GLOBAL MED TECHNOLOGIES INC
Form S-1/A
May 11, 2005

As Filed With The Securities and Exchange Commission On May 11, 2005

Registration No. 333-123378

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 2
TO
FORM S-1
REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

GLOBAL MED TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Colorado	**8741**	**84-1116894**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

12600 West Colfax, Suite C-420
Lakewood, Colorado 80215
Telephone (303) 238-2000
(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Copies to:

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Chairman of the Board and Chief Executive Officer
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Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, please check the following box. [X]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Subject to Completion, Dated May 11, 2005

The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any state where the offer or sales is not permitted.

PROSPECTUS

GLOBAL MED TECHNOLOGIES, INC.

50,724,329 Shares of Common Stock

Selling stockholders are offering for sale up to 50,724,329 shares of our common stock. Eleven Million Twenty Three Thousand and Six Hundred and Thirty-One (11,023,631) shares of our common stock are being offered hereby by Fusion Capital Fund II, LLC. Thirty-nine million seven hundred thousand six hundred and ninety eight (39,700,698) shares of our common stock are being offered by other selling stockholders of Global Med Technologies, Inc (Global Med or the Company).

The prices at which such stockholders may sell the shares will be determined by the prevailing market price for the shares or in negotiated transactions. We will not receive proceeds from the sale of our shares by any of the selling stockholders.

Our common stock is quoted on the Nasdaq Over-The-Counter Bulletin Board under the symbol GLOB. On March14, 2005, the average of the bid and asked sale prices for the common stock as reported was $2.26 per share.

Investing in the securities involves a high degree of risk. See Risk Factors beginning on page 3. You should carefully consider the risk factors, as well as the other information presented in this prospectus, in deciding whether or not to invest in our common stock. Each of the factors could adversely affect the price of our common stock, our business, financial condition and results of operations, and could result in a loss of all or part of your investment.

Fusion Capital, a selling stockholder, is an underwriter within the meaning of the Securities Act of 1933, as amended.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is May 11, 2005

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We intend to distribute to our shareholders annual reports containing audited financial statements. Our audited financial statements for the fiscal year December 31, 2004, were contained in our Annual Report on Form 10-K.

PROSPECTUS SUMMARY

Business

Global Med Technologies, Inc. (Global Med or the Company) provides information management software products and services to the health care industry. Wyndgate operates as a division of Global Med and designs, develops, markets and supports information management software products for blood banks, hospitals, centralized transfusion centers and other healthcare related facilities. Our PeopleMed subsidiary offers chronic disease management as an Application Service Provider (ASP). PeopleMed s system uses the internet to coordinate sources and users of a patient s clinical information, including laboratory, pharmacy, primary and specialty care providers, claims and medical records.

PeopleMed earns revenues primarily by providing ongoing ASP services. PeopleMed s revenues were not significant during the three or twelve months ended December 31, 2004.

Global Med has two main products in its Wyndgate division: SafeTrace® and SafeTrace Tx®. SafeTrace is used by blood centers and hospitals to track blood donations. SafeTrace Tx is used primarily by hospitals and centralized transfusion centers to help insure the quality of blood transfused into patient-recipients. Both products are designed to help the users comply with quality and safety standards of the U.S. Food and Drug Administration for the collection and management of blood and blood products. Our Wyndgate division earns revenues primarily through the sale of software licenses, implementation of the software systems sold, and by providing maintenance for the SafeTrace and SafeTrace Tx software systems. During the three months ended December 31, 2004 and 2003, Wyndgate s revenues represented 98% and 96%, respectively, of Global Med s total revenues. During the years ended December 31, 2004 and 2003, Wyndgate s revenues represented 97% and 93%, respectively, of Global Med s total revenues. During these periods, PeopleMed s revenues represented the remainder.

The decision to purchase a new blood bank system is driven in large part by one or all of the following: replacing antiquated technology, upgrading the laboratory information system (LIS) of the hospital which typically includes the purchase of a blood bank system, and replacing existing products that have been sunsetted. We believe that because the purchase of an LIS by a hospital is a significant driver in the decision to purchase a blood bank system, Global Med is heavily reliant on its relationships with its channel partners that sell their LIS systems in combination with Global Med s blood bank products. The Company s channel partner relationships are more fully discussed in the BUSINESS section Royalty and Commission Agreements.

Entities that plan to purchase blood bank products primarily have two choices:

- Upgrade their current system with their existing vendor, or
- Select a replacement system from an alternative vendor.

Global Med s two primary locations are in Lakewood, Colorado, the corporate headquarters, and El Dorado Hills, California, our primary operations, which include research and development, implementation staff, support services, and certain administrative staff. Approximately 20% of our employees are not located in Lakewood, Colorado or El Dorado Hills, California. These employees provide support for Global Med s sales and marketing, research and development, and implementation efforts.

Management of Global Med is focused on increasing its revenues and cash flows through direct sales efforts, increasing its marketing footprint through adding additional channel partners and strategic alliances, and developing new products and enhanced functionality to its existing product mix to attract potential customers.

The Offering

On March 16, 2005, we entered into a common stock purchase agreement (the Common Stock Purchase Agreement) with Fusion Capital Fund II, LLC, pursuant to which Fusion Capital has agreed to purchase, on each trading day, $12,500 of our common stock up to an aggregate, under certain conditions, of $8.0 million. At our discretion, we may elect to sell more of our common stock to Fusion Capital than the minimum daily amount. Fusion Capital, one of the selling stockholders under this prospectus, is offering for sale up to 11,023,631 shares of our common stock. As of March 4, 2005, there were 27,672,056 shares outstanding, including 486,816 shares that we have issued to Fusion Capital as compensation for its purchase commitment and 50 thousand shares we issued to Fusion Capital as reimbursement for expenses in connection with the transaction. Up to 39,700,698 shares of our common stock are being offered by other selling stockholders of the Company.

The 50,724,329 shares offered by this Prospectus represents approximately 85.6% of our total outstanding common stock as of March 16, 2005. The number of shares ultimately offered for sale by Fusion Capital is dependent upon the number of shares sold by the Company to Fusion Capital under the Common Stock Purchase Agreement.

RISK FACTORS

You should carefully consider the risks described below before purchasing our common stock. Our most significant risks and uncertainties are described below; however, they are not the only risks we face. If any of the following risks actually occur, our business, financial condition, or results or operations could be materially adversely affected, the trading of our common stock could decline, and you may lose all or part of your investment therein. You should acquire shares of our common stock only if you can afford to lose your entire investment.

We Have Significant Operating Losses, A Net Working Capital Deficit And Cumulative Net Losses; We May Not Be Able To Generate Sufficient Revenues To Operate Profitably In The Future Or To Pay Our Debts And Liabilities As They Become Due

For the fiscal years ended December 31, 2004, 2003, and 2002, we incurred a net loss of approximately $766 thousand, $878 thousand, and $705 thousand respectively. For the three months ended December 31, 2004, the Company had net income of $153 thousand. For the fiscal year ended December 31, 2004 we incurred a net loss from operations of $582 thousand. For the fiscal year ended December 31, 2003, we incurred a loss from operations of $303 thousand. For the fiscal year ended December 31, 2002, we had income from operations of approximately $16 thousand. As of December 31, 2004, and December 31, 2003 we had a net working capital deficit of approximately $1.452 million and $1.574 million respectively, and an accumulated deficit of approximately $40.967 million and $39.722 million respectively. Therefore, we may not be able to generate sufficient revenues to operate profitably in the future or to pay our debts and liabilities as they become due and may be forced to curtail or cease our business operations.

We May Not Achieve Profitability Or Positive Cash Flows Operations And May Be Required To Reduce Our Software Development Programs And Operating Expenses

We may generate positive cash flows from operations and negative cash flows from investing activities through 2005 on an annual basis and possibly thereafter, but we may not achieve profitability during this time. Additional external funding may be required in order for us to pay off our outstanding debt and the redeemable preferred stock when it becomes due or redeemable at the holder s option, respectively, on March 1, 2006. In addition, our Series AA Preferred Stock requires significant dividend payments in 2005 that could require us to obtain additional financing. In the event we are unable to acquire additional external financing, we could be required to substantially reduce our software development programs and/or substantially reduce our other operating expenses.

We Have Experienced Significant Revenue Fluctuations

We have experienced revenue fluctuations from our SafeTrace and SafeTrace Tx products. SafeTrace and SafeTrace Tx license fees have historically been recognized as revenue upon delivery of the software if no significant vendor obligations exist as of the delivery date. Therefore, revenue fluctuations are affected by delays of the delivery service and customer delayed delivery requests. Revenue fluctuations could also be affected by the decision on whether or not to recognize revenues based upon the length of time the licensees take to implement SafeTrace and SafeTrace Tx. The typical implementation cycle of Wyndgate s software products currently is taking approximately 12-15 months. Implementation cycles are dependent on various items, including the blood center s size and the complexity of the blood center s standard operating procedures. Further, special development projects required by customers, concurrent with the licensing of our software products, and other significant obligations, could result in revenue recognition delays. Additionally, the development and marketing of new software products may cause difficulties in accurately anticipating implementation and development schedules, future revenues, expenses, financial condition and net cash flows. In the event we experience any of these difficulties, we could be forced to curtail or cease our business operations.

The Sale Of Our Common Stock To Fusion Capital May Cause Dilution And The Sale Of The Shares Of Common Stock Acquired By Fusion Capital Could Cause The Price Of Our Common Stock To Decline

The purchase price for the common stock to be issued to Fusion Capital pursuant to the Common Stock Purchase Agreement will fluctuate based on the price of our common stock. All shares issued to Fusion Capital will be freely tradable.Fusion Capital may sell some or all of the shares purchased from us at any time. The common shares sold to Fusion Capital could be sold over a period of up to 32 months from the date of the Common Stock Purchase Agreement. Our common stock is thinly traded, trading an average of approximately 17 thousand shares a day over the last year. Thinly traded stock can be more volatile than common stock traded in an active market. Our common stock could experience significant price and volume fluctuations, especially as Fusion Capital sells shares of our common stock purchased from us pursuant to the daily sales under the Common Stock Purchase Agreement. During the past year the price of our common stock has traded between $0.38 and $2.57 per share. Further, each daily sale of our common stock to Fusion Capital pursuant to the Common Stock Purchase Agreement could make a subsequent day s sale to Fusion Capital a more dilutive to existing stockholders by decreasing the price of the common stock for the subsequent day s sale. This dilutive effect may cause us not to be able to draw down the entire $8 million under the Common Stock Purchase Agreement with the 10 million shares of common stock we are registering in the accompanying registration statement under the Common Stock Purchase Agreement The sale of a substantial number of shares of our common stock by Fusion Capital, or anticipation of such sales, could make it more difficult for us to sell equity or equity-related securities in the future at a time and at a price that we might otherwise wish to effect sales.

