rent and any Additional Rent shall be paid in monthly installments as set forth below, which installments shall be paid in advance on the first day of each and every month during the Term.

(A) Tenant covenants to pay to Landlord the Base Rent and any Additional Rent at the address for Landlord set forth at the outset of this Lease or at such other place as Landlord may designate, in advance on or before the first day of each calendar month during the Term, commencing on the Commencement Date. If the Commencement Date is not the first day of a calendar month, on or before the Commencement Date, the Base Rent shall be paid for the initial fractional calendar month (prorated on a per diem basis) and for the first full calendar month following the Commencement Date. If this Lease expires or terminates on a day other than the last day of a calendar month, the Base Rent for such fractional month shall be prorated on a per diem basis.

(B) The Base Rent will be adjusted each January to the proportionate increase in the Consumer Price Index for All Urban Consumers, US City Average, All Items for the previous twelve months. The revised Base Rent will be in effect for January's lease payment. The first lease payment adjustment will begin January 1998. In no event will an adjustment to the Base Rent pursuant to this paragraph result in a Base Rent amount less than $2,971.87.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

(C) Each Base Rent payment shall be increased by the sum of Ten Dollars ($10.00) for each day that the Base Rent payment is later than the tenth (10th) day after which payment is due.

4. SECURITY - Tenant has deposited with Landlord $2,971.87 as security for the faithful performance by Tenant of all the terms, covenants and conditions of this Lease on Tenant's part to be performed. Provided Tenant has fully and faithfully carried out all of said terms, covenants and conditions on Tenant's part to be performed, this security deposit shall be returned to Tenant after the expiration of this Lease without interest.

(A) In the event of a bona fide sale, subject to this Lease, Landlord shall have the right to transfer the security to the buyer for the benefit of Tenant. Landlord, upon notice to Tenant of such sale and assignment of the security deposit to the buyer, shall be released from all liability for the return of such security. Tenant agrees to look solely to the new Landlord for the return of the said security, and it is agreed that this shall apply to subsequent transfer or assignment of the security to any new Landlord.

(B) The security deposited under this Lease shall not be mortgaged, assigned or encumbered by the Tenant without the written consent of the Landlord.

5. CARE OF PREMISES, ALTERATIONS, ETC. - Tenant shall take good care of the Premises and any fixtures which are the property of the Landlord which may be located or situated on, in or made a part of the Premises and shall, at Tenant's own cost and expense make all repairs to the Premises and fixtures other than structural repairs. At the end of the Term, Tenant shall deliver the Premises and any fixtures belonging to Landlord located, situated on, or made a part of the Premises in good order and condition, damages by the elements excepted.

(A) Tenant shall use the Premises for the Permitted Use and no other. Tenant shall promptly execute and comply with all statutes, ordinances, rules, restrictive covenants, orders, regulations and requirements of any governmental or quasi-governmental authority, including departments, bureaus and the like, having jurisdiction applicable to the Premises, for the correction, prevention, and abatement of violations, nuisances or other grievances, in, upon, or connected with the Premises during the Term, at the Tenant's sole cost and expense. Tenant shall provide Landlord at Landlord's request evidence of compliance with all legal obligations and inspection of any permits, licenses, or other requirements of law.

(B) Tenant's, Tenant's successors, heirs, executors or

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

administrators shall not make any alterations to the Premises without the Landlord's consent in writing, or occupy, or permit or suffer the same to be occupied for any business or purpose deemed disreputable or extra-hazardous on account of fire, under the penalty of damages and forfeiture, and in the event of a breach thereof, the Lease shall immediately cease and terminate, at the option of the Landlord, as if it were the expiration of the original Term.

(C) Tenant will not do anything in or to the Premises, or bring anything into the Premises, or permit anything to be done or brought into or kept in the Premises, which will in any way increase the rate of fire insurance on said Premises, nor use the Premises or any part thereof, nor allow or permit its use for any business or purpose which would cause an increase in the rate of fire insurance on said Buildings. Tenant agrees to pay as Additional Rent the cost of any increase in fire insurance resulting from Tenant's use of the Premises on demand by Landlord.

(D) Tenant shall not use, produce, store, release, dispose or handle in or about the Premises or transfer to or from the Premises (or permit any other party to do such acts, including, without limitation, Tenant's independent contractors) any Hazardous Substance except in compliance with all applicable Environmental Laws. Tenant shall not construct or use any improvement, fixtures or equipment or engage in any act on or about the Premises that would require the procurement of any license or permit pursuant to any environmental law. Tenant shall immediately notify Landlord of (i) the existence of any Hazardous Substance on or about the Premises that may be in Violation of any Environmental Law (regardless of whether Tenant is responsible for the existence of such Hazardous Substance), (ii) any proceeding or investigation by any governmental authority regarding the presence of any Hazardous Substance on the Premises or the migration thereof to or from any other property, (iii) all claims made or threatened by any third party against Tenant relating to any loss or injury resulting from any Hazardous Substance, or (iv) Tenant's notification of the national Response Center of any release of a reportable quantity of a Hazardous Substance in or about the Premises. "Environmental Laws" shall mean any federal, state of local statute, ordinance, rule, regulation or guideline pertaining to health, industrial hygiene, or the environment, including without limitation, the federal Comprehensive Environmental Response, Compensation, and Liability Act; "Hazardous Substance" shall mean all substances, materials and wastes that are or become regulated, or classified as hazardous or toxic, under any Environment Law.

If it is determined that any Hazardous Substance exists on or about the Premises resulting from any act of Tenant or its

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

employees, agents, contractors, independent contractors, licensees, subtenants or customers, Tenant shall, at Tenant's sole cost and expense, immediately take necessary action to cause the removal of said substance and shall remove such within ten (10) days after discovery. Notwithstanding the above, if the Hazardous Substance is of a nature that can not be reasonably removed within ten (10) days Tenant shall not be in default if Tenant has commenced to cause such removal and proceeds diligently thereafter to complete removal, except that in all cases, any Hazardous Substance must be removed within sixty (60) days after discovery thereof. Furthermore, notwithstanding the above, if in the good faith judgment of Landlord, the existence of such Hazardous Substance creates an emergency or is of a nature which may result in immediate physical danger to persons at the Premises or the environment, Landlord may enter upon the Premises and remove such Hazardous Substances and charge the cost thereof to Tenant as Additional Rent owing hereunder.

(E) Tenant shall not encumber or obstruct the sidewalk in front of, entrance to, or halls and stairs of said Premises, nor allow the same to be obstructed or encumbered in any manner.

(F) Tenant will not under any circumstances allow Common Areas or Tenant's Parking Allocation to collect debris, garbage, refuse, or any other object or substance used in association with Tenant's business or discarded by Tenant's employees, agents, contractors, independent contractors, licensees, subtenants or customers (collectively "Tenant Debris"). If Tenant fails to keep the Common Areas or Tenants' Parking Allocation free of Tenant Debris, as determined by Landlord in its sole discretion, Landlord may cause such Tenant Debris to be removed and charge the cost of such removal to Tenant as Additional Rent hereunder.

(G) Tenant is responsible for snow removal from porches and walkways in front of the Premises to the parking area and assumes all liability with regard to the clearing of moisture accumulation on said walkways.

(H) In no event shall Landlord be liable to Tenant, its employees, agents, customers, contractors, independent contractors, or invitees for any damage or injury to person or property caused by or resulting from steam, electricity, gas, water, rain, ice or snow, or any leak or flow from or into any part of the Premises or said Buildings or from any damage or injury caused by or due to the negligence of the Landlord.

(I) Tenant will not under any circumstances allow Tenant's employees, agents, contractors, independent contractors, licensees, subtenants or customers to bring animals onto the Premises. If animals are allowed on the Premises, Landlord may charge the cost of restoring any damage caused by the animals to

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Tenant as Additional Rent hereunder.

(J) The respective obligations (if any) of Landlord and Tenant to prepare the Premises for occupancy are described on the attached Exhibit C. Landlord and Tenant (as applicable) shall perform such work diligently, in a first-class and workmanlike manner and in compliance with all applicable laws, ordinances, rules and regulations. With respect to any work performed by Landlord, Landlord and Tenant shall, at a mutually convenient time, conduct a walk-through of the Premises prior to or within fifteen (15) days after the Commencement Date, and prepare a list of items to be promptly completed by Landlord.

6. COMMON AREAS - Areas within the outer property lines of the Development as delineated on the plat attached hereto marked Exhibit B, exclusive of areas therein specified or as built for leasing to Tenants shall be known as Common Areas, as shall all other areas from time to time designated by Landlord for use as part of the Development. Landlord shall have the right, at its sole cost and expense, to improve any portions of said Common Areas by installing and constructing thereon parking lots, pedestrian walkways, sidewalks, exterior canopies, delivery and landscaped areas and lighting facilities, and other desired improvements to the extent to which the Landlord shall determine to be necessary. Common Areas shall be available for the common use of all Landlord's tenants in the Development, their employees, customers, and invitees. Notwithstanding anything elsewhere herein contained, Landlord reserves the right from time to time to make reasonable changes in, additions to and deletions from the Common Areas and the purposes to which the same may be devoted, and the use of Common Areas shall at all times be subject to such reasonable rules and regulations as may be promulgated by the Landlord. Landlord may, at Tenants expense, clean Common Areas or Tenant's Parking Allocation of any object or substance that Tenant or Tenant's employees, customers, contractors, independent contractors, and invitees allow to remain in Common Areas or Tenant's Parking Allocation and charge the cost of such cleaning to Tenant as Additional Rent hereunder.