We May Require Additional Financing To Sustain Our Operations And Without It We May Not Be Able To Continue Operations

At December 31, 2004, we had a working capital deficit of approximately $1.452 million. For the three months ended December 31, 2004, we had positive cash flows from operations of $492 thousand. For the years ended December 31, 2004, 2003 and 2002, our operations provided operating cash of $256 thousand, $24 thousand, and $547 thousand, respectively. The Company believes that it s current customer base and projected backlog of business as well as sales to new customers will be sufficient to fund operations, and we likely will generate positive cash flows from operations and negative cash flows from investing activities through 2005 on an annual basis and possibly thereafter, but we may not achieve profitability during this period or anytime in the foreseeable future, if ever. The Company s cash flows from operations have funded the operations of the Company since 2001 and we expect to be able to fund operating activities in the near term, additional external funding may be required in order for the Company to pay off its outstanding debt and the redeemable preferred stock when it becomes due or redeemable at the holder s option, respectively, on March 1, 2006. In addition, the Company s Series AA Preferred Stock requires significant dividend payments in 2005 that could require the Company to obtain additional financing. In the event we are unable to require additional external financing, we could be required to substantially reduce our software development programs and/or substantially reduce our other operating expenses.

We have the right to receive $12,500 per trading day under the Common Stock Purchase Agreement unless our stock price equals or exceeds $0.85, in which case the daily amount may be increased under certain conditions as the price of our common stock increases. Fusion Capital will not have the right nor the obligation to purchase any shares of common stock on any trading days that the market price of the common stock is less than $0.20 per common share. The selling price of our common stock to Fusion Capital will have to average at least $0.80 per share for us to receive the maximum proceeds of $8 million without registering additional shares of common stock in a new registration statement. Assuming a purchase price of $2.26 per share (the closing sale price of the common stock on March 4, 2005), we would sell 3,539,823 shares of common stock to Fusion Capital in order to obtain the full $8 million. Each daily sale of our common stock to Fusion Capital pursuant to the Common Stock Purchase Agreement could make a subsequent day s sale to Fusion Capital more dilutive to existing stockholders by decreasing the price of the common stock for the subsequent day s sale. This dilutive effect may cause us not to be able to draw down the entire $8 million under the Common Stock Purchase Agreement with the 10 million shares of common stock we are registering in this registration statement under the Common Stock Purchase Agreement.

In the event we desire to draw down any available amounts remaining under the Common Stock Purchase Agreement after we have issued the 10 million shares being registered in the accompanying registration statement, we will have to file a new registration statement to cover such additional shares that we would issue for additional sales to Fusion Capital. In addition, pursuant to the terms of the Common Stock Purchase Agreement, Fusion Capital may not own more than 9.9% of our outstanding shares of common stock. In the event Fusion Capital is unable to sell the shares of our common stock that are issued after we receive an advance in order to keep them below 9.9% beneficial ownership, we may not be able to draw down additional funds when needed under the Common Stock Purchase Agreement and we may not be able to draw down the full $8 million under the Common Stock Purchase Agreement. The extent to which we rely on Fusion Capital as a source of funding will depend on a number of factors including, the prevailing market price of our common stock and the extent to which we are able to secure working capital from other sources. If obtaining sufficient financing from Fusion Capital were to prove prohibitively expensive and if we are unable to commercialize and sell the products or technologies of our subsidiaries, we will need to secure another source of funding in order to satisfy our working capital needs. Even if we are able to access the funds available under the Common Stock Purchase Agreement, we may still need additional capital to fully implement our business and operating plans. Additional financing could be prohibitively expensive due to the possibility of reduced investor confidence generally in the financial markets and in technology companies. Should the financing we require to

sustain our working capital needs be unavailable, or prohibitively expensive when we require it, we would be forced to curtail or cease our business operations.

Existing Shareholders Will Experience Significant Dilution From Our Sale Of Shares Under The Common StockPurchase Agreement With Fusion Capital And Any Other Equity Financing

The sale of shares pursuant to our agreement with Fusion Capital or any other future equity financing transaction will have a dilutive impact on our stockholders. As a result, our net income or loss per share could decrease in future periods, and the market price of our common stock could decline. In addition, the lower our stock price is, the more shares of common stock we will have to issue under the Common Stock Purchase Agreement with Fusion Capital in order to draw down the full amount. If our stock price is lower, then our existing stockholders would experience greater dilution. We cannot predict the actual number of shares of common stock that will be issued pursuant to the agreement with Fusion Capital or any other future equity financing transaction, in part, because the purchase price of the shares will fluctuate based on prevailing market conditions and we do not know the exact amount of funds we will need.

Our Business And Our Software Products Are Subject To Substantial Competition

There is substantial competition in all aspects of the blood bank and hospital information management industry. Numerous companies are developing technologies and marketing products and services in the healthcare information management area. Many competitors in the blood bank industry have received FDA clearance for their products. Many of these competitors have been in business longer and have substantially greater personnel and financial resources than Global Med. Global Med is aware of three primary competitors to our SafeTrace software product: Mak-System Corp.; Blood Bank Computer Systems, Inc. and Mediware Information Systems, Inc. There are five primary competitors in the United States to our SafeTrace Tx product: Misys Hospital Systems, Inc. (Misys is a channel partner that currently resells the Company s SafeTrace software); Mediware Information Systems, Inc.; Meditech, Inc., SCC Soft Computer; and Cerner Corp. Global Med believes it is able to compete based on the current technological capabilities of SafeTrace and SafeTrace Tx.

If We Are Unable To Acquire Or Maintain A Technological Advantage, Or If We Fail To Stay Current And Evolve In The Applications Software And Information Management Fields, We May Not Be Successful

The market for applications software is characterized by rapidly changing technology and by changes from mainframe to client/server computer technology, including frequent new product introductions and technological enhancements in the applications software business. During the last ten years, the use of computer technology in the information management industry has expanded significantly to create intense competition. With rapidly expanding technology and our limited resources, we can provide no assurance that we will be able to acquire or maintain any technological advantage. Our success will be in large part dependent on our ability to use developing technology to our maximum advantage and to remain competitive in price and product performance. If we are unable to acquire or maintain a technological advantage, or if we fail to stay current and evolve in the applications software and information management fields, we may be forced to curtail or cease our business operations.

We Are Dependent On The Development Of New Business

To execute our plan of operations, which includes the generation of increased revenues, we must expand our operations significantly beyond our historical operations to other markets that require similar management information services. However, we may not be able to successfully expand our business operations. Our current activities in the blood bank industry do not assure future business expansion, profitability or long-term and sustainable success. In the event we fail to successfully implement our business plan, we could be forced to curtail or cease our business operations.

Our Success Depends In Part On Our Ability To Obtain And Enforce Intellectual Property Rights And Licenses For Our Technology And Software

Our success depends in part on our ability to obtain and enforce intellectual property rights for our technology and software, both in the United States and in other countries. Our proprietary software is protected by the use of copyrights, trademarks, confidentiality agreements and license agreements that restrict the unauthorized distribution of our proprietary data and limit our software products to the customer s internal use only. In addition, our SafeTrace Tx product has three patents pending. While we have attempted to limit unauthorized use of our software products or the dissemination of our proprietary information, we may not be able to retain our proprietary software rights and prohibit the unauthorized use of proprietary information. Any patents, copyrights, or trademarks we have or may obtain may not be sufficiently broad to protect our products, may be subject to challenge, invalidated or circumvented and may not provide competitive advantages. In addition, our competitors may independently develop technologies or products that are substantially equivalent or superior. If our software products infringe upon the rights of others, we may be subject to suit for damages or an injunction to cease the use of such products. Our industry is characterized by frequent intellectual property litigation based on allegations of infringement of intellectual property rights. Although we are not aware of any intellectual property claims against us, we may be a party to litigation in the future.

Our success will also depend in part on our ability to develop commercially viable products without infringing the proprietary rights of others. We have not conducted freedom of use patent searches and patents may exist or could be filed which would have an adverse effect on our ability to market our products or maintain our competition position with respect to our products.

We Are Subject To Potential Under-Capitalization And Limitations With Respect To Personnel, Financial And Other Resources, And May Encounter Difficulty Licensing SafeTrace or SafeTrace Tx To A Sufficient Number Of Additional Customers Necessary To Achieve Profitability. In Addition, We May Encounter Difficulty Developing And Licensing New Products

Although we have been in existence since 1989, we are subject to potential under-capitalization, limitations with respect to personnel, financial and other resources, and have limited customers and revenues. We had positive cash flows from operations for the years ended December 31, 2004, 2003 and 2002. Although we believe that we will be able to fund our operations internally for the near term, in the event we encounter difficulty attracting new customers for our licensed products, our operations may not be able to fund the development of new products, or our current level of operations. The likelihood of our success must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the development and marketing of new software products and related services. In the event we are unable to fund our operations or the development of new products, we could be forced to curtail or cease our business operations.

We May Have Difficulties Managing Our Business In The Event Of Rapid Growth That Could Materially Adversely Affect Our Business, Financial Condition And Results Of Operations

Our future success will depend to a significant extent on the ability of our current and future management personnel to operate effectively, both independently and as a group. In order to compete successfully against current and future competitors, to timely complete research and development projects and to develop future products, we must continue to expand our operations, particularly in the areas of research and development, sales and marketing and training. If we experience significant growth in the future, such growth would likely place significant strain upon our management, operating and financial systems and other resources. To accommodate such growth and compete effectively, we must continue to implement and improve our information systems, procedures and controls, and to expand, train, motivate and manage our work force. Any failure to implement and improve our operational, financial and management systems or to expand, train, motivate or manage our work force could materially and adversely affect our business, financial condition and results of operations, which could force us to curtail or cease our business operations.

We May Experience A Change In Our Board of Directors

Pursuant to our various financing agreements with Global Med International Limited (GMIL) and its affiliates, China Credit Holdings Limited (China Credit), formerly Heng Fung, has appointed the following five directors to our Board of Directors: Fai H. Chan, Robert L. Trapp, Kwok Jen Fong, Gary L. Cook, and Tony T.W. Chan. In addition, pursuant to these financing agreements, certain members of our Board of Directors were required to execute and deliver resignation letters to China Credit, which letters are being held in escrow pending any default under the terms of the financing agreements.

Failure To Comply With Governmental Regulations And Requirements Could Preclude Us From Continuing To Market Our Existing Products Or Introducing New Products On A Commercial Basis And Materially Adversely Affect Our Business, Financial Condition And Results Of Operations

Our SafeTrace and SafeTrace Tx products and services are subject to regulations adopted by governmental authorities, including the Food and Drug Administration, which govern blood center computer software products regulated as medical devices. Compliance with government regulations can be burdensome and may result in our incurring product development delays and substantial costs. In addition, modifications to such regulations could materially adversely affect the timing and cost of new products and services we introduce. We cannot predict the effect of possible future legislation and regulation. We also are required to follow applicable Good Manufacturing Practices regulations of the FDA, which include testing, control and documentation requirements, as well as similar requirements in other countries, including International Standards Organization 9001 standards. Failure to comply with applicable regulatory requirements could result in, among other things, operating and marketing restrictions and fines, and could force us to curtail or cease our business operations.

We Have Limited Sales, Marketing And Distribution Systems

We currently market SafeTrace and SafeTrace Tx through a small direct sales force, both in the U.S. and internationally. We have entered into various strategic business alliances to assist us in national and international sales, marketing and distribution. However, there can be no assurance that any business alliance will be successful or will continue. Our business strategy for marketing and selling our products and services is two tiered:

- The first tier is comprised of direct selling to customers through Global Med s internal sales force, and
- The second tier is focused on marketing and selling indirectly through channel partner agreements with companies that are established in blood donor and hospital markets.

These strategic alliances that are facilitated through the channel partner agreements assist us in selling our products nationally and may assist us in selling our products internationally. Our ability to increase future revenues is highly dependent upon these strategic alliances, and our ability to make further inroads in selling our products directly to potential customers. In addition, our success is dependent upon the ability of our marketing partners to sell their complementary products in conjunction with Global Med s products. In the event we fail to maintain and further develop our strategic alliances, we could be forced to curtail or cease our business operations.

We May Lose Software Licenses If We Fail To Meet Maintenance Service Requirements

Our current software license agreements are typically a perpetual term. In addition to the software license, customers can obtain software maintenance for a separate fee. These maintenance agreements range in term from single year to multi-year agreements. Maintenance consists of product bug fixes, continued regulatory compliance, and product updates. During the years ended December 31, 2002, 2003, and 2004, recurring maintenance fees represented a significant portion of the Company s total revenues for the year. However, if we fail to able to continue to meet these maintenance commitments, a significant portion of our revenues could be at risk and we could be forced to curtail or cease our business operations.

We May Have Product Liability And Reporting Liability Exposure

We have product liability exposure for defects in our products that may become apparent through widespread use of our products. To date, we have not had any claims filed against us involving our products and we are not aware of any material problems with them. While we will continue to attempt to take appropriate precautions, we may not be able to completely avoid product liability exposure. We maintain product liability insurance on a claims made basis for our products in the aggregate of at least $4 million. Although we have had a history of being able to obtain such coverage at reasonable prices, such coverage may not be available in the future, or at reasonable prices, or in amounts adequate to cover any product liabilities that we may incur.

Our Common Stock Is Deemed To Be "Penny Stock," Subject To Special Requirements And Conditions, And May Not Be A Suitable Investment

Our common stock is deemed to be penny stock as that term is defined in Rule 3a51-1 promulgated under the Securities Exchange Act of 1934. Penny stocks are stocks:

- With a price of less than $5.00 per share;
- That are not traded on a recognized national exchange;
- Whose prices are not quoted on the Nasdaq automated quotation system (Nasdaq listed stock must still have a price of not less than $5.00 per share); or
- In issuers with net tangible assets less than $2.0 million (if the issuer has been in continuous operation for at least three years) or $5.0 million (if in continuous operation for less than three years), or with average revenues of less than $6.0 million for the last three years.

Broker/dealers dealing in penny stocks are required to provide potential investors with a document disclosing the risks of penny stocks. Moreover, broker/dealers are required to determine whether an investment in a penny stock is a suitable investment for a prospective investor. These requirements may reduce the potential market for our common stock by reducing the number of potential investors. This may make it more difficult for investors in our common stock to resell shares to third parties or to otherwise dispose of them. This could cause our stock price to decline.

We Rely On Management, The Loss Of Whose Services Could Have A Material Adverse Effect Upon Our Business

We rely principally upon the services of our Board of Directors, senior executive management, and certain key employees, the loss of whose services could have a material adverse effect upon our business and prospects. Competition for appropriately qualified personnel is intense. Our ability to attract and retain highly qualified senior management and technical research and development personnel are believed to be an important element of our future success. Our failure to attract and retain such personnel may, among other things, limit the rate at which we can expand operations and achieve profitability. There can be no assurance that we will be able to attract and retain senior management and key employees having competency in those substantive areas deemed important to the successful implementation of our plans and the inability to do so or any difficulties encountered by management in establishing effective working relationships among them may adversely affect our business and prospects. Currently, we do not carry key person life insurance for any of our directors, executive management, or key employees.

Our Officers And Directors Are Able To Substantially Influence All Matters Requiring Approval By OurShareholders, Including The Election Of Directors

As of February 28, 2005, our officers and directors beneficially own approximately 48.1% of our outstanding common stock, in addition, certain directors through their affiliation with our majority shareholder, GMIL, control 3.5 million shares of Series AA Preferred Stock with one voting right per share. The Series AA Preferred Stock shares are required to vote together and not as separate classes on any matter submitted to the shareholders or required to be submitted. With the addition of the Series AA Preferred Stock shares, the directors and officers beneficially control 53.9% of the voting shares of Global Med and are able to substantially influence all matters requiring approval by our shareholders, including the election of directors. Our Articles of Incorporation do not provide for cumulative voting in the election of directors and, therefore, although they are able to vote, our other shareholders should not expect to be able to elect any directors to our Board of Directors.

If Our Majority Shareholder And Its Affiliates Convert Or Exercise Their Derivative Securities To Or For Shares Of Our Common Stock, The Ownership Of Our Present Shareholders Could Be Significantly Diluted

Our majority shareholder, GMIL, and its affiliates currently own approximately 11.2 million shares of our common stock and derivative securities convertible or exercisable for another 20 million shares of our common stock, all of which shares of common stock are being registered in the accompanying registration statement. If GMIL and its affiliates convert or exercise their derivative securities to or for shares of our common stock, the ownership of our present shareholders could be significantly diluted.

The Existence Of Severance Payment Provisions And The Large Number Of Common Shares And Derivative Securities Outstanding Could Have The Effect Of Delaying, Deferring, Preventing Or Limiting The Price Paid To Shareholders In A Change In Control

We have employment agreements with certain of our officers and employees which provide for payment of salaries, benefits and incentives for periods ranging from three (3) to twenty-four (24) months, or the remainder of their employment contract, whichever is less. At current salary levels, the total amounts payable under these employment contracts for salary payments to them over their severance payment period could be up to $1.3 million and in addition, we could be required to make benefits payments of approximately $162 thousand at their current benefit levels if we terminate their employment for any reason, other than for cause or disability. In addition, GMIL and its affiliates currently

own approximately 11.2 million shares of our common stock and derivative securities convertible or exercisable for another 20 million shares of our common stock. The existence of the severance payment provisions and the large number of common shares and derivative securities outstanding owned by GMIL increases the likelihood that a potential purchaser would seek to negotiate directly with our Board of Directors or GMIL, in order to obtain control, rather than approaching our shareholders as a group. All of the foregoing could have the effect of delaying, deferring, preventing or limiting the price paid to shareholders in a change in control.

Our Issuance Of Additional Shares Of Stock May Cause Dilution To The Ownership Of Our Shareholders And Could Discourage, Delay, Prevent Or Limit The Price Paid To Shareholders In A Change In Control

We have a total of 90 million shares of common stock and 10 million shares of preferred stock authorized for future issuance under our Articles of Incorporation. As of March 4, 2005, we had 27,672,056 shares of our common stock outstanding.

We have approximately 21,066,730 shares of our common stock reserved for issuance upon the conversion or exercise of outstanding derivative securities which include the Series AA Preferred Stock and warrants. There are approximately 9,129,442 securities common shares reserved for issuance related to outstanding stock options. In addition, there are approximately 8.058 million common shares reserved for issuance under our stock option and stock compensation plans related to options and stock compensation shares that have not been granted or issued, respectively. In addition, we have entered into a Common Stock Purchase whereby Fusion Capital has agreed to purchase, on each trading day, $12.5 thousand of our common stock up to an aggregate of $8 million under certain conditions. The purchase price for the common stock to be issued to Fusion Capital pursuant to the Common Stock Purchase Agreement will fluctuate based on the price of our common stock. The conversion or exercise of these outstanding derivative securities, and the sale of our common stock to Fusion Capital, will cause dilution to the ownership of our shareholders.

The remaining shares of our common and preferred stock not issued or reserved for specific purposes may be issued without any action or approval of our shareholders. Our Board of Directors may issue additional shares of preferred stock without shareholder approval on such terms as the Board may determine. The rights of the holders of common stock will be subject to, and may be adversely affected by, the rights of the holders of any preferred stock that may be issued in the future. Although we have no existing agreements involving the issuance of such shares, we may undertake to issue such shares if we deem it appropriate. Any such issuances could discourage, delay, prevent or limit the price paid to shareholders in a change in control, and could dilute the ownership of our shareholders.

The Market Price Of Our Common Stock Is Highly Volatile

The market price of our common stock has been and is expected to continue to be highly volatile. Factors, including announcements of technological innovations by us or other companies, regulatory matters, new or existing products or procedures, concerns about our financial position, operating results, litigation, government regulation, developments or disputes relating to agreements, patents or proprietary rights, among other items, may have a significant impact on the market price of our stock.

The Selling Security Holders Sale Of The Shares Of Commons Stock In This Offering Could Cause The Price Of Our Common Stock To Decline And Could Make It More Difficult For Us To Sell Equity Or Equity Related Securities In The Future

The potential dilutive effects of future sales of shares of common stock and shares of common stock underlying preferred stock and warrants by selling security holders pursuant to this prospectus could have an adverse effect on the prices of our securities. All shares in this offering are freely tradable. The selling security holders may sell none, some or all of their shares of common stock in this offering. Depending upon market liquidity at the time, a sale of shares under this offering at any given time could cause the trading price of our common stock to decline. The sale of a substantial number of shares of our common stock under this offering, or anticipation of such sales, also could make it more difficult for us to sell equity or equity-related securities in the future at a time and at a price that we might otherwise wish to effect sales.