7. SERVICES PROVIDED BY LANDLORD - As long as Tenant is not in default of any of the terms and conditions of this Lease, Landlord agrees to provide the following services:

(A) Water for ordinary lavatory purposes. If, in the sole determination of Landlord, Tenant shall use or consume water for any purpose other than ordinary lavatory purposes or in unusual quantities, Tenant shall pay to Landlord as Additional Rent any charge or fee assessed or imposed upon Landlord by reason of such use, whether determined by meter or otherwise, as soon as the same is assessed or imposed. Should Landlord determine that Tenant's water usage should be separately metered,

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Tenant shall pay any expense incurred by Landlord in connection with the installation, setting and maintenance of such meter in the Premises. Water and sewer fees are included in the Common Area Maintenance fee paid by Tenant. In the event that water and sewer charges due and owing by Landlord for the Buildings shall be increased above those charges during the base year (which is defined as the fiscal year used by the governmental authority assessing such fees in effect on the Commencement Date of this Lease), Tenant agrees to pay as Additional Rent within thirty (30) days of receipt of notice from Landlord, Tenant's pro rata share of additional water and sewer charges.

(B) Common Area Maintenance - Landlord will maintain or cause to be maintained the Common Areas, and Tenant shall reimburse Landlord for Tenant's pro rata share of the cost of such maintenance as hereinafter provided. Common Area maintenance costs and expenses shall include, but shall not be limited to, landscaping, parking area snow removal, upkeep, repairs, replacements and improvements in the Common Areas, exterior painting, sweeping and cleanup, depreciation allowance on any machinery and equipment owned by Landlord and used in connection therewith, payroll and payroll costs, utility services, fire sprinkler installation costs (amortized over 15 years), premiums for public liability, property damage and fire insurance which shall insure Landlord in the Common Areas, and any real estate tax consultant expense incurred for the purpose of maintaining equitable tax assessments on the Development. All property taxes or assessments levied or assessed against the Common Areas that are not separately assessed, shall be determined as follows: (i) for land, by the ratio of land area designated for the Common Area use to the total land area in the Development; and (ii) for improvements, on a fair and equitable allocation among the various improvements in the Development, giving weight to the factors that determine the amount of the real property tax or assessment in question. Common Area maintenance costs and expenses shall also include administrative costs equal to ten percent (10%) of the total cost paid or incurred by the Landlord under this paragraph.

(C) For the space at 1774 West 2300 South and 1776 West 2300 South:

(1) Electricity for lighting, air conditioning, heating, and office equipment.

(2) Natural Gas for heating.

(D) Landlord is not obligated to provide any other services as part of this Agreement. Tenant is responsible for the following services: Electrical, natural gas, telephone, air conditioning, heating, cooling, ventilation, snow removal on

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

porches and walkways in front of the Premises, and any and all other services the Tenant may require, excepting those services provided in subsection (C) above.

In the event any utility service to the Premises is interrupted or temporarily discontinued for any reason whatsoever, Landlord shall not be liable therefore to Tenant and the rent required to be paid hereunder shall not be abated as a result thereof. Tenant waives any claims it might otherwise have against Landlord as a result of any such interruption or discontinuation.

8. COMMON AREA MAINTENANCE FEE - Tenant shall pay as Additional Rent to Landlord, Tenant's pro rata share of such Common Area expenses in the following manner:

(A) Tenant shall pay Landlord in advance on the first day of each calendar month during the Term an amount equal to the total square feet of the Premises multiplied by 0.065. The foregoing rate per square foot may be adjusted by Landlord by notice to Tenant at the end of any calendar month on the basis of Landlord's experience and reasonably anticipated costs.

(B) Within thirty (30) days following the end of each calendar year, Landlord shall furnish Tenant a statement covering the calendar year just expired, showing the total operating costs, the amount of Tenant's pro rata share of such Common Area expenses for such calendar year and the payments made by Tenant with respect to such calendar year. Tenant's pro rata share of the total Common Area expenses for the previous calendar year shall be that portion of all such expenses which is equal to the proportion which the number of square feet of the Premises bears to the total number of square feet of gross leasable area of buildings in the entire Development which are from time to time completed and occupied as of the commencement of each calendar year. If Tenant's pro rata share of such Common Area expenses exceeds Tenant's payments made pursuant to subparagraph (A) above, Tenant shall pay Landlord the deficiency within ten (10) days after receipt of such statement. If the payments exceed Tenant's pro rata share of such Common Area expenses, Tenant shall be entitled to offset the excess against Common Area expense payments to become due Landlord.

9. REAL ESTATE TAXES - Tenant acknowledges that the Premises comprise approximately 14% of the Building at 1772 West 2300 South, and 13% of the Building at 1780 West 2300 South, which shall be defined as "Tenant's Share." Real estate taxes are included in the Common Area Maintenance fee paid by Tenant. In the event that real estate taxes due and owing by Landlord for the Buildings and property shall be increased above those charges during the base year (which is defined as the tax or fiscal year used by the governmental authority assessing such taxes in effect

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

on the Commencement Date), Tenant agrees to pay as Additional Rent within thirty (30) days of receipt of notice from Landlord, an amount equal to Tenant's Share of such additional real estate taxes.

10. NO ABATEMENT OF RENT OR ADDITIONAL RENT - Landlord shall not be liable for failure to give possession of the Premises upon the Commencement Date by reason of the fact that the Premises are not ready for occupancy or because a prior tenant or any other person is wrongfully holding over or is in wrongful possession, or for any other reason, and the Term shall not be extended by reason of such delay.

(A) This Lease and the obligation of Tenant to pay rent hereunder and perform all of the other covenants and agreements hereunder on part of Tenant to be performed shall in no way be affected, impaired or excused because Landlord is unable to supply or is delayed in supplying any service expressly or impliedly to be supplied or is unable to make, or is delayed in making any repairs, additions, alterations or decorations or is unable to supply or is delayed in supplying any equipment or fixtures if Landlord is prevented or delayed from so doing by reasons of government preemption in connection with a National Emergency or in connection with any rule, order or regulation of any department or subdivision thereof of any governmental agency or by reason of the conditions of supply and demand which have been or are affected by war or other emergency.

(B) No diminution or abatement of rent, or other compensation, shall be claimed or allowed for inconvenience or discomfort arising from the making of repairs or improvements to the Buildings or to its appliances, nor for any space taken to comply with any law, ordinance or order of a government authority. In respect to the various "services" if any, herein expressly or impliedly agreed to be furnished by Landlord to Tenant, it is agreed that there shall be no diminution or abatement of the rent, or any other compensation, for interruption or curtailment of such "service" when such interruption or curtailment shall be due to accident, alteration or repairs desirable or necessary to be made or to Landlord's inability or difficulty in securing supplies or labor for the maintenance of such "service" or to some other cause, nor gross negligence on the part of Landlord. No such interruption or curtailment of any such "service" shall be deemed a constructive eviction. Landlord shall not be required to furnish, and Tenant shall not be entitled to receive any "services" during any period when Tenant shall be in default in respect to the payment of rent. Neither shall there be any abatement or diminution of rent because of making of repairs, improvements or decorations to the Premises after the Commencement Date, it being understood that rent shall, in any event, commence as of the Commencement Date.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

11. DAMAGE TO THE PREMISES - Tenant must give Landlord prompt notice of fire, accident, casualty, damage or dangerous or defective condition. If the Premises can not be used because of fire or other casualty, Tenant is not required to pay rent for the time the Premises are unusable. If part of the Premises can not be used, Tenant must pay rent for the usable part. Landlord shall have the right to decide which part of the Premises is usable. Landlord need only repair the damaged structural parts of the Premises. Landlord is not required to repair or replace any equipment, fixtures, furnishings or decorations unless originally installed by Landlord. Landlord is not responsible for delays due to settling insurance claims, obtaining estimates, labor and supply problems or any other cause not fully under Landlord's control.

(A) If the fire or other casualty is caused by an act or neglect of Tenant, Tenant's employees or persons on the Premises with permission of Tenant, or at the time of the fire or casualty Tenant is in default in any term of this Lease, then all repairs will be made at Tenant's expense and Tenant must pay the full rent with no adjustment. The cost of any such repairs performed by Landlord will charged to Tenant as additional rent hereunder.

(B) Landlord has the right to demolish or rebuild the Buildings if there is substantial damage by fire or other casualty. Landlord may cancel this Lease within thirty (30) days after the substantial fire or casualty by giving Tenant notice of Landlord's intention to demolish or rebuild. The Lease will end thirty (30) days after Landlord's cancellation notice to Tenant. Tenant must deliver the Premises to Landlord on or before the cancellation date in the notice and pay all rent due to the date of the fire or casualty. If the Lease is canceled, Landlord is not required to repair the Premises or Buildings. The cancellation does not release Tenant of liability in connection with the fire or casualty.

12. INSPECTION AND ENTRY BY LANDLORD - Tenant agrees that Landlord and Landlord's agents and other representatives shall have the right to enter into and upon the Premises, or any part thereof, at all reasonable hours for the purpose of examining the same, or making such repairs or alterations therein as may be necessary for the safety and preservation of the Premises.

(A) Tenant also agrees to permit Landlord or the Landlord's agents to show the Premises to persons wishing to lease or purchase the Premises. Tenant further agrees that on and after the sixth month preceding the Expiration Date, Landlord or Landlord's agents shall have the right to place notices on the front of said Premises, or any part thereof, offering the Premises "To Let," "For Lease" or "For Sale" and the Tenant

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

agrees to permit the same to remain thereof without hindrance or molestation.

13. GLASS - Landlord may replace, at the expense of Tenant, any and all broken glass in and about the Premises. Landlord may insure, and keep insured, all plate glass in the Premises for and in the name of Landlord. Bills for the premiums therefor shall be rendered by Landlord to Tenant at such times as Landlord may elect, and shall be due from and payable by Tenant when rendered, and the amount thereof shall be deemed Additional Rent. Damage and injury to the said Premises, caused by the carelessness, negligence or improper conduct on the part of Tenant or Tenant's agents or employees shall be repaired as speedily as possible by Tenant at Tenant's own cost and expense.