We Do Not Anticipate Paying Any Dividends On Our Common Stock

We do not anticipate paying any cash dividends on our common stock for the foreseeable future. We expect that future earnings, if any, will be used to finance growth and pay dividends on our Series AA Preferred Stock, and retiring our Series AA Preferred Stock and paying off our outstanding debt.

FORWARD-LOOKING STATEMENTS

Such forward-looking statements include statements regarding, among other things, (a) our projected sales, profitability, and cash flows (b) our growth strategies, (c) anticipated trends in our industry, (d) our future financing plans and (e) our anticipated needs for working capital. Forward-looking statements, which involve assumptions and describe our future plans, strategies, and expectations, are generally identifiable by use of the words may, will, should, expect, anticipate, estimate, believe, intend, or project or the negative of these words or other these words or comparable terminology. This information may involve known and unknown risks, uncertainties, and other factors that may cause our actual results, performance, or achievements to be materially different from the future results, performance, or achievements expressed or implied by any forward-looking statements. These statements may be found under Management s Discussion and Analysis of Financial Condition and Results of Operations and Business, as well as in this prospectus generally. Actual events or results may differ materially from those discussed in forward-looking statements as a result of various factors, including, without limitation, the risks outlined under Risk Factors and matters described in this prospectus generally. In light of these risks and uncertainties, there can be no assurance that the forward-looking statements contained in this filing will in fact occur. In addition to the information expressly required to be included in this filing, we will provide such further material information, if any, as may be necessary to make the required statements, in light of the circumstances under which they are made, not misleading.

MARKET FOR OUR COMMON STOCK

Our common stock trades on the Over-the-Counter Bulletin Board under the trading symbol GLOB. Our high and low bid prices by quarter during fiscal years 2004, 2003 and 2002 are presented as follows:

	FISCAL YEAR 2004	
	HIGH	LOW
First Quarter (January 2004 to March 2004)	$ 0.70	$ 0.34
Second Quarter (April 2004 to June 2004)	$ 0.64	$ 0.44
Third Quarter (July 2004 to September 2004)	$ 0.78	$ 0.38
Fourth Quarter (October 2004 to December 2004)	$ 1.30	$ 0.46

	FISCAL YEAR 2004	
	FISCAL YEAR 2003	
	HIGH	**LOW**
First Quarter (January 2003 to March 2003)	$ 0.68	$ 0.45
Second Quarter (April 2003 to June 2003)	$ 0.55	$ 0.27
Third Quarter (July 2003 to September 2003)	$ 0.50	$ 0.33
Fourth Quarter (October 2003 to December 2003)	$ 0.80	$ 0.34
	FISCAL YEAR 2002	
	HIGH	**LOW**
First Quarter (January 2002 to March 2002)	$ 1.31	$ 0.62
Second Quarter (April 2002 to June 2002)	$ 1.06	$ 0.55
Third Quarter (July 2002 to September 2002)	$ 0.70	$ 0.45
Fourth Quarter (October 2002 to December 2002)	$ 0.63	$ 0.37

On March 4, 2005, the closing price of our common stock as reported on the Over-the-Counter Bulletin Board was $2.26 per share. On March 4, 2005, we had approximately 154 beneficial stockholders of our common stock and 27,672,056 shares of our common stock outstanding.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following summary statement of operations and summary balance sheet data are derived from our consolidated financial statements for the years ended December 31, 2004, 2003, 2002, 2001 and 2000 that were filed with the Securities and Exchange Commission (SEC) on our Annual Reports on Form 10-K or Form 10-KSB as applicable. This information should be read in conjunction with the audited consolidated financial statements and the related notes.

	Year Ended December 31				
	2004	**2003**	**2002**	**2001**	**2000**
Revenues	$ 6,884	$ 6,514	$ 6,627	$ 6,224	$ 4,379
Cost of revenues	2,437	2,272	2,140	1,913	966

	Year Ended December 31				
Gross profit	4,447	4,242	4,487	4,311	3,413
OPERATING EXPENSES:					
General and administrative	2,434	2,057	1,945	2,529	2,766
Sales and marketing	1,597	1,442	1,426	1,545	1,417
Research and development	838	595	465	306	709
Depreciation and software amortization	160	451	635	851	827
Total operating expenses	5,029	4,545	4,471	5,231	5,719
Income (loss) from operations	(582)	(303)	16	(920)	(2,306)
OTHER INCOME (EXPENSES):					
Interest income	51	86	15	25	16
Interest expense	(6)	(2)	(9)	(25)	(41)
Interest expense to related party	(229)	(532)	(472)	(453)	(577)
Financing costs to related party	--	(127)	(255)	(317)	(1,984)
Loss before income taxes	$ (766)	$ (878)	$ (705)	$(1,690)	$(4,892)
Provision for income taxes	--	--	--	--	--
Net Loss	$ (766)	$ (878)	$ (705)	$(1,690)	$(4,892)
Preferred dividend, related party	(479)	--	--	--	--
Net loss attributable to common shareholders	$(1,245)	$ (878)	$ (705)	$(1,690)	$(4,892)
Basic and diluted loss per common share	$ (0.05)	$ (0.04)	$ (0.03)	$ (0.07)	$ (0.36)
Weighted average number of common shares outstanding: basic and diluted	25,771	24,545	24,487	23,300	13,745

	December 31,				
BALANCE SHEET DATA: (In thousands)	**2004**	**2003**	**2002**	**2001**	**2000**
Cash and cash equivalents	$ 1,633	$ 983	$ 1,007	$ 677	$ 1,210
Accounts receivable - trade, net of allowance for uncollectible accounts	731	286	648	778	789
Accrued revenues, net of allowance for uncollectible accounts	188	72	185	426	232

	December 31,				
Prepaid expenses and other assets	533	97	177	83	105
Total current assets	3,085	1,438	2,017	1,964	2,336
Net equipment, furniture and fixtures	287	238	286	245	373
Deferred Financing Costs	--	--	--	--	189
Capitalized Software Development costs	15	52	377	808	1,177
Other assets	--	--	--	70	273
Notes receivable, related party	--	--	370	80	--
Notes receivable and accrued interest	529	481	--	--	--
Total Assets	$ 3,916	$ 2,209	$ 3,050	$ 3,167	$ 4,348
Deferred revenue	$ 2,785	$ 1,375	$ 1,142	$ 1,333	$ 781
Total Current Liabilities	4,537	3,012	$ 2,844	$ 3,052	$ 3,361
Total Liabilities	5,140	7,055	7,432	7,769	8,093
Preferred stock Series AA	3,493	--	--	--	--
Other assets	--	--	--	70	273
Total Stockholders Deficit	(4,717)	(4,846)	(4,382)	(4,602)	(3,745)

SUPPLEMENTARY FINANCIAL INFORMATION

Certain quarterly financial information regarding Global Med is set forth below *(In thousands)*.

	March 31, 2004	June 30, 2004	September 30, 2004	December 31, 2004
Revenues	$ 1,353	$ 1,460	$ 1,794	$ 2,277
Gross Profit	790	839	1,207	1,611
Net Income (Loss)	(448)	(372)	(99)	153
Net Income (Loss) Per Share (Basic)	(0.02)	(0.02)	(0.01)	0.00

	March 31, 2004	June 30, 2004	September 30, 2004	December 31, 2004
	March 31, 2003	**June 30, 2003**	**September 30, 2003**	**December 31, 2003**
Revenues	$ 1,527	$ 2,291	$ 1,279	$ 1,417
Gross Profit	954	1,721	739	828
Net Income (Loss)	(346)	413	(468)	(477)
Net Income (Loss) Per Share (Basic)	(0.01)	0.02	(0.02)	(0.02)
	March 31, 2002	**June 30, 2002**	**September 30, 2002**	**December 31, 2002**
Revenues	$ 1,581	$ 1,832	$ 1,425	$ 1,789
Gross Profit	1,064	1,271	953	1,199
Net Income (Loss)	(146)	19	(410)	(168)
Net Income (Loss) Per Share (Basic)	(0.01)	0.00	(0.02)	(0.01)

USE OF PROCEEDS

This prospectus relates to shares of our common stock that may be offered and sold from time to time by selling stockholders. We will receive no proceeds from the sale of shares of common stock in this offering. However, we may receive up to an available $8 million in proceeds from the sale of our common stock to Fusion Capital under the $8 million Common Stock Purchase Agreement. Any proceeds from Fusion Capital we receive under the Common Stock Purchase Agreement will be used first to redeem our Series AA Preferred Stock then pay down our outstanding related party debt, then for working capital and general corporate purposes. On March 4, 2005, the closing sale price of our common stock was $2.26.

DIVIDEND POLICY

Common Stock

We have never declared or paid dividends on our common stock. Our dividend practices are determined by our Board of Directors and may be changed from time to time. We will base any issuance of dividends upon our earnings (if any), financial condition, capital requirements,

acquisition strategies, and other factors considered important by our Board of Directors. Colorado law and our articles of incorporation do not require our Board of Directors to declare dividends on our common stock. We expect to retain any earnings generated by our operations for the development and expansion of our business and do not anticipate paying any dividends to our common stockholders for the foreseeable future.

Preferred Stock

The Company has 3.5 million shares of Series AA Preferred Stock that are outstanding as of December 31, 2004. The Company is required to pay mandatory cash dividends on these preferred shares. The Company is required to pay dividends on these outstanding preferred shares based on their $3.5 million value. The current dividend rate is 15% per year, and this rate increases to 21% beginning on March 1, 2005. See the notes to the audited consolidated financials statements for further discussion.

MANAGEMENT S DISCUSSION AND ANALYSISOF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States, and should be read in conjunction with our financial statements and related notes. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. In addition, the following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors including, but not limited to, those discussed in Risk Factors, Forward Looking Statements and elsewhere in this prospectus.

GENERAL

The Company designs, develops, markets and supports information management software products for blood banks, hospitals, centralized transfusion centers and other health care related facilities. Revenues for Wyndgate are derived from the licensing of software, the provision of consulting and other value-added support services and the re-sale of hardware and software obtained from vendors. Revenues for PeopleMed are derived, generally, from providing ASP services. Revenues were not significant

Business Strategy

The Company s business strategy for marketing and selling its products and services is two tiered:

1. The first tier is comprised of direct selling to customers through the Company s internal sales force, and
2. The second tier is focused on marketing and selling directly through agreements with companies (Channel Partner Agreements) that are established in blood donor hospital markets.

The Company s ability to increase future revenues is highly dependent upon the Company s ability to make further inroads in selling its products directly to potential customers. These Channel Partner Agreements are more fully described in BUSINESS , ROYALTY AND COMMISSION AGREEMENTS. In addition, the Company s success is dependent upon the ability of its marketing partners to sell their complementary products in conjunction with the Company s.

Overview

Global Med Technologies, Inc. provides information management software products and services to the health care industry. Wyndgate operates as a division of Global Med Technologies, Inc. and designs, develops, markets and supports information management software products for blood banks, hospitals, centralized transfusion centers and other healthcare related facilities. The Company s PeopleMed subsidiary offers chronic disease management as an Application Service Provider (ASP). PeopleMed s system uses the Internet to coordinate sources and users of a patient s clinical information, including laboratory, pharmacy, primary and specialty care providers, claims and medical records. PeopleMed earns revenues primarily by providing ongoing ASP services. PeopleMed s revenues were not significant during 2004 or 2003.

The Company has two main products in its Wyndgate division: SafeTrace and SafeTrace Tx. SafeTrace is used by blood centers and hospitals to track blood donations. SafeTrace Tx is used primarily by hospitals and centralized transfusion centers to help insure the quality of blood transfused into patient-recipients. Both products are designed to help the users comply with quality and safety standards of the U.S. Food and Drug Administration (FDA) for the collection and management of blood and blood products. The Company s Wyndgate division earns revenues primarily through the sale of software licenses, implementation of the software systems sold, and by providing maintenance for the SafeTrace and SafeTrace Tx software systems. During the year ended December 31, 2004, the Wyndgate division accounted for approximately 97% of the Company s revenues.

The decision to purchase a new blood bank system is driven in large part by one or all of the following: replacing antiquated technology, upgrading the laboratory information system (LIS) of the hospital which typically includes the purchase of a blood bank system, and replacing existing products that have been sunsetted. The Company believes that because the purchase of an LIS by a Hospital is a significant driver in the decision to purchase a blood bank system, the Company is heavily reliant on its relationships with its channel partners that sell their LIS systems in combination with the Company s blood bank products. The Company s channel partner relationships are more fully discussed in BUSINESS , COMMISSION AND MARKETING AGREEMENTS.

Entities that plan to purchase blood bank products primarily have two choices:

1. Upgrade their current system with their existing vendor, or

2. Select a replacement system from an alternative vendor.

The Company s two primary locations are in Lakewood, Colorado, the corporate headquarters, and El Dorado Hills, California. The Company s primary operations which include research and development, implementation staff, support services, and certain administrative staff, are located in the El Dorado Hills facility. Approximately 20% of the Company s employees are not located in Lakewood, Colorado or El Dorado Hills. These employees provide support for the Company s sales and marketing, research and development, and implementation efforts.

Overall, the Company s revenues and cost of revenues were relatively flat for the years ended December 31, 2002, 2003 and 2004. Revenues for this period ranged from $6.514 million to $6.884 million and cost of revenues ranged from $2.140 million to $2.437 million. For the years ended December 31, 2002, 2003 and 2004, the Company s operating expenses were $4.471 million, $4.545 million, and $5.029 million, respectively. The additional operating expenses in 2004 were in general and administrative expenses and resulted mainly from increased legal expenses associated with litigation with a former employee.

For the years ended December 31, 2002, 2003 and 2004, the Company s operations generated positive cash flows in the amount of $547 thousand, $24 thousand and $256 thousand, respectively. For 2005, the Company believes that its cash flows from the sale of SafeTrace and SafeTrace Tx to new customers, the current backlog of existing business, and any sales of equity will be sufficient to fund its operations through the remainder of fiscal year 2005. If the Company is unable to meet its sales projections and the resultant projected cash flows anticipated from those transactions or raise money through additional debt or equity offerings, the Company may be required to significantly reduce planned as well as existing levels of expenditures for all cost categories which includes, cost of sales, sales and marketing, research and development, and general and administrative. If the Company substantially reduces its planned or the existing levels of expenditures, this could significantly

impact the Company s future viability in the blood bank software market.

Management of the Company is focused on increasing its revenues and cash flows through direct sales efforts, increasing its marketing footprint through adding additional channel partners and strategic alliances, and developing new products and enhanced functionality to its existing product mix to make them more attractive to potential customers.

For the year ended December 31, 2004, the Company generated sales in the form of sold software license and implementation fees of approximately $5.8 million. Of the $5.8 million in sales, approximately $1.64 million was recognized into revenues and the remaining $4.16 million as December 31, 2004, became part of the Company s backlog of business. The Company expects to recognize the vast majority of the unrecognized software license and implementation fees over a period of approximately 12 months from December 31, 2004. Of the $5.8 million sales value for the year ended December 31, 2004, approximately $153 thousand relates to contracts that are billed on an hourly basis for certain services. Therefore, the $153 thousand portion of the sales values could vary materially from the values provided above.

The Company billed out over $8.1 million to our customers during the year. Our cash inflows from operations for the year were over $7.98 million. In addition, the Company s revenues were increasing at a double-digit rate in the third and fourth quarters of 2004 when compared with the preceding quarter. For the three months ended September 30, 2004, revenues increased 22.9% from the second quarter of 2004, and revenues for the fourth quarter ended December 31, 2004 increased 24.9% from the third quarter of 2004.

On March 16, 2005, the Company entered into a Common Stock Purchase agreement with Fusion Capital Fund II, LLC, a Chicago based institutional investor, whereby Fusion Capital has agreed to purchase up to $8.0 million of common stock over a 32-month period. Specifically, after the Securities & Exchange Commission has declared effective a registration statement, each month Global Med has the right to sell to Fusion Capital $12.5 thousand of its common stock, per trading day, at a purchase price based upon the market price of Global Med s common stock on the date of each sale without any fixed discount to the market price. The Common Stock Purchase Agreement with Fusion Capital allows the Company to increase the amount of Fusion s purchase of common stock beyond the $12.5 thousand amount under certain circumstances. For each $0.10 increase in the price of the Company s common stock over $0.75, the Company will have the right, but not obligation, to increase the amount purchased by Fusion Capital by $3 thousand per day. The price of a share of Global Med s common stock was $2.26 on March 4, 2005. Assuming the Company invoked its right to increase the daily amount of stock purchased by Fusion Capital to the maximum level, Fusion capital would be purchasing approximately $1.15 million worth of common stock per month, assuming twenty (20) trading days per month. In order for Global Med to draw down the entire $8 million available to us under the Common Stock Purchase Agreement with the 10 million shares of common stock being registered in the accompanying registration statement, our common stock must average a market price of $0.80 per share. Each daily sale of our common stock to Fusion Capital pursuant to the Common Stock Purchase Agreement could make a subsequent day s sale to Fusion Capital more dilutive to existing stockholders by decreasing the price of the common stock for the subsequent day s sale. This dilutive effect may cause us not to be able to draw down the entire $8 million under the Common Stock Purchase Agreement with the 10 million shares of common stock we are registering in the accompanying registration statement under the Common Stock Purchase Agreement.

In the event we desire to draw down any available amounts remaining under the Common Stock Purchase Agreement after we have issued the 10 million shares being registered in the accompanying registration statement, we will have to file a new registration statement to cover such additional shares that we would issue for additional sales to Fusion Capital. In addition, pursuant to the terms of the Common Stock Purchase Agreement, Fusion Capital may not own more than 9.9% of our outstanding shares of common stock. In the event Fusion Capital is unable to sell the shares of our common stock that are issued after we receive an advance in order to keep them below 9.9% beneficial ownership, we may not be able to draw down additional funds when needed under the Common Stock Purchase Agreement and we may not be able to draw down the full $8 million under the Common Stock Purchase Agreement. At the Company s sole option, Fusion Capital can be required to purchase lesser or greater amounts of common stock, within certain ranges, each month up to $8.0 million in the aggregate. The Company has the right to control the timing and the amount of stock sold to Fusion Capital. Global Med also has the right to terminate the agreement at any time without any additional cost. Fusion Capital has agreed not to engage in any direct or indirect short selling or hedging of the common stock in any manner whatsoever. The Company plans on using the first $4 million in proceeds from Fusion Capital to redeem the Company s $3.5 million in Series AA Convertible Redeemable Preferred Stock and payoff the outstanding $529 thousand in related party debt. . Both the Series AA Convertible Redeemable Preferred Stock and the outstanding debt are held by a related party, Global Med International Limited, a shareholder with approximately 41% ownership in the Company. Assuming the Company s stock price remains at $2.00 per share, the Company believes it would be able to redeem its outstanding Series AA Preferred Stock and pay off the outstanding debt within approximately 4-6 months of the common shares being registered and sold under the terms of Purchase Agreement. However, sales of our common stock to Fusion Capital pursuant to the Common Stock Purchase Agreement will have the effect of decreasing the price of our commons tock and may result in the issuance of additional shares to Fusion Capital so that Fusion Capital may reach its 9.9% ownership limitation prior to our 4-6 month estimate.

Balance Sheet Changes

As of December 31, 2003 and 2004, certain balance sheet account changes were significant. For example, net accounts receivable increased $445 thousand mainly as a result of billings during the year that resulted from increased sales activity. In addition, deferred revenue balance increased by $1.396 million from December 31, 2003 to December 31, 2004. The increases in deferred revenue were primarily due to additional billings during the year that resulted from increased sales activity. In addition, the increases were associated with the deferral of software license fee revenue associated with certain contracts due to the fact that the software required additional customization.

YEAR ENDED DECEMBER 31, 2004 COMPARED TO YEAR ENDED DECEMBER 31, 2003

RESULTS OF OPERATIONS

Revenues. Revenues are comprised of software sales, maintenance and usage fees revenues, implementation and consulting revenues, and the re-sale of hardware and software obtained from vendors.

Revenues increased $370 thousand, or 5.7% to $6.884 million for the year ended December 31, 2004 compared to $6.514 million for the year ended December 31, 2003. The increase in revenues was due primarily to a $571 thousand increase in license fees, a $428 thousand increase in usage fees, partially offset by a $292 thousand decrease in PeopleMed revenues. Of the $292 thousand decrease in PeopleMed revenues, $300 thousand of the decrease related to the loss of revenues from a significant customer when they terminated their agreement for the Company to provide services to them in December 2002. During 2003, PeopleMed recognized $300 thousand from the provisions of the termination agreement. Revenues from implementation and consulting services decreased $337 thousand for the year ended December 31, 2004 compared with the year ended December 31, 2003. This decrease was primarily the result of $500 thousand in revenues being recognized in during 2003 as part of a non-cash settlement agreement between the Company and one of its marketing partners whereby the Company was released from its obligation to perform additional services in accordance with the terms of prior agreements. See Note 1 in the consolidated financial statements for further discussion.