14. SIGNS - Tenant shall neither place, nor cause nor allow to be placed, any sign or signs of any kind whatsoever at, in or about the entrance to said Premises or any part of same, except in or at such place or places as may be indicated by the Landlord's written consent, which consent shall not be unreasonably withheld. Any sign installation shall not adversely affect or damage the physical structure of the Buildings, nor detract from the overall harmony of the Buildings and Development. In the event Landlord or Landlord's representatives shall deem it necessary to remove any such sign in order to paint the Premises or the Buildings wherein same is situated or make any repairs, alterations, improvements in or upon the Premises or the Buildings or any part of the Premises or the Buildings, Landlord shall have the right to do so, providing any sign be removed and replaced at Landlord's expense whenever the said repairs, alterations or improvements shall be completed. Tenant agrees that it will, at its own cost and expense, remove any and all signs upon vacating the premises and restore the Buildings to its original condition before any sign or signs were installed.

15. INSURANCE - On or before the date of this Lease, Tenant shall, at Tenant's sole cost, procure and continue in force commercial general liability insurance with a combined single limit for bodily injury and property damage of not less than $1,000,000 per occurrence, including, without limitation, contractual liability coverage for the performance by Tenant of the indemnity provision set forth in this Lease. Such minimum limits shall in no event limit the liability of Tenant under this Lease. Such insurance shall be with companies reasonably acceptable to Landlord, and Tenant shall furnish Landlord with certificates of coverage. Such insurance shall not be cancelable or subject to reduction of coverage or other material modification except after at least ten (10) days' prior written notice to Landlord by the insurer. Such insurance shall be written as a primary policy, not contributing with and not in excess of the coverage which Landlord may carry, and shall name

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Landlord as an additional insured. Tenant shall, at least ten (10) days prior to the expiration of such insurance, furnish Landlord with a renewal certificate for such insurance. Tenant agrees to furnish to Landlord, prior to the effective date of this Lease, a binder or other such certificate evidencing such insurance coverage.

(A) Tenant agrees that it will, at its own cost and expense, keep its furniture, fixtures, equipment, records, and personal property insured against loss or damage by fire or other peril normally covered by "extended coverage" endorsements, and shall deliver to Landlord prior to the effective date of this Lease, a binder or other such certificate of such insurance coverage.

16. SUBLETTING OR ASSIGNMENT - Neither the Premises nor any portion of the Premises may be sublet, nor may this Lease be assigned without the express written consent of Landlord, which consent shall not be unreasonably withheld, and upon such terms and conditions as Landlord may require.

17. DEFAULT

(A) The occurrence of any of the following events shall constitute a default by Tenant under this Lease: (i) Tenant fails to timely pay any installment of Base Rent or any other sum due under this Lease, and such failure is not cured within five (5) days after written notice is given to Tenant; (ii) Tenant fails to timely perform any other obligation to be performed by Tenant under this Lease, and such failure is not cured within ten (10) days after written notice is given to Tenant; provided, however, that if more than ten (10) days is reasonably required to cure such failure, Tenant shall not be in default if Tenant commences such cure within such ten (10) day period and diligently prosecutes such cure to completion; or (iii) Tenant or any guarantor files a petition in bankruptcy, becomes insolvent, has taken against such party in any court, pursuant to state or federal statute, a petition in bankruptcy or insolvency or for reorganization or appointment of a receiver or trustee, which involuntary petition is not dismissed within sixty (60) days, petitions for or enters into an arrangement for the benefit of creditors or suffers this Lease to become subject to a writ of execution.

(B) On any default by Tenant under this Lease, Landlord may at any time, without waiving or limiting any other right or remedy available to Landlord, (i) perform in Tenant's stead any obligation that Tenant has failed to perform, and Landlord shall be reimbursed promptly for any reasonable cost incurred by Landlord with interest from the date of such expenditure until paid in full at the rate of eighteen percent (18%) per annum (the

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

"Interest Rate"), (ii) terminate Tenant's rights under this Lease by written notice, (iii) reenter and take possession of the Premises by any lawful means (with or without terminating this Lease), or (iv) pursue any other remedy allowed by law. Tenant shall pay to Landlord the reasonable cost of recovering possession of the Premises, all reasonable costs of reletting, including reasonable renovation, remodeling and alteration of the Premises, the amount of any commissions paid by Landlord in connection with such reletting, and all other reasonable costs and damages arising out of Tenant's default, including reasonable attorneys' fees and costs. Notwithstanding any termination of Tenant's rights under this Lease or reentry of the Premises, the liability of Tenant for the rent payable under this Lease shall not be extinguished for the balance of the Term, and Tenant agrees to compensate Landlord on demand for any deficiency. No reentry or taking possession of the Premises or other action by Landlord on or following the occurrence of any default by Tenant shall be construed as an election by Landlord to terminate this Lease or as an acceptance of any surrender of the Premises, unless Landlord provides Tenant written notice of such termination or acceptance. Following a default by Tenant under this Lease, Landlord shall exercise commercially reasonable, good faith efforts to mitigate its damages as required by applicable Utah law.

(C) If Tenant fails to pay within five (5) days of the date due any amount required to be paid by Tenant under this Lease, such unpaid amount shall bear interest at the Interest Rate from the due date of such amount to the date of payment in full, with interest, and Landlord may also charge a sum of five percent (5%) of such unpaid amount as a service fee. All amounts due under this Lease are and shall be deemed to be rent or Additional Rent, and shall be paid without abatement, deduction, offset or prior notice or demand, unless specifically provided by the terms of this Lease. Landlord shall have the same remedies for a default in the payment of any amount due under this Lease as Landlord has for a default in the payment of Base Rent.

(D) Landlord shall not be in default under this Lease unless Landlord or the holder of any mortgage or deed of trust covering the Buildings whose name and address have been furnished to Tenant in writing fails to perform an obligation required of Landlord under this Lease within thirty (30) days after written notice by Tenant to Landlord and to such holder, specifying the respects in which Landlord has failed to perform such obligation. If the nature of Landlord's obligation is such that more than thirty (30) days are reasonably required for performance or cure, Landlord shall not be in default if Landlord or such holder commences performance within such thirty (30) day period and after such commencement diligently prosecutes the same to completion. In no event may Tenant terminate this Lease or

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

withhold the payment of rent or other charges provided for in this Lease as a result of Landlord's default.

(E) If after default in payment of rent or violation of any other provision of this Lease, or upon the expiration of this Lease, Tenant moves out or is dispossessed and fails to remove any trade fixtures or other property prior to such said default, removal, expiration of Lease, or prior to the issuance of the final order or execution of the warrant, then and in that event, the said fixtures and property shall be deemed abandoned by the said Tenant and shall become the property of Landlord.

18. PARKING - Automobiles of Tenant and Tenant's agents, employees, contractors, independent contractors, or invitees shall be parked only within the parking stalls designated by Landlord in accordance with Tenant's Parking Allocation or parking areas not otherwise reserved by Landlord or specifically designated for use by any other tenant or occupants associated with any other tenant. Tenant and Tenant's agents, employees, contractors, independent contractors, or invitees use of the parking areas, including parking stalls designated for Tenant's exclusive use, shall be limited to such uses as are ordinary and customary for commercial office uses. In no event shall Tenant or Tenant's agents, employees, contractors, independent contractors, or invitees leave automobiles in the parking areas, including parking stalls designated for Tenant's exclusive use, for a consecutive time period in excess of twenty-four (24) hours. Landlord may from time to time designate additional parking spaces for Tenant and make such other rules and regulations as Landlord reasonably determines to be necessary or appropriate to the proper use of the parking areas. Landlord and Landlord's representatives may, without any liability to Tenant or Tenant's agents, employees, contractors, independent contractors, or invitees cause to be removed any automobile of Tenant or Tenant's agents, employees, contractors, independent contractors, or invitees that may be parked wrongfully in a prohibited or reserved parking area, and Tenant agrees to indemnify, defend and hold harmless Landlord from and against all claims, liabilities and expenses, including attorneys' fees, arising in connection with such removal. In addition, Tenant agrees that it shall pay the cost of such removal as Additional Rent hereunder.

19. NO WAIVER BY LANDLORD - The failure of Landlord to insist upon a strict performance of any of the terms, conditions and covenants herein shall not be deemed a waiver of any rights or remedies that Landlord may have, and shall not be deemed a waiver of any subsequent breach or default in the terms, conditions and covenants herein contained. This instrument may not be changed, modified, discharged or terminated orally.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

20. LEASE NOT A LIEN - This Lease shall not be a lien against the Premises in respect to any mortgage that may now or in the future be placed against said Premises, and that the recording of such mortgage or mortgages shall have preference and precedence and be superior and prior in lien of this Lease, irrespective of the date of recording, and the Tenant agrees to execute without cost any such instrument which may be deemed necessary or desirable to further effect the subordination of this Lease to any such mortgages, and a refusal to execute such instrument shall entitle the Landlord, or the Landlord's assigns and legal representative to the option of canceling this Lease without incurring any expenses or damages and the Term hereby granted is expressly limited accordingly.