Cost of Revenues. Cost of revenues increased $165 thousand, or 7.3%, to $2.437 million for the year ended December 31, 2004, from $2.272 million for the year ended December 31, 2003. The increase was consistent with the increase in revenues.

The overall gross profit as a percentage of revenues was 64.6% and 65.1% for the years ended December 31, 2004 and 2003, respectively. The margins for 2003 were higher due to certain non-cash and non-recurring transactions as more fully discussed in note 1 to the financial statements.

General and Administrative. General and administrative expenses increased $377 thousand, or 18.3%, to $2.434 million for the year ended December 31, 2004 compared to $2.057 million for the year ended December 31, 2003. The increase in general and administrative expenses was primarily due to an increase in legal expenses of $127 thousand, primarily associated with the costs of the Company s litigation with a former employee, an increase of $56 thousand associated with certain consulting activities, an increase in labor-related expenses of $43 thousand, and an increase of $39 thousand in accounting related costs, when comparing 2004 with 2003.

Sales and Marketing. Sales and marketing expenses increased 10.7% to $1.597 million for the year ended December 31, 2004 from $1.442 million for the years ended December 31, 2003. The increase is primarily due to the increased level of sales activity during 2004 that resulted in combined internal and external commission expense increasing by $191 thousand when comparing 2004 with 2003.

Research and Development. Research and development expenses increased by $243 thousand, or 40.8%, to $838 thousand for the year ended December 31, 2003 from $595 thousand for the year ended December 31, 2003. Research and development costs increased during the year ended December 31, 2004 primarily as a result of a $106 thousand increase in labor-related costs and a $91 thousand increase in consulting expenses for the year ended December 31, 2004 when compared with 2003.

Depreciation and Software Amortization. Depreciation and software amortization costs decreased by $291 thousand to $160 thousand from $451 thousand for the periods ended December 31, 2004 and 2003, respectively. The primary reason for the decrease was due to the $307 thousand decrease in software amortization costs for 2004 when compared to 2003. This decrease is the result of the capitalized development costs for SafeTrace Tx being fully amortized as of June 2003.

Interest Income. Interest income decreased $35 thousand to $51 thousand in 2004 from $86 thousand in 2003. The primarily reason for the increase was due to the removal of a valuation reserve in 2003 related to interest income that resulted in the Company recognizing $81 thousand in interest on the an outstanding note receivable in 2003 and $48 thousand in 2004.

Interest Expense. Interest expense decreased $299 thousand to $235 thousand for the year ended December 31, 2004 from $534 thousand for the year ended December 31, 2003. The decrease in interest expense was mainly due to the decrease in debt related to the conversion of $3.5 million of the $4.029 million in related party debt into convertible Preferred Stock Series AA. This occurred on April 14, 2004.

Financing Costs. For the years ended December 31, 2004 and 2003, the Company recognized $0 and $127 thousand, respectively, in financing costs expenses associated with certain financing agreements and the issuance of warrants to eBanker. The decrease in financing costs was due to amortization costs associated with the warrants issued July 1, 2001 related to the Financing Agreement with eBanker being completed in June of 2003.

Net Loss. The Company s net loss during 2004 as compared to 2003 decreased $112 thousand. The decrease in the net loss is primarily associated with the increase in revenues, offset by higher operating expenses, and lower interest and financing costs.

YEAR ENDED DECEMBER 31, 2003 COMPARED TO YEAR ENDED DECEMBER 31, 2002

RESULTS OF OPERATIONS

Revenues. Revenues are comprised of software sales, maintenance and usage fees revenues, implementation and consulting revenues, and the re-sale of hardware and software obtained from vendors.

Revenues decreased $113 thousand, or 1.7% to $6.514 million for the year ended December 31, 2003 compared to $6.627 million for the year ended December 31, 2002. The change in revenues was primarily due to the $616 thousand decrease in PeopleMed revenues, $522 thousand of the decrease related to the loss of revenues from a significant customer when they terminated their agreement for the Company to provide services to them in December 2002. During 2003 and 2002, PeopleMed recognized $300 thousand and $500 thousand, respectively, from the provisions of the termination agreement. Revenues from implementation and consulting services decreased $249 thousand for the year ended December 31, 2003 compared to the year ended December 31, 2002. The decrease in 2003 was primarily attributable to a decrease in implementation revenues. This decrease was the result of fewer SafeTrace Tx customers being implemented in 2003 compared with 2002 and implementations being extended beyond their originally projected completion date. The decrease in implementation and consulting revenues was partially offset by $500 thousand related to a non-cash settlement agreement between the Company and one of its marketing partners whereby the Company was released from its obligation to perform additional services in accordance with the terms of prior agreements. See Note 1 in the consolidated financial statements for further discussion. The decrease in revenues were partially offset by a $511 thousand increase in license fees and a $241 thousand increase in usage fees. Of the $511 thousand increase in software license fees, $388 thousand related to non-cash consideration in the form of a reduction of liabilities the Company owed to a customer. See Note 1 of the consolidated financial statements for further discussion.

Cost of Revenues. Cost of revenues increased $132 thousand or 6.2% to $2.272 million for for the year ended December 31, 2003, from $2.140 million for the year ended December 31, 2002. The increase was primarily associated with an increase in labor-related costs during 2003 when compared with 2002.

The overall gross profit as a percentage of revenues was 65.1% and 67.7% for the years ended December 31, 2003 and 2002, respectively.

General and Administrative. General and administrative expenses increased $112 thousand, or 5.7%, to $2.057 million for the year ended December 31, 2003 compared to $1.945 million for the year ended December 31, 2002. The increase in general and administrative expenses was primarily due to an increase in wages of $89 thousand, an increase in consulting services of $45 thousand, offset by a reduction in bad debt expense of $59 thousand, when comparing 2003 with 2002.

Sales and Marketing. Sales and marketing expenses were $1.442 million and $1.426 million for the years ended December 31, 2003 and 2002, respectively.

Research and Development. Research and development expenses increased $130 thousand, or 28.0%, to $595 thousand for the year ended December 31, 2003 from $465 thousand for the year ended December 31, 2002. Research and development costs increased during the year

ended December 31, 2003 primarily as a result of a reduction of $104 thousand in development-related costs as a result of lower levels of software capitalization on PeopleMed s products during 2003 when compared with 2002.

Depreciation and Software Amortization. The decrease in depreciation and software amortization was primarily due the decrease in software amortization costs of $135 thousand to $344 thousand for the year ended December 31, 2003 when compared with $481 thousand for the comparable period in 2002. The primary reason for the decrease is due to the fact the Company had fully amortized the software development costs associated with SafeTrace Tx in June of 2003. The reduction in SafeTrace Tx amortization costs during 2003 was partially offset by an increase due to a one-time charge of $77 thousand associated with certain PeopleMed-related development protocols.

Interest Income. Interest income increased $71 thousand to $86 thousand in 2003 from $15 thousand in 2002.

Interest Expense. Interest expense increased $53 thousand to $534 thousand for the year ended December 31, 2003 from $481 thousand for the year ended December 31, 2002. The increase in interest expense was mainly due to the increase in the interest rate on the Company s related party $3.829 million debt from 12% to 15% per year effective July 1, 2003.

Financing Costs. For the years ended December 31, 2003 and 2002, the Company recognized $127 thousand and $255 thousand, respectively, in financing costs expenses associated with certain financing agreements and the issuance of warrants to eBanker. The decrease in financing costs was due to amortization costs associated with the warrants issued July 1, 2001 related to the Financing Agreement with eBanker being completed in June of 2003.

Net Loss. The Company s net loss during 2003 as compared to 2002 increased $173 thousand. The net loss includes the recognition of a total of $127 thousand and $255 thousand of financing costs to a related party during the year ended December 31, 2003 and 2002, respectively.

Quarterly Results of Operations

The following table sets forth certain unaudited quarterly results of operations for each of the quarters in the years ended December 31, 2004 and 2003. In management s opinion, this unaudited information has been prepared on the same basis as the audited consolidated financial statements and includes all adjustments necessary for a fair presentation of the information for the quarters presented, when read in conjunction with the Company s Consolidated Financial Statements and Notes thereto, included elsewhere in the Company s Form 10-K for the year ended December 31, 2004. During the year and three months ended December 31, 2004, the Company received $265 thousand in cash and recognized $145 thousand into revenues as a result of a termination agreement with a customer. The remaining $120 thousand reduced certain general and administrative expenses for the three months and year ended December 31, 2004. During the three months ended March 31 and June 30, 2003, the Company recognized $150 thousand in each of these quarters related to a termination fee associated with a significant PeopleMed customer. During the three months ended June 30, 2003, the Company recognized $388 thousand related to non-cash consideration in the form of a reduction of liabilities that the Company owed to a customer. In addition, during the three months ended June 30, 2003, the Company recognized $500 thousand related to non-cash settlements from one of its marketing partners whereby the Company was released from its obligation to perform services in accordance with the terms of prior agreements. See Note 1 of the consolidated financial statements for further discussion of these non-cash transactions. During the three months ended June 30, 2003, the Company had fully amortized the outstanding capitalized software development costs for SafeTrace Tx. During the three months ended December 31, 2003, the Company wrote down approximately $77 thousand in costs associated with capitalized software development for certain PeopleMed products. These costs related to the underlying protocols that could be used in PeopleMed s software. The protocols were received in January of 2002 and as of December 31, 2003 had not been used incorporated into PeopleMed s software, and the Company has no current plans to do so. This expense was included in software amortization during 2003.

Included in the results for the three months ended December 31, 2003, the Company recognized $81 thousand in interest in income from an outstanding note receivable. Prior to this period, effectively, the Company had a valuation allowance against the accrued interest. Of the $81 thousand in interest income, $69 thousand related to prior periods. The Company reversed this valuation allowance based on improvements in the financial status of the party to the note receivable. See the RELATED PARTIES of Note 1 of the consolidated financial statements for further discussion.