21. ESTOPPEL CERTIFICATE - Tenant shall, within fifteen (15) days after Landlord's written request, execute and deliver to Landlord an estoppel certificate in favor of Landlord and such other persons as Landlord shall request setting forth the following: (a) a ratification of this Lease; (b) the Commencement Date and Expiration Date; (c) that this Lease is in full force and effect and has not been assigned, modified, supplemented or amended (except by such writing as shall be stated); (d) that all conditions under this Lease to be performed by Landlord have been satisfied, or, in the alternative, those claimed by Tenant to be unsatisfied; (e) that, to the best of Tenant's knowledge, no defenses or offsets exist against the enforcement of this Lease by Landlord, or, in the alternative, those claimed by Tenant to exist; (f) the date to which rent has been paid; (g) the amount of the Security Deposit; and (h) such other information as Landlord may reasonably request. Landlord's mortgage lenders and purchasers shall be entitled to rely on any estoppel certificate executed by Tenant.

22. QUIET POSSESSION - Landlord covenants that Tenant, on paying the rent and Additional Rent, and faithfully performing the covenants required or imposed upon Tenant, shall and may peacefully and quietly have, hold and enjoy the Premises for the Term, provided however, that this covenant shall be conditioned upon the retention of title to the Premises by the Landlord.
23. ARBITRATION - Any controversy or claim arising out of or relating to this contract, or the breach thereof, shall be settled by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.

24. ATTORNEYS FEES - In the event of any action at law or in equity between Landlord and Tenant to enforce any of the provisions and/or rights hereunder or to recover damages for breach thereof, the unsuccessful party to such litigation covenants and agrees to pay to the successful party all costs and

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

expenses, including reasonable attorney's fees, incurred therein by such successful party, and if such successful party shall recover judgment in any such action or proceeding, such costs and expenses and attorney's fees shall be included in and as a part of such judgment.

25. FORCE MAJEURE - Tenant agrees that Landlord shall not be liable for any delay, detention, failure to perform, loss or damages, including consequential damages, resulting from causes beyond the control of Landlord, including but not limited to: acts of God; acts or omissions of Tenant; fires; strikes; insurrections; riots; embargoes; delays in transportation; inability to obtain supplies; or requirements or regulations of the United States government or any other civil or military authority. Delays or nonperformance excused by this provision shall not excuse payment of any amount due hereunder owed at the time of the occurrence.

26. INDEMNITY - Tenant will indemnify landlord and save it harmless from and against any and all claims, actions, damages, injury, damage to property and/or any other civil liability arising from or out of any occurrence in, upon or at the Premises or from the occupancy or use by Tenant of the Premises or any part thereof, relating to any breach of any covenant required to be performed by Tenant hereunder, or occasioned wholly or in part by any act or omission, including, without limitation, any hazardous substances, hazardous wastes, pollutants or contaminants deposited, released or stored by Tenant, its agents, contractors, independent contractors,, employees, servants, sublessees, concessionaires or invitees.

27. NOTICES - Any notices or demand required or permitted to be given under this Agreement shall be deemed to have been properly given when, and only when, the same is in writing and has been personally delivered to an officer of Landlord or Tenant at the following addresses:

LANDLORD: Tri-Cox, L.C.
Attention: M. Lee Cox
1818 West 2300 South
West Valley City, Utah 84119

TENANT: Paradigm Medical Industries, Inc.
1772 West 2300 South
West Valley City, Utah 84119

28. SEVERABILITY - If any provision of this Lease or the application of any provision of this Lease to any person or circumstance shall to any extent be invalid, the remainder of this Lease or the application of such provision to persons or circumstances other than those as to which such provision is held

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

invalid shall not be affected by such invalidity. Each provision of this Lease shall be valid and enforceable to the fullest extent permitted by law.

29. BROKERAGE COMMISSIONS - Tenant shall indemnify, defend and hold harmless Landlord from and against all claims, liabilities and expenses, including reasonable attorneys' fees, relating to any brokerage commission or finder's fee arising out of any agreement made by Tenant. Landlord shall indemnify, defend and hold harmless Tenant from and against all claims, liabilities and expenses, including reasonable attorneys' fees, relating to any brokerage commission or finder's fee arising out of any agreement made by Landlord.

30. RECOURSE BY TENANT - Anything in this Lease to the contrary notwithstanding, Tenant shall look solely to the equity of Landlord in the Buildings and the land serving the Buildings, subject to the prior rights of the holder of any mortgage or deed of trust, for the collection of any judgment (or other judicial process) requiring the payment of money by Landlord on any default or breach by Landlord with respect to any of the terms, covenants and conditions of this Lease to be observed or performed by Landlord, and no other asset of Landlord or any other person shall be subject to levy, execution or other procedure for the satisfaction of Tenant's remedies.

31. ENTIRE AGREEMENT - It is agreed between the parties hereto that there are no other agreements or understandings between them relating to the subject matter of this Agreement. This Agreement supersedes all prior agreements, oral or written, between the parties and is intended as a complete and exclusive statement of the Agreement between the parties. Neither this Agreement, nor its execution, have been induced by any reliance, representation, stipulation, warranty, agreement or understanding of any kind other than those herein expressed. No change or modification of this Agreement shall be valid unless the same be in writing and signed by the parties.

32. BINDING EFFECT - It is mutually understood and agreed that the covenants and agreements contained in this Lease shall be binding upon the parties hereto and upon their respective successors, heirs, executors and administrators.

33. GOVERNING LAW - This Agreement shall be construed in accordance with and governed by the laws of the State of Utah, irrespective of the fact that a party hereto may not be a resident of or maintain a place of business in that State.

34. AUTHORIZATION - Each individual executing this Lease does represent and warrant to each other so signing (and each other entity for which another person may be signing) that he has been

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

duly authorized to deliver this Lease in the capacity and for the entity set forth where he signs.

IN WITNESS WHEREOF, the parties have set their hand and seal this sixth day of December, 1996.

LANDLORD: Tri-Cox, L.C. a Utah limited liability company,

By: M. Lee Cox
Its: Managing Member

TENANT: Paradigm Medical Industries, Inc.

By: Thomas Motter
Its: Chief Executive Officer

Attached hereto and incorporated herein:

Exhibit "A" - Floor Plan
Exhibit "B" - Development Site Plan
Exhibit "C" - Preparation of Premises for Occupancy and Permission To Modify Premises
Exhibit "D" - Lease Payment and Common Area Maintenance Payment Schedule

EXHIBIT "C"

to

COMMERCIAL LEASE

PREPARATION OF PREMISES FOR OCCUPANCY

The respective obligations (if any) of Landlord and Tenant to prepare the Premises referred to in the foregoing instrument for occupancy are set forth on the attachments.

Landlord: None.

Tenant: None.

PERMISSION TO MODIFY PREMISIS

1780 LC

Tenant may remove the carpet in the North-East room of the Premisis and install their own floor covering.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Tenant may also make modifications to the ceiling of the North-East room for purposes of preparing the room for "clean" component assembly.

EXHIBIT "D"

to

COMMERCIAL LEASE

<TABLE>
<CAPTION>

Payment Due	Lease	CAM	Total
<S>	<C>	<C>	<C>
January 1, 1997	$2,971.87	$353.50	$3,325.37
February 1, 1997	$2,971.87	$353.50	$3,325.37
March 1, 1997	$2,971.87	$353.50	$3,325.37
April 1, 1997	$2,971.87	$353.50	$3,325.37
May 1, 1997	$2,971.87	$353.50	$3,325.37
June 1, 1997	$2,971.87	$353.50	$3,325.37
July 1, 1997	$2,971.87	$353.50	$3,325.37
August 1, 1997	$2,971.87	$353.50	$3,325.37
September 1, 1997	$2,971.87	$353.50	$3,325.37
October 1, 1997	$2,971.87	$353.50	$3,325.37
November 1, 1997	$2,971.87	$353.50	$3,325.37
December 1, 1997	$2,971.87	$353.50	$3,325.37

</TABLE>

Late fees begin on the 11th day of the month. Please include the late fees with payment.

Amendment to Lease Agreement

For Good Consideration, TRI-COX, L.C. a Utah limited liability company ("Landlord"), and PARADIGM MEDICAL INDUSTRIES, INC., a Delaware corporation ("Tenant"), under a certain Lease Agreement ("Lease") between them for premises known as 1772 West 2300 South, West Valley City, Utah, dated the 22 day of November 1995, under which the Tenant continues month-to-month, hereby modify and amend said Lease in the following particulars:

Landlord agrees to lease to Tenant an additional 2,233 square feet of office space in the buildsing located at 1780 West 2300 South in the city of West Valley City, County of Salt Lake, State of Utah ("Additional Premises"), for a term of 26 days beginning on December 5, 1996 and ending on December 31, 1996, for use and occupancy as office. Tenant accepts and leases the Additional Premises in its

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

current condition, configuration, and state of repair. Consideration for the Additional Premises are as follows:

1. RENT -- Tenant shall pay the rental of Ten Dollars ($10.00) plus the value Tenant in its sole discretion calculates as the utility from leasing the Premises for the term of this Amendment.

2. SERVICES PROVIDED BY LANDLORD -- Landlord is not obligated to provide any services to the Additional Premises as part of this Amendment.

3. COMMON AREA MAINTENANCE FEE -- The Common Area Maintenance Fee is included in the Rent.

All other terms and conditions shall remain as contained in the Lease.

IN WITNESS WHEREOF, the parties have set their hand and seal this 6th day of December, 1996.

By: Thomas Motter	By: M. Lee Cox
PARADIGM MEDICAL INDUSTRIES, INC.	TRI-COX, L.C.
Chief Executive Officer	Managing Member
(Tenant)	(Landlord)

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

EMPLOYEES' LOCK UP AGREEMENT

This Agreement is made and entered into this 30th day of May, 1996, between Thomas F. Motter, an employee and shareholder of Paradigm Medical Industries, Inc. (the "Shareholder"), Paradigm Medical Industries, Inc. (the "Corporation"), and Kenneth Jerome & Co., Inc. (the "Underwriter") and such other underwriters as are named in the Underwriting Agreement to be entered into with the Corporation. All capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Underwriting Agreement.

A. The Corporation and the Underwriter intend to enter into an Underwriting Agreement (the "Underwriting Agreement") pursuant to which the Corporation intends to offer for sale to the public common stock of the Corporation.

B. The Shareholder owns 588,666 shares of Common Stock received upon the founding of the Corporation or in connection with Shareholder's employment.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained in the Underwriting Agreement, the parties hereto set forth their agreement as follows:

1. The Shareholder will not, without the Underwriter's prior written consent, jointly or individually, offer, sell, pledge, make any short sale of, contract to sell, lend, grant any option for the purchase of, or otherwise dispose of, directly or indirectly, any of the shares of Common Stock owned of record or beneficially by the Shareholder as of effective date of the Registration Statement or thereafter acquired, for a period of three hundred sixty-five (365) days from the effective date of the Registration Statement on Form SB-2 to be filed with the Securities and Exchange Commission by the Corporation pursuant to the Securities Act of 1933, as amended.

2. The Shareholder further agrees that an appropriate restrictive legend in substantially the form attached hereto as Exhibit A and/stop transfer order may be imposed with respect to all shares which are subject to this Lock Up Agreement.

3. This Agreement shall inure to the benefit of and be binding upon the parties, their heirs, legal representatives, successors, and assigns.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

4. This Agreement may be amended only by an instrument duly executed in writing by the parties hereto.

5. This Agreement shall be construed in accordance with and governed by the laws of the state of Utah.

IN WITNESS WHEREOF, the parties have executed this Agreement the day and year first above written.

Signed & Sworn
before me this 30th
day of May, 1996.

Jason Jahn

Notary Public
State of Utah
My Commission Expires
May 18, 1999

Jason Jahn
1772 W. 2300 South
Salt Lake City, Utah 84110

SHAREHOLDER

Thomas F. Motter
Signature

Thomas F. Motter
(Print Name)

Signature (to be signed by co-owner, if applicable)

(Print Name)

PARADIGM MEDICAL INDUSTRIES, INC.

By: Thomas F. Motter
Its: CEO/President

KENNETH JEROME & CO., INC.

By:
Its:

Please execute this document using the exact name in which your shares are registered.

EXHIBIT A

[Legend to be placed on locked up certificates]

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

The shares represented by this certificate are subject to an agreement (the "Lock Up Agreement") among the holder hereof, Paradigm Medical Industries, Inc. (the "Corporation"), and Kenneth Jerome & Co., Inc. (the "Underwriter"), which prevents an offer for sale, pledge, contract to sell, or other disposition of, directly or indirectly, any of the shares represented hereby without the prior written consent by the Underwriter and the Corporation until _____ [365 days from the Effective Date], 1997. A copy of the Lock Up Agreement is on file with the Secretary of the Corporation.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

REGISTERING SHAREHOLDER'S LOCK UP AGREEMENT

This Agreement is made and entered into this 5th day of June, 1996, between Richard Bowe, a Series B Preferred shareholder of Paradigm Medical Industries, Inc. (the "Shareholder") and Kenneth Jerome & Co., Inc. (the "Underwriter") and such other underwriters as are named in the Underwriting Agreement to be entered into with Paradigm Medical Industries, Inc. (the "Corporation"). All capitalized terms not otherwise defined herein shall have the meanings set forth in the Underwriting Agreement.

A. The Corporation and the Underwriter intend to enter into an Underwriting Agreement (the "Underwriting Agreement") pursuant to which the Corporation intends to make a public offering of shares of the common stock of the Corporation, and the Underwriter has agreed that up to 598,820 shares of common stock held by shareholders (the "Common Stock") upon the conversion of Series B Preferred shares (the "Series B Preferred Shares") into shares of Common Stock may be registered in the public offering;

B. The Shareholder will own the number of shares of Common Stock set forth next to the Shareholder's signature below (the "Shares"), assuming the conversion of his Series B Preferred Shares into shares of Common Stock; the Shareholder is one of a number of private shareholders who acquired Series B Preferred Shares in private placements directly from the Company which are convertible into shares of Common Stock at the rate of 1.2 shares of Common Stock for each of the Series B Preferred Shares.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained in the Underwriting Agreement, the parties hereto set forth their agreement as follows:

1. a. The Shareholder shall not, without the Underwriter's prior written consent, jointly or individually, offer, sell, pledge, make any short sale of, contract to sell, lend, grant any option for the purchase of, or otherwise dispose of, directly or indirectly, any of the shares of Common Stock that the Shareholder will own if he elects to exercise his conversion rights to convert the Series B Preferred Shares into shares of Common Stock, except as set forth in subparagraph (b) below.

b. After the expiration of one hundred eighty (180) days from the effective date of the Registration Statement on Form SB-2 which was filed with the Securities and Exchange Commission by the Corporation as of March 19, 1996, pursuant to the Securities Act of 1933, as amended (the "Effective Date"), there shall be released from the restrictions of this Lock Up Agreement

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

("released") all of the Shares.

2. The Shareholder further agrees that an appropriate restrictive legend in substantially the form attached hereto as Exhibit A and/or stop transfer order may be imposed with respect to all Shares which are subject to this Lock Up Agreement.

3. This Agreement shall inure to the benefit of and be binding upon the parties, their heirs, legal representatives, successors, and assigns.

4. This Agreement may be amended only by an instrument duly executed in writing by the parties hereto.

5. This Agreement shall be construed in accordance with and governed by the laws of the state of Utah.

6. Notwithstanding the foregoing, the agreements contained in this Lock Up Agreement shall terminate if the proposed public offering is abandoned.

IN WITNESS WHEREOF, the parties have executed this Agreement the day and year first above written.

SHAREHOLDER

Richard G. Bowe, MD
Signature

Richard G. Bowe,
Smith Barney, Inc.
(Print Name)

Signature (to be signed by co-owner, if applicable)

(Print Name)

Number of Shares: 15,054

KENNETH JEROME & CO., INC.

By: Robert Kaplan
Its: President

Please execute this document using the exact name in which

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

your shares are registered.

EXHIBIT A

[Legend to be placed on locked up certificates]

The shares represented by this certificate are subject to an agreement (the "Lock Up Agreement") among the holder hereof, Paradigm Medical Industries, Inc. (the "Corporation"), and Kenneth Jerome & Co., Inc. (the "Underwriter"), which prevents an offer for sale, pledge, contract to sell, or other disposition, directly or indirectly, of any of the shares represented hereby without the prior written consent by the Underwriter and the Corporation until _____ [180 days from the Effective Date], 1997. A copy of the Lock Up Agreement is on file with the Secretary of the Corporation.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

DESIGN, ENGINEERING AND MANUFACTURING AGREEMENT

THIS DESIGN, ENGINEERING AND MANUFACTURING AGREEMENT (the "Agreement") is made and entered into as of this 23 day of September, 1996 (the "Effective Date"), by and between PARADIGM MEDICAL INDUSTRIES, INC., a Delaware corporation ("Paradigm") and ZEVEX, INC., a Utah corporation ("Manufacturer"). Paradigm and Manufacturer are also referred to herein, individually, as "party," and collectively, as "parties."

RECITALS

WHEREAS, Paradigm is a supplier of technical products, services and support to the medical and health care industry;

WHEREAS, Manufacturer is a designer, engineer and manufacturer of medical and health care products; and

WHEREAS, Paradigm desires to obtain design, engineering and manufacturing services for its products and Manufacturer desires to provide such services as an original equipment manufacturer;

NOW, THEREFORE, in consideration of the respective representations, warranties, covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Definitions. The capitalized terms in this Agreement shall have the following meanings unless otherwise defined herein:

1.1 "Systems" shall mean the Photon Laser Phacoemulsification system as defined by Zevex Part No. Z-12669 and the Precisionist Thirty Thousand Phacoemulsification unit, including all accessories, components, modules and packaging.

1.2 "Precisionist Thirty Thousand" shall mean the Precisionist Thirty Thousand instrument enclosure containing displays, pump and electrical subsystems defined by Zevex Part No. Z-10811.

1.3 "Photon Laser Phaco" shall mean the Precisionist Thirty Thousand with Laser Module (as defined in paragraph 1.5 below).

1.4 "Laser Handpiece" shall mean the laser surgical

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

handpiece, optical fiber cord and connector.

1.5 "Laser Module" means the electronic laser driver module used in conjunction with the Laser Handpiece.

2. Development and Manufacturing. Manufacturer shall produce and manufacture the Systems for Paradigm, except for the Laser Module and Laser Handpiece, and be compensated for such services as follows:

2.1 Engineering. Manufacturer agrees to use its best efforts and allocate sufficient staff to design, develop specifications and engineering documentation, make procurements, and test and produce technical prototypes for the "technically driven" accessories of the Precisionist Thirty Thousand as well as the Photon Laser Phaco (excluding the Laser Module and Laser Handpiece, but including laser interface hardware). Engineering, design, and manufacturing meetings shall be held at least bi-weekly to monitor the design and development of the Systems. Minutes shall be kept for each meeting and a copy provided to Paradigm. Representatives of Paradigm shall be given at least 24 hours notice of and have the right to attend all such meetings. Representatives shall also have the right to visit Manufacturer's facilities and meet with Manufacturer's representatives daily if Paradigm desires. As more fully set forth in Section 9 below, all documentation, specifications, designs, etc. relating to the Systems shall belong to Paradigm.

2.2 Engineering Compensation. Paradigm shall pay Manufacturer the sum of $860,000 for engineering and design services and shall also pay an incentive bonus of $140,000 to Manufacturer for distribution to key engineers, consultants and other persons assisting with the design, engineering and manufacture of the Systems, for total engineering compensation of $1,000,000; provided that the conditions specified in the subparagraphs of this paragraph 2.2 are satisfied within the time frames set forth therein (each separate condition being referred to as a "Milestone" and the payment with respect to a Milestone being referred to as a "Milestone Payment"). Such compensation shall not include travel expenses or off-site regulation expenses, which expenses shall be paid by Paradigm as incurred provided that such expenses have been pre-approved.