(In thousands, except share and per share information)

	Quarters Ended			
	December 31, 2004	**September 30, 2004**	**June 30, 2004**	**March 31, 2004**
Revenues	$ 2,277	$ 1,794	$ 1,460	$ 1,353
Cost of revenues	666	587	621	563
Gross profit	1,611	1,207	839	790
Operating expenses:				
General and administrative	606	644	580	604
Sales and marketing	526	377	386	308
Research and development	269	236	182	151
Depreciation and software amortization	46	41	36	37
Total operating expenses:	1,447	1,298	1,184	1,100
Income (loss) from operations	164	(91)	(345)	(310)
Interest income	13	13	13	12
Interest expense, including related party	(24)	(21)	(40)	(150)
Income (loss) before income taxes	153	(99)	(372)	(448)
Provision for income taxes	--	--	--	--
Net income (loss)	$ 153	$ (99)	$ (372)	$ (448)
Preferred dividend, related party	(131)	(159)	(189)	--
Net income (loss) attributable to common shareholders	$ 22	$ (258)	$ (561)	$ (448)
Basic and Diluted income (loss) per common share	$ 0.00	$ (0.01)	$ (0.02)	$ (0.02)
Weighted average number of common shares outstanding:				
Basic	26,773	26,116	25,626	24,552
Diluted	35,029	26,116	25,626	24,552

Quarters Ended

(In thousands, except share and per share information)

	Quarters Ended (unaudited)			
	December 31, 2003	**September 30, 2003**	**June 30, 2003**	**March 31, 2003**
Revenues	$ 1,417	$ 1,279	$ 2,291	$ 1,527
Cost of revenues	589	540	570	573
Gross profit	828	739	1,721	954
Operating expenses:				
General and administrative	548	525	513	471
Sales and marketing	400	342	321	379
Research and development	166	150	156	123
Depreciation and software amortization	122	40	145	144
Total operating expenses:	1,236	1,057	1,135	1,117
Income (loss) from operations	(408)	(318)	586	(163)
Interest income	82	--	2	2
Interest expense, including related party	(151)	(150)	(112)	(121)
Financing costs to related party	--	--	(63)	(64)
Income (loss) before income taxes	(477)	(468)	413	(346)
Provision for income taxes	$ --	$ --	$ --	$ --
Net income (loss)	$ (477)	$ (468)	$ 413	$ (346)
Basic and Diluted income (loss per common share	$ (0.02)	$ (0.02)	$ 0.02	$ (0.01)
Weighted average number of common shares outstanding:				
Basic	24,545	24,545	24,545	24,545
Diluted	24,545	24,545	25,326	24,545

LIQUIDITY AND CAPITAL RESOURCES

The Company had cash and cash equivalents of $1.633 million and $983 thousand as of December 31, 2004 and 2003, respectively. Additionally, the Company had a net working capital deficit of $1.452 million and $1.574 million as of December 31, 2004 and 2003, respectively.

As of December 31, 2004, the Company s $529 thousand in related party financing was considered long-term debt. On April 14, 2004, GMIL and Global Med entered into an agreement to convert $3.5 million of the related party financing into preferred stock. This preferred stock is redeemable at the holder s option at any time after March 1, 2006 and mandatorily convertible on March 1, 2009. The remaining $529 thousand in related party financing is due and payable on March 1, 2006. As part of the November 19, 2000 Loan Agreement, there exists a personal guarantee of Dr. Michael I. Ruxin, up to $650 thousand plus pro rata accrued interest. The personal guarantee is limited to certain of Dr. Ruxin s assets and remains in full force and effect. The guarantee is limited by the Remaining Debt only. In consideration for the extension, Global Med agreed to pay GMCAL a fee of $287 thousand which includes the extension fee and all interest due for the period from July 1, 2003 to January 1, 2004. As of the date of this agreement, Global Med had paid the $287 thousand extension fee.

On April 14, 2004, the Company restructured its outstanding financing agreements with GMIL into debt and preferred stock. The terms of the debt and preferred stock require cash interest and dividend payments to be made on the following dates: March 1, June 1, September 1, and December 1. During 2005, the Company is required to make interest payments of approximately $20 thousand March 1, June 1, September 1, and December 1, on each of the dates noted above. In addition, the Company will be required to make base dividend payments of approximately $184 thousand March 1, June 1, September 1, and December 1 as well as certain additional dividends payments related to 2004 that are expected to remain unpaid as of the end of that year. In the event that the Company is unable to make the mandatory dividend payments in a timely manner, the Company, at GMIL s option, can pay for the dividends in common stock or preferred stock of the Company. Based on the Company s projected cash flows for 2005, the payment of mandatory dividends represent a material use of available operating cash. If sufficient cash flows do not materialize, the Company may be required to reduce planned expenditures for sales and marketing and research and development. See Notes 2 and Note 11 of the consolidated financial statements for further discussion related to the debt and preferred stock.

The Company may require additional external financing through additional debt or equity in order to pay off the debt due in March of 2006 or the preferred stock if it is called by the holder in 2006. In addition, the Company s Series AA Preferred Stock requires significant dividend payments in 2005 that could require the Company to obtain additional financing. In the event we are unable to require additional external financing, we could be required to substantially reduce our software development programs and/or substantially reduce our other operating expenses.

It is expected that cash flows from the Company s existing customer base, new sales, sales of common stock and the Company s current assets, including cash and accounts receivable, will be sufficient to fund the Company s liquidity and capital requirements for the next twelve months excluding acquisitions or major new product development initiatives. Management anticipates that the cash, accounts receivable balances, recurring revenues, proceeds from the sale of common stock, and any future financing activities will be used to fund the Company s anticipated research and development costs, sales and marketing efforts during the remainder of 2005 and for general working capital purposes. The Company continues to pursue financing alternatives through the issuance of additional equity or debt.

Net cash provided by operating activities was $256 thousand, $24 thousand, and $547 thousand during 2004, 2003 and 2002, respectively. The cash provided by operations of $256 thousand during 2004 consisted primarily of the net loss of $766 thousand, offset by non-cash charges of $179 thousand and changes in operating assets and liabilities of $843 thousand. During the years ended 2004, 2003, and 2002, the Company received $265 thousand, $350 thousand, and $450 thousand, respectively, in cash proceeds related to the termination of contracts with significant customers. See Note 1 of the consolidated financial statements for further discussion. During the years ended 2004 and 2003, the Company made cash interest payments of $259 thousand and $200 thousand to its parent Company. No related party interest payments were made during the year ended 2002.

Net cash used by investing activities was $77 thousand, and $48 thousand, and $458 thousand during 2004, 2003 and 2002, respectively. The Company invested $0, $19 thousand, and $122 thousand in capitalized software development during 2004, 2003, and 2002 respectively. For 2002, the Company provided $290 thousand to fund notes receivable to a related party. During 2003, the Company provided $30 thousand to this same entity that was no longer a related party.

The Company s financing activities provided $471 thousand in 2004. There were no financing related activities during 2003 that provided or used cash. Net cash provided by financing activities was $241 during 2002. As of December 31, 2004, the Company had the following contractual obligations or unrecorded obligations:

Contractual Obligations
Expected Maturity Dates ($000s)

	2005	2006	2007	2008	2009
Related party financing	--	$529	--	--	--
Preferred Stock	--	*	*	*	$3,500
Operating leases	$207	$ 97	$ 5	--	--
Capital leases **	$ 26	$ 26	$26	$26	$ 17

* The Series AA Preferred Stock is callable by the holder on March 1, 2006 and mandatorily redeemable on March 1, 2009. As of December 31, 2003, the Series AA Preferred stock was classified as INDEBTEDNESS DUE IN 2004, REFINANCED AS PREFERRED STOCK IN 2004, RELATED PARTY in the consolidated financial statements because the outstanding debt was not converted to preferred stock until April 14, 2004. See Note 6 to the consolidated financial statements for further discussion. The related party financing is due and payable on March 1, 2006 and may not be repaid as long as the Series AA Preferred Stock is outstanding.

** Includes interest payments of $33 thousand.

The following table represents the projected cash outlays for interest and preferred dividends assuming the current levels of debt and preferred stock remain outstanding to maturity.

	Interest and Dividends ($000s)				
	2005	2006	2007	2008	2009
Related party financing interest	$ 79	$ 20	--	--	--
Preferred Dividends	971	735	735	735	184
	$1,050	$755	$735	$735	$184

For 2005, the Company will be required to pay approximately $243 thousand in unpaid dividends accrued during 2004. As a result of the deferral of certain dividend payments, the Company will be required to pay a financing fee in the amount of approximately $26 thousand in 2005. This amount is reflected in the schedule above. See Note 6 of the consolidated financial statements for further discussion of preferred stock.

IMPACT OF INFLATION

Although it is difficult to predict the impact of inflation on our costs and revenues in connection with our products, we do not anticipate that inflation will materially impact our costs of operation or the profitability of our products when marketed.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management s Discussion and Analysis of Financial Condition and Results of Operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

A critical accounting policy is one that is both important to the portrayal of the Company s financial condition or results of operations and requires significant judgment or a complex estimation process. The Company believes the following fit that definition:

Revenue Recognition

The Company recognizes revenue in accordance with the American Institute of Certified Public Accountants Statement of Position (SOP) No. 97-2, Software Revenue Recognition. The Company s standard software license agreement for the Company s products provides for an initial fee to use the product in perpetuity up to a maximum number of users. Fees from software licenses are recognized as revenue upon shipment, provided fees are fixed and determinable and collection is probable. Fees from licenses sold together with consulting services are generally recognized upon shipment provided that the above criteria have been met, payment of the license fees is not dependent upon the performance of the consulting services and the consulting services are not essential to the functionality of the licensed software. In instances in which the consulting services are not essential to the functionality of the software but payment of the license fee is due at the earlier of the performance of specific consulting services or the passage of time, the license fee is recognized ratably over the anticipated period of performance of the services or ratably over the license fee billing period, whichever is more readily determinable. If the consulting services are essential to the functionality of the product or any portion of the payment of the license fee is contingent solely upon the performance of consulting services, license fees are recognized ratably over the anticipated period of performance of the consulting services.

For arrangements with multiple elements, we allocate revenue to each element of a transaction based upon its fair value as determined by vendor specific objective evidence. Vendor specific objective evidence of fair value for all elements of an arrangement is based upon the normal pricing and discounting practices for those products and services when sold separately and for software license updates and product support services, and is additionally measured by the renewal rate offered to the customer. We may modify our pricing practices in the future, which could result in changes in our vendor specific objective evidence of fair value for these undelivered elements. As a result, our future revenue recognition for multi-element arrangements could differ significantly from our historical results.

If an arrangement does not qualify for separate accounting of the software license and consulting transactions, then new software license revenue is generally recognized together with the consulting services based on contract accounting using the percentage-of-completion method. Contract accounting is generally applied to arrangements when services include significant modification or customization of the software. Progress towards completion is generally measured based on hours incurred versus projected total hours.