(a) Contract Advance. On the Effective Date of this Agreement, contemporaneous with its signing, Paradigm shall pay Manufacturer $100,000 as an advance retainer to begin electrical, mechanical and software design, and component and vendor identification for the manufacture of the Systems.

(b) Source Components. A Milestone Payment in the amount of $20,000, which payment shall be used by Manufacturer to

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

purchase materials and components to build a complete bench prototype of the System, shall be payable when the following conditions constituting one Milestone are satisfied, which conditions are all expected to be satisfied on or about October 1, 1996:

(1) When Paradigm has reviewed and, in its sole discretion, approved product specifications as set forth and defined in Manufacturer's product specification Z-12670, a specification reference created by Manufacturer to manufacture the Systems;

(2) When part numbers have been assigned to all major components and key parts and Paradigm has reviewed and approved all major components and key parts to be used in the Systems and has approved all vendors of such components; and

(3) When any production engineering order (hereafter "EO") is signed by Paradigm to procure components to build a complete bench prototype of the System.

(c) Design Documentation. A Milestone Payment in the amount of $250,000 shall be payable if, on or about December 1, 1996, all electrical designs are completed for the Systems and a complete drawing package has been submitted to and approved by Paradigm and Paradigm has signed an EO authorizing Manufacturer to commence mechanical, enclosure and tooling design drawings.

(d) Material and Tooling First Articles. A Milestone Payment in the amount of $120,000 shall be payable if, on or about February 1, 1997, first articles have been received at Manufacturer's place of business and either approved or approved with changes by Paradigm for all molded, custom mechanical and enclosure components and tooling, and any EO is signed by Paradigm authorizing the purchase of such components or tooling.

(e) First Article Prototype. A Milestone Payment in the amount of $100,000 shall be payable if, on or about March 1, 1997, a first article prototype of the System is fully assembled and operational (the "Prototype"), has been reviewed and either approved or approved with changes by Paradigm and an EO has been signed by Paradigm authorizing the production of 19 additional Systems.

(f) Delivery of Systems. A Milestone Payment in the amount of $150,000 shall be payable if, on or about March 31, 1997, 19 Systems meeting the Z-12670 product specifications are delivered to Paradigm fully assembled and operational, Paradigm accepts all 19 Systems, and the Prototype meeting the Z-12670 product specifications is fully assembled and operational in

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Manufacturer's possession as a bench prototype (hereinafter referred to as the "Validation System"). (The Milestone Payment of this paragraph 2.2(f) of the Agreement is additional compensation over and above the purchase price of each System, which amount is set forth in paragraph 3.1 below).

(g) Validation. A Milestone Payment in the amount of $120,000 shall be payable if the following conditions, constituting one Milestone, are satisfied on or before June 15, 1997:

(1) When the System has been validated pursuant to IEC 601 standards by Paradigm; and

(2) When the System has been validated for the European CE Mark by an independent agency provided by Paradigm.

(h) Bonus. A bonus in the amount of $140,000 shall be payable to Manufacturer for distribution to key engineers, consultants and other persons assisting with the design, engineering and manufacture of the Systems if the Milestone set forth in subparagraph 2.2(f) above is, in Paradigm's sole discretion, met and fully satisfied on or before March 31, 1997. Such bonus shall be given to Manufacturer for distribution to the engineers, consultants, and other personnel responsible for designing, engineering and manufacturing the Systems as determined by a compensation committee consisting of one member designated by Paradigm and three members designated by Manufacturer.

2.3 Tooling. Paradigm shall pay Manufacturer the actual cost of tooling, plus a two percent (2%) mark-up above actual cost of such tooling (the "Tooling Allocation"). All models and other items purchased for tooling purposes shall belong to Paradigm and shall be returned to Paradigm upon termination or expiration of this Agreement. Tooling will not be ordered until production components have been designed, reviewed and approved by Paradigm. Paradigm shall pay for tooling costs pursuant to the vendor's terms, provided that such costs are pre-approved by Paradigm. The Tooling Allocation shall be paid to Manufacturer when the final payment on actual tooling costs is remitted to the tooling vendor or vendors. Paradigm understands that adjustments may be required to tooled items and hereby agrees to pay for such adjustments provided that the adjustments and related charges are agreed to and pre-approved by Paradigm.

2.4 Components. Manufacturer will subcontract production for components only, and will assemble, calibrate, test, document and package the complete Systems under Manufacturer's direct control at its own plant.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

2.5 System Changes. Manufacturer will notify Paradigm of all proposed changes to the Systems and will not perform any material changes in the Systems after completion of testing and delivery of prototypes without written approval by Paradigm by means of a Manufacturer's Engineering Change Order or other similar document. Manufacturer will supply Paradigm with a copy of each such change order for its records. Each party shall keep its own master engineering and medical device files.

2.6 Quality Control. Manufacturer will perform product testing, burn-in, calibration and quality assurance inspections for the Systems to comply with regulatory standards as set forth in Manufacturer's Quality Manual and Product Performance Specifications provided by Paradigm. Manufacturer will keep accurate records that comply with regulatory standards of the Food, Drug and Cosmetics Act for each product manufactured and make copies of the same available to Paradigm for its product history and reporting records. Paradigm shall be entitled to integrate Manufacturer's Quality Manual into its own Quality Manual.

2.7 Regulatory Approval. Paradigm shall perform or be responsible for all clinical evaluations, testing and documentation related to regulatory approvals as may be required to market the Systems in the United States and abroad. Notwithstanding the foregoing, Manufacturer will make available to authorized representatives of the United States Food and Drug Administration ("FDA"), all documents reasonably necessary to demonstrate FDA Good Manufacturing Practice ("GMP") requirements and will make all reasonable efforts to comply with FDA GMP requirements. Manufacturer will also make available to authorized representatives of the European CE Mark, Japanese Ministry of Health as well as any other governmental or regulatory body which may oversee or control the sell of the Systems, all documents reasonably necessary to satisfy the requirements of such body and obtain marketing approval for the Systems.

2.8 Service and Training. Paradigm shall be responsible for performing field service and maintenance of the Systems. Manufacturer shall train Paradigm's designated service technicians and sales personnel as required by Paradigm in training classes. A separate training class shall be conducted on each of the following topics: (1) Basic Systems operations (2) Common fault diagnosis; (3) Field component repair or replacement; and (4) Manufacturer repair protocol. Training classes may also be conducted on any other matter or matters mutually agreed upon by the parties on the terms and conditions set forth in this paragraph 2.8. Training classes shall be scheduled at least two weeks in advance through Manufacturer's

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

customer service department. Training classes shall be six hours in duration and shall be scheduled in two sessions: (a) 9:00 a.m. to noon and (b) 1:00 p.m. to 4:00 p.m. There shall be no limit to the number of students in a class. However, it is recommended that there be no more than six students per class. Notwithstanding the foregoing, Paradigm shall pay Manufacturer $700 for each class regardless of the class size. Paradigm shall also pay any and all reasonable travel and lodging costs for students and instructors.

2.9 Independent Testing. Paradigm shall bear the cost of all independent laboratory testing of the Systems. All data generated from independent laboratory testing shall belong to Paradigm and all testing must be pre-approved by Paradigm before it is ordered by Manufacturer.

3. Purchase Price of Systems.

3.1 Purchase Price. Paradigm will purchase each completed System (not including the Laser Handpiece and Laser Module) for the lesser of: (1) $19,000.00 (the "Fixed Purchase Price"); or (2) the actual cost of producing the Systems, plus 30% as set forth in Schedule A attached hereto (the "Alternative Purchase Price"). The actual costs of producing the Systems shall not include engineering costs, tooling costs or any other costs paid directly by Paradigm pursuant to this Agreement. Actual costs shall include the cost of materials, labor costs, and fixed and variable overhead costs applied on a per system basis as set forth in Schedule A attached hereto. All such actual costs, including overhead, which are included in the Alternative Purchase Price (but not the Fixed Purchase Price) shall be adjusted annually and any changes shall be verified and accounted for by both parties. Notwithstanding the foregoing, the Fixed Purchase Price shall be adjusted as mutually agreed upon by the parties if there is a material increase or decrease in the total cost of materials. Paradigm shall pay the purchase price of each System within thirty (30) days after receipt of an invoice and System.

3.2 Inspection of Records. During the Term and any Renewed Terms of this Agreement (as defined in paragraph 6 below) and for two years following the termination or expiration of this Agreement, Manufacturer shall maintain books and records sufficient to determine the manufacturing costs of the Systems and shall make such records available for inspection by Paradigm or its agents, at Paradigm's expense, during normal business hours, at any time upon 15 days written notice, for the purpose of verifying the accuracy of the records and manufacturing costs charged thereunder, provided that such inspection shall not unreasonably interfere with Manufacturer's business activities.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

4. Warranty and Service.

4.1 Warranty. Manufacturer will be responsible for warranty and repair of the Systems for 14 months from the date of purchase by Paradigm and shall provide replacement parts or components for each System during such warranty period (exclusive of the Laser Handpiece and Laser Module) at no cost to Paradigm or the purchaser of the System within 10 days after notification subject to the availability of materials and component parts to replace or manufacture System parts. Manufacturer's warranties shall include implied warranties of merchantability and fitness for a particular purpose.

4.2 Field Service. Paradigm will coordinate all customer service communications, product delivery to and from customers, field service and service billing (post-warranty where available).

4.3 Parts. Manufacturer will make System parts available to Paradigm for distribution to field service organizations and Paradigm's dealers or representatives during the Term and any Renewed Terms of this Agreement (as defined in paragraph 6 below) and for at least two years following the termination or expiration of this Agreement subject to the availability of parts and components to manufacture such System parts.

5. Marketing. Manufacturer shall allow Paradigm's domestic or international dealers, representatives and/or customers to tour Manufacturer's manufacturing facility, provided that Paradigm reviews all such requests with the Manufacturer and provides a complete list of all proposed visitors prior to any final commitment by Manufacturer and such tour does not unreasonably interfere with Manufacturer's business activities. Paradigm will make all reasonable efforts not to allow any known competitor of manufacturer to participate in a tour of Manufacturer's facility.

6. Term. The term of this Agreement shall commence on the date first above written and shall expire three years from that date (the "Term") unless sooner terminated as provided in paragraph 10 below. If not terminated, this Agreement shall automatically be renewed thereafter for successive one year additional terms (each, a "Renewed Term") unless either party notifies the other party in writing at least 180 days prior to the expiration of the Term or Renewed Term of its desire not to renew this Agreement.

7. Covenant Not to Compete.

7.1 Covenant. Manufacturer covenants and agrees

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

that during the Term or any Renewed Term of this Agreement, and for two years thereafter, that it, and its officers and directors will not own, manage, operate, join, control or participate in the ownership, operation or control of a business engaged in the distribution or sale of invasive ophthalmic medical lasers, nor develop or manufacture invasive ophthalmic medical lasers in competition with Paradigm in the state of Utah, and each other state in the United States, and each foreign country, in which Paradigm or its subsidiaries do or may hereafter do business.

7.2 Injunctive and Equitable Relief. Manufacturer covenants and agrees that Paradigm's remedy at law for any breach or violation of the provisions of this Section 7 are inadequate and that, in the event any such breach or violation, Paradigm shall be entitled to injunctive relief in addition to any other remedy, at law or in equity, to which it may be entitled.

7.3 Acknowledgment of Reasonableness and Restrictions. Manufacturer specifically acknowledges and agrees that the two-year post-Agreement limitation upon its and its employees, agents, consultants and representatives activities as specified above, together with the geographical limitations set forth above, are reasonable limitations as to time and place upon their post-Agreement activities, and that the restrictions are necessary to preserve, promote and protect the business, accounts and good-will of Paradigm and impose no greater restraint than is reasonably necessary to secure such protection.

7.4 Limitation on Scope or Duration. In the event that any provision of this Section 7 shall be held invalid or unenforceable by a court of competent jurisdiction by reason of the geographic or business scope or the duration thereof, such invalidity or unenforceability shall attach only to the scope or duration of such provision and shall not affect or render invalid or unenforceable any other provision of this Section 7 and, to the fullest extent permitted by law, this Section shall be construed as if the geographic or business scope or the duration of such provision had been more narrowly drafted so as not to be invalid or unenforceable but rather to provide the broadest protection to Paradigm permitted by law.

8. Confidentiality; Proprietary Rights.

8.1 Definition of Paradigm's Confidential Information. For purposes of this Agreement, Paradigm's "Confidential Information" means any customer lists, information, materials, technical data, know-how, or trade secrets of Paradigm, which is disclosed to Manufacturer. Paradigm's "Confidential Information" shall not include information that Manufacturer can demonstrate through its records, was or became public knowledge through no fault of Manufacturer or was known to

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Manufacturer prior to the date of disclosure, or was disclosed to Manufacturer by a third party who had a lawful right to disclose it.

8.2 Definition of Manufacturer's Confidential Information. For purposes of this Agreement, Manufacturer's "Confidential Information" means any information, data, designs, concepts, ideas, processes, methods, models, computer aided drafting and software tools, techniques, specifications, formulae, know-how, trade secrets, and improvements relating to the research, development, manufacturing or marketing activities of Manufacturer together with analyses, compilations, studies, and other documents that contain or otherwise reflect any of the foregoing, including, without limitation, Manufacturer's technology and manufacturing processes, its proprietary technology and know-how and assembly and manufacturing processes and technology and know-how, and its technology and know-how concerning laser phaco or phacoemulsification technology that is disclosed by Manufacturer to Paradigm. Manufacturer's "Confidential Information" shall not include information that Paradigm can demonstrate through its records, was or became public knowledge through no fault of Paradigm or was known to Paradigm prior to the date of disclosure, or was disclosed to Paradigm by a third party who had a lawful right to disclose it.

8.3 Non-Disclosure of Confidential Information. Neither party shall use or disclose the Confidential Information of the other party for its own use or for any purpose except as provided for in this Agreement. Each party agrees that it will protect the confidentiality of, and take all reasonable steps to prevent unauthorized disclosure or use of, the Confidential Information to prevent it from falling into the public domain or the public literature or to prevent it from falling into the possession of unauthorized persons or entities. Without limiting the generality of the foregoing, each party agrees to take the same steps and use the same methods to prevent the unauthorized use or disclosure of the Confidential Information as the other takes to protect its secret, confidential, or proprietary information and data, including causing its employees, agents, consultants and representatives to agree to abide by the conditions and promises made in this Agreement. Each party will promptly notify the other in writing of any misappropriation or misuse by any person or entity of any Confidential Information that comes to their attention.

8.4 Return of Materials. Any Confidential information or other information, materials, or documents that are furnished hereunder or were derived from the Confidential Information or such information or materials will be promptly returned, accompanied by all copies of such Confidential Information or such other information, materials, or documents

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

made, at the earlier of one party's request for return of the same or the termination of this Agreement excluding any documents required to be maintained by any regulatory agency.

8.5 Legal Remedies. It is understood and agreed that no failure or delay by any party in exercising any right, power, or privilege hereunder will operate as a waiver thereof, nor will any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power, or privilege hereunder. It is further understood and agreed that money damages will not be a sufficient remedy for any breach of this Section 8 by either party or any of its employees, agents, consultants or representatives and that the non-breaching party will be entitled to equitable relief, including injunctive relief and specific performance, as a remedy for any such breach of this Agreement.

9. Inventions.

9.1 Disclosure of Inventions. Manufacturer hereby agrees that if it or its employees or agents, directors, consultants or representatives conceive, learn, make, or first reduce to practice, either alone or jointly with others, any inventions, improvements, original works of authorship, formulas, processes, computer programs, techniques, know-how, or data relating to the Systems (referred to herein as the "Developments") while Manufacturer is under contract with Paradigm, it or they will promptly disclose such Developments to Paradigm or to any person designated by Paradigm. Notwithstanding the fact that Manufacturer may determine that Paradigm has no right to such inventions and that such inventions may be Manufacturer's proprietary information, it shall nevertheless promptly disclose any such inventions to Paradigm or to any person designated by Paradigm upon reasonable request.

9.2 Ownership, Assignment, and Assistance. All Developments related to the Systems shall be the sole and exclusive property of Paradigm, and Paradigm shall have the right to use and to apply for patents, copyrights or other statutory or common law protection for such Developments in any country. Furthermore, Manufacturer agrees to assist Paradigm in every proper way at Paradigm's expense to obtain patents, copyrights, and other statutory common law protection for such Developments in any country and to enforce such rights from time to time. Specifically, Manufacturer agrees to execute all documents as Paradigm may reasonably request for use in applying for and in obtaining or enforcing such patents, copyrights, and other statutory or common law protection, together with any assignments thereof, to Paradigm or to any person designated by Paradigm.

9.3 Patent or Copyright Infringement. Nothing in

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

this Agreement is intended to grant Manufacturer any rights under any patent, trademark, tradename or copyright of Paradigm with respect to the Systems.

10. Termination.

10.1 Termination by Paradigm. Paradigm shall have the right to terminate this Agreement on written notice to Manufacturer (a) pursuant to Section 10.3(b) below, if Manufacturer fails for two consecutive quarters to timely fulfill Paradigm's purchase orders (subject, however, to the Force Majeure provisions of Section 11.11); (b) in the event Paradigm is unable to obtain governmental or regulatory approvals, including FDA Approval that may be required with respect to the Systems or any component thereof; (c) in the further event that any governmental or regulatory approvals are withdrawn, altered or modified during the term of this Agreement in a manner which, in Paradigm's good faith judgment, is material and adverse to Paradigm or which prohibits or interferes with the manufacture or sale of the System or renders the sale of the System unprofitable; or (d) if an event of Force Majeure preventing or delaying Manufacturer's performance hereunder continues for more than 60 days.

10.2 Termination by Manufacturer. Manufacturer shall have the right to terminate this Agreement on written notice to Paradigm if (a) Paradigm has failed to timely make any payments required by this Agreement and (b) Paradigm does not pay all delinquent sums in full within 20 business days after written notice from Manufacturer demanding payment.

10.3 Termination By Either Party. In addition to their respective rights set forth in Sections 10.1 and 10.2, either party shall have the right to terminate this Agreement on written notice to the other party under the following circumstances:

(a) by mutual agreement;

(b) if the other party materially defaults in the performance of any material obligation hereunder (including failing to meet a milestone on a timely basis as set forth in subparagraphs 2.2(c) through 2.2(g)) and such default continues for more than 20 business days after receiving written notice from the other party of such default; provided, however, there shall be no default under this provision if the defaulting party has cured the default within 20 business days after the giving of notice;

(c) in the event that the other party is declared insolvent, or bankrupt by a court of competent jurisdiction, or

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

a voluntary petition of bankruptcy is filed in any court of competent jurisdiction by such other party, or such other party shall make or execute an assignment for the benefit of creditors, or a receiver is appointed by a court of competent jurisdiction over all or a substantial portion of the other party's assets and such receivership is not dismissed within 30 days of appointment; or

(d) in the event of the issuance of a final order, decree or other action by any competent judicial authority or governmental agency which restrains, enjoins or prohibits the sale or introduction into interstate commerce of the System and such restraint, injunction or prohibition is not vacated within 30 days thereafter.

10.4 Survival. The termination or expiration of this Agreement shall be without prejudice (a) to the rights of any party to receive upon its request all payments accrued and unpaid, or all documents, data and deliverables not delivered, as of the date of such expiration or termination; (b) the rights and remedies of either party with respect to any previous breach or default under any representation, warranty or covenant herein contained; and (c) rights under any other provision of this Agreement which expressly and necessarily calls for performance after expiration or termination.

11. Miscellaneous.

11.1 Entire Agreement. This Agreement constitutes the entire agreement and understanding of the parties with respect to the subject matter hereof, and supersedes all prior agreements, arrangements and understandings related to the subject matter hereof. No representation, promise, inducement or statement of intention has been made by either of the parties that is not embodied in this Agreement or in the documents referred to herein, and neither of the parties shall be bound by or be liable for any alleged representation, promise, inducement or statement of intention not set forth or referred to herein. The above Recitals and the Schedules referred to herein and attached hereto are deemed to be incorporated herein.

11.2 Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Utah.

11.3 Amendments; Waiver. This Agreement may not be amended, modified, superseded or canceled, nor may any of the terms, covenants, representations, warranties, conditions or agreements herein be waived, except by a written instrument executed by the party against whom such amendment, modification, supersedure, cancellation or waiver is charged. The failure of

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

either of the parties at any time or times to require performance of any provision hereof shall in no manner affect the right at a later time to enforce the same. No waiver by either of the parties of any condition, or of any breach of any term, covenant, representation, warranty, condition or agreement contained herein, shall be deemed to be or shall be construed to be a waiver or continuing waiver of any such condition or breach or a waiver of any other condition or of the breach of any other term, covenant, representation, warranty, condition or agreement hereof.

11.4 Headings; Construction. The captions and headings contained herein are for convenience of reference only, and shall not in any way affect the meaning or interpretation of this Agreement. Notwithstanding any rule or maxim of construction to the contrary, any ambiguity or uncertainty in this Agreement shall not be construed against either of the parties based upon authorship of any of the provisions hereof.

11.5 Counterparts. This Agreement may be executed by facsimile and may be executed in one or more counterparts, each of which shall be deemed an original, and all of which, when taken together, shall constitute one and the same instrument.

11.6 Attorneys' Fees. In the event either of the parties shall bring an action in connection with the performance, breach or interpretation of this Agreement, or in any action related to the subject matter hereof, the prevailing party in such action shall be entitled to recover from the non-prevailing party in such action all reasonable costs and expenses of such action, including, without limitation, attorneys' fees, costs of investigation, accounting and other costs reasonably incurred or related to such action, in such amount as may be determined in the discretion of the arbitrator(s).

11.7 Severability. In the event any provision hereof is determined to be illegal or unenforceable for any reason whatsoever, such determination shall not affect the validity or enforceability of the remaining provisions hereof, all of which shall remain in full force and effect.

11.8 Further Assurances. The parties each hereby covenant and agree that, from time to time, after the date hereof, at the reasonable request of either party, and without further consideration, they will execute and deliver such other documents and instruments and take such other action as may be reasonably required to carry out in all respects the subject matter hereof and the intent of this Agreement.

11.9 Notices. All notices, demands and other communications required or permitted to be given hereunder shall

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

be in writing and shall be deemed to have been duly given and received (a) immediately if delivered personally, (b) 72 hours after deposit in the United States Mail, first class, postage prepaid, registered or certified mail, return receipt requested, if so mailed, (c) upon completed transmission, if faxed, or (d) the following business day, if sent by overnight courier. All such notices shall be addressed to the parties at the addresses and/or fax numbers listed below. Either party may change the address and/or the fax number to which communications are to be directed by giving written notice to the other party in the manner provided herein.

TO PARADIGM: PARADIGM MEDICAL INDUSTRIES, INC.
1772 West 2300 South
Salt Lake City, Utah 84119
Fax No. (801) 977-8973

With a copy to: Randall A. Mackey, Esq.
Mackey Price & Williams
900 First Interstate Plaza
170 South Main Street
Salt Lake City, Utah 84101-1655
Fax No. (801) 575-5006

TO MANUFACTURER: ZEVEX, INC.
5175 Greenpine Drive
Salt Lake City, Utah 84123 USA
Fax No. (801) 264-1051

With a Copy to: E. Nordell Weeks, Esq.
Weeks Law Firm
320 Kearns Building
Salt Lake City, Utah 84101
Fax No. (801) 322-2885

11.10 No Third-Party Beneficiaries. Nothing in this Agreement, whether express or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any person other than the parties and their respective successors or permitted assigns, nor is anything in this Agreement intended to relieve or discharge the obligation or liability of any third person to either of the parties, nor shall any provision hereof give any third person any right of subrogation or action over or against either of the parties.

11.11 Force Majeure. Neither party shall be responsible or liable to the other hereunder for failure or delay in performance of the Agreement due to any war, fire, accident or other casualty, or any labor disturbance or act of God or the public enemy, or any other contingency beyond such party's reasonable control. In addition, in the event of the

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

applicability of this Section 11.11, the party failing or delaying performance shall use its best efforts to expeditiously eliminate, cure and overcome any of such causes and resume performance of its obligations.

11.12 Relationship of the Parties. Notwithstanding any provision hereof, for all purposes of this Agreement, each party shall be and act as an independent contractor and not as a partner, joint venturer or agent of the other party and shall not bind nor attempt to bind the other party to any contract or agreement.

11.13 Successors and Assigns. This agreement shall be binding on all successors and assigns of the parties.

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

PARADIGM MEDICAL INDUSTRIES, INC.,
a Delaware corporation

By: Robert W. Millar
Title: Vice President

ZEVEX, INC.,
a Utah corporation

By: Phillip McStotts
Title: CFO Sec/Treas.

SCHEDULE A

Alternative Purchase Price

The following is the formula for determining the Alternative Purchase Price:

Direct labor (assembly & test) x $31/hour (fully burdened, no profit)		_____
Current average labor rate	$ 8.50	
Direct overhead (current 1996 rate)	x 242%	
Subtotal	$20.57	
G & A overhead (current 1996 rate)	x 151%	
Total labor rate	$31.06	

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Parts costs x 1.69 (fully burdened, no profit, excluding laser)

Parts costs		
Direct overhead (current 1996 rate)	x 112%	
Subtotal G & A overhead	x 151%	+_____
Subtotal		=_____
		x .3
Profit margin 30% added to subtotal		+_____
Laser cost x 1.04 (modified direct overhead only)		+_____
Direct engineering support(1) (based on 50 units per year)		+_____
Total		=_____

---

(1) This amount may change based on the number of systems sold. It is etimated this amount shall not decrease to below $250 per system.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

EXHIBIT 11.1

Paradigm Medical Industries, Inc.
Statement Regarding Computation of Per Share Earnings (Loss)

<TABLE>
<CAPTION>

PRIMARY EARNINGS PER SHARE

	Year ended September 30,	
	1996	1995
<S>	<C>	<C>
Net loss attributable to common shareholders	$(1,448,171)	$ (883,681)
Weighted average shares outstanding	1,979,548	1,979,548
Common stock and equivalents (see Note A)	191,240	372,483
Common stock issued in connection with initial public offering	208,333	-
Shares used in computing net loss per common share	2,379,121	2,352,031
Net loss per common share	$(.61)	$(.38)

</TABLE>

Note A - Represent common shares issued or issuable in connection with stock options and warrants granted within one year of the initial filing of a registration statement in connection with the initial public offering (IPO) at prices below the offering price (net of shares repurchased under the treasury stock method).

FULLY DILUTED EARNINGS PER SHARE

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Fully diluted earnings per share differs from primary earnings per share by less than 3%.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

<TABLE> <S> <C>

<ARTICLE> 5
<LEGEND>
THIS SCEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE AUDITED BALANCE SHEET OF PARADIGM MEDICAL INDUSTRIES, INC. AS OF SEPTEMBER 30, 1996, AND THE RELATED STATEMENTS OF OPERATIONS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
</LEGEND>

<S>	<C>	<C>
<PERIOD-TYPE>	YEAR	
<FISCAL-YEAR-END>		SEP-30-1996
<PERIOD-END>		SEP-30-1996
<CASH>		3,040,152
<SECURITIES>		486,039
<RECEIVABLES>		55,454
<ALLOWANCES>		0
<INVENTORY>		369,045
<CURRENT-ASSETS>		3,969,051
<PP&E>		150,519
<DEPRECIATION>		(26,975)
<TOTAL-ASSETS>		4,192,595
<CURRENT-LIABILITIES>		160,213
<BONDS>		0
<PREFERRED-MANDATORY>		0
<PREFERRED>		1,976,076
<COMMON>		6,189,423
<OTHER-SE>		(4,149,572)
<TOTAL-LIABILITY-AND-EQUITY>		4,192,595
<SALES>		252,134
<TOTAL-REVENUES>		294,993
<CGS>		180,010
<TOTAL-COSTS>		1,328,173
<OTHER-EXPENSES>		179,000
<LOSS-PROVISION>		0
<INTEREST-EXPENSE>		(56,829)
<INCOME-PRETAX>		(1,449,019)
<INCOME-TAX>		0
<INCOME-CONTINUING>		(1,449,019)
<DISCONTINUED>		0
<EXTRAORDINARY>		0
<CHANGES>		0
<NET-INCOME>		(1,449,019)
<EPS-PRIMARY>		(.61)
<EPS-DILUTED>		(.61)

</TABLE>

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document