Certain of the Company s contracts include warranties that provide for refunds of all or a portion of the software license and or other fees in the event that the Company is unable to provide maintenance services, for which there is a separate fee, for the contractually prescribed period. Contracts with these provisions are accounted for in accordance with the policies above.

Some of the Company s contracts with customers require significant customization of the software or have services that are essential to the functionality of the software. The Company recognizes revenues from these contracts over the period the services are performed, in accordance with AICPA Statement of Position 97-2, Software Revenue Recognition.

The Company provides consulting services that include implementation, training and the performance of other services to its customers. Revenue from such services is generally recognized ratably over the period during which the applicable service is to be performed.

Support agreements generally call for the Company to provide technical support and software updates, on a when-and-if-available basis to customers. Revenue on technical support and software update rights is recognized ratably over the term of the support agreement.

Revenues from the re-sale of hardware and software, obtained from vendors, is recognized at the time the hardware and software are delivered to customers.

PeopleMed has contracts that include fixed fee and per-member fees. The Company recognizes revenues from these contracts as services are provided.

Note Receivable Collectibility

The Company had outstanding notes receivable in the amount of $400 thousand and accrued interest receivable of approximately $129 thousand outstanding as of December 31, 2004. The Company lent money to the party to the notes receivable from 2001 to 2003. Consistent with the terms of the notes receivable, the Company has received no interest or principal payments and all accrued and unpaid interest and principal are

due at various dates during 2006. The factors the Company considered in determining the collectibility of the notes receivable are as follows:

1. Continued improvements in the party to the notes receivable financial status from December 31, 2003 to December 31, 2004,
2. The Parties financial status as of December 31, 2004, and
3. The Parties current and projected funding sources through the due date of the notes receivable.

All of the information above was unaudited and supplied by the party to the notes receivable. Based on the Company s review of the information provided, the Company does not believe the outstanding notes receivable or the accrued interest are impaired as of December 31, 2004. If the party to the note receivable is unable to pay the note receivable or defaults on a material portion of payment of the note receivable, this could have material impact on the Company s financials statements for the period in which the default or impairment is recognized.

Prior to the fourth quarter of 2003, the Company had a valuation allowance on all of the interest income associated with the note receivable discussed above. Although the financial status of the entity that was lent the $400 thousand notes receivable did not warrant a reserve for the principal amount of the notes receivable because the Company believed no impairment existed, no interest income was recognized prior to the fourth quarter of 2003. Subsequent to the year ended December 31, 2003, the Company, which prior to this had not received any monies from the entity to whom the note receivable was lent, received $42 thousand for services to be performed. Based on the improvements in the entities financial status and the receipt of monies from the entity, the Company effectively removed the valuation allowance from the interest income on the note receivable. Of the $81 thousand in interest income recognized in 2003, $27 thousand and $7 thousand related to interest income for the years ended December 31, 2002 and 2001, respectively.

Income Tax Valuation Allowance

On an annual basis, the management of the Company evaluates the realizability of the net deferred tax assets and assesses the need for a valuation allowance. In assessing the realizability of deferred tax assets, management concluded that it is not more likely than not that the deferred tax assets would be realized. The ultimate realization of the deferred tax assets is dependent on the generation of future taxable income in the period in which the temporary differences become deductible. The Company has established a full valuation allowance for deferred taxes due to the uncertainty that the deferred tax assets will be utilized.

Accounting for Additional Commitment Shares

In conjunction with the Fusion Capital Common Stock Purchase Agreement, the Company has agreed to issue additional commitment shares to Fusion Capital as they purchase up to $8 million of the Company s common stock. The specific details related to the issuance of these shares is more fully described in section entitled Commitment Shares Issued to Fusion Capital on page 46. The additional commitment shares issued in conjunction with the number of shares purchased by Fusion Capital will be considered outstanding on the date of purchase. The additional commitment shares issued and the number of shares purchased will be combined and the total shares received by Fusion Capital will be valued equally. The net proceeds received from the offering will be included in the equity section of the Company s balance sheet. The direct costs associated with the issuance of the common shares to Fusion Capital, including the commitment shares, will be treated as offering costs and netted against the proceeds received from the sale of these shares.

RECENTLY ISSUED FINANCIAL ACCOUNTING STANDARDS

On April 14, 2005, the SEC announced it would permit most registrants, subject to its oversight, additional time to implement the requirements in FASB Statement No. 123 (Revised 2004), *Share-Based Payment.* As originally issued by the FASB, public companies subject to SEC oversight were required to implement Statement 123R as of the beginning of the first interim or annual reporting period that begins after June 15, 2005, or after December 15, 2005 for small business issuers.

As announced, the SEC will permit companies to implement Statement 123R at the beginning of their next fiscal year, instead of the next reporting period as required by Statement 123R. That means a calendar year registrant, that is not a small business issuer, may continue to follow the guidance in FASB Statement No. 123, *Accounting for Stock-Based Compensation,* throughout 2005 and implement the new rules reflected in Statement 123R beginning January 1, 2006. The SEC notes that if a company has a fiscal year that ends on June 30, 2005 and is not a small business issuer, it must still comply with Statement 123R beginning with its quarter beginning on July 1, 2005. In other words, such companies must comply with Statement 123R as originally issued by the FASB.

The SEC announcement notes that it is not changing any of the accounting requirements in Statement 123R, rather only the required compliance date for certain registrants.

We understand the FASB has no current plans to amend or alter the guidance in Statement 123R to reflect the view of the SEC.

A complete copy of the SEC announcement is available at the following website: http://www.sec.gov/news/press/2005-57.htm.

In December 2004 the FASB issued SFAS No. 153 Exchanges of Nonmonetary Assets - An Amendment of APB Opinion No. 29. SFAS No. 153 amends APB Opinion No. 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. SFAS No. 153 is to be applied prospectively for nonmonetary exchanges occurring in fiscal periods beginning after June 15, 2005. Our adoption of SFAS No. 153 is not expected to have a material impact on our financial position or results of operations.

BUSINESS

GENERAL DEVELOPMENT OF BUSINESS

Global Med Technologies, Inc. was organized under the laws of the State of Colorado in December 1989.

In 1995, Global Med Technologies, Inc. merged with the Wyndgate Group, Inc. (Wyndgate). Wyndgate operates as a division of Global Med Technologies, Inc. and designs, develops, markets and supports information management software products for blood banks, hospitals, centralized transfusion centers and other healthcare related facilities.

During 1999, Global Med Technologies, Inc. formed a majority-owned subsidiary, PeopleMed.com, Inc. (PeopleMed), a Colorado corporation, to develop a software application designed to give HMO providers and other third party payers, access to clinical information for chronic disease patients. This application allows doctors and other medical employees access to a patient s history. PeopleMed offers chronic disease management as an Application Service Provider (ASP). PeopleMed s system uses the Internet to coordinate sources and users of a patient s clinical information, including laboratory, pharmacy, primary and specialty care providers, claims and medical records.

PeopleMed is owned 83% by Global Med Technologies, Inc. and 13% by certain executive officers and directors of Global Med Technologies, Inc. and 4% owned by third parties. Global Med Technologies, Inc. and PeopleMed are referred to collectively herein as the Company or Global Med .

RELATED PARTIES

Global Med is financed primarily through lending arrangements with Global Med International Limited (GMIL). These lending arrangements were originated by eBanker USA.com, Inc., (eBanker) transferred, along with eBanker s ownership in Global Med, to Global Med China & Asia Limited (GMCAL) in October 2002, and then the lending arrangements were transferred to GMIL in September 2003. Until November 28, 2001, eBanker was a consolidated subsidiary of eVision International, Inc. (eVision). eVision is majority owned by China Credit Holdings Limited (China Credit formerly Heng Fung Holdings Limited) and its subsidiaries, Online Credit Limited (Online Credit) and Heng Fung Singapore Pte. Limited (Heng Fung Singapore). Currently, GMCAL is a shareholder of Global Med. Until November 2001, eVision was also a shareholder of Global Med. eBanker through its subsidiary, GMCAL, is a shareholder of Global Med. Additionally, eVision and GMCAL each hold warrants to acquire 1 million and 11.186 million shares, respectively, of Global Med s common stock with exercise prices that range from $0.25-$0.50 per share. In November 2000, eBanker and Global Med entered into a series of equity transactions that resulted in Global Med becoming a consolidated subsidiary of eBanker and eVision effective November 2000.

On November 28, 2001, the shareholders of eVision approved a transaction, which transferred certain of the assets of eVision to Online Credit as satisfaction of the certain obligations eVision had with Online Credit. As a result, all of Global Med s common shares held by eVision and all eBanker s common shares and warrants held by eVision were transferred to Online Credit. Consequently, as of November 28, 2001, Global Med remained a consolidated entity of eBanker for accounting purposes; however, eBanker was then directly controlled by Online Credit instead of eVision. Additionally, eVision Corporate Services, Inc. and certain other subsidiaries of China Credit provide certain support services to Global Med.

As a result of these transactions and relationships, the financial condition and results of operations for Global Med may not necessarily be indicative of those that would have resulted if Global Med were unaffiliated with these entities.

Description of Business

Principal Products and Their Markets

Global Med designs, develops, markets and supports information management software products for blood banks, hospitals, centralized transfusion centers and other health care related facilities. Revenues are derived from the licensing of software, maintenance, the provision of consulting and other value added support services, and the resale of hardware and software obtained from vendors.

Wyndgate began development of a blood tracking system called SafeTrace to assist community blood centers, hospitals, plasma centers and outpatient clinics in the U.S. in complying with the quality and safety standards of the Food and Drug Administration for the collection and management of blood and blood products.

Global Med has two main products in its Wyndgate division: SafeTrace and SafeTrace Tx, a transfusion management information system that is designed to be used by hospitals and centralized transfusion centers to help insure the quality of blood transfused into patient-recipients. SafeTrace Tx provides electronic cross-matching capabilities to help insure blood compatibility with patient-recipients and tracks, inventory, bill and document all activities with blood products from the time blood products are received in inventory to the time the blood products are used or returned to blood centers. SafeTrace Tx complements SafeTrace, because the combined SAFETRACE Tx and SafeTrace software system is now able to integrate hospitals with blood centers and provide a vein-to-vein ® tracking of the blood supply. SafeTrace Tx received FDA clearance on January 29, 1999.

Global Med continues to concentrate its development efforts on enhancements to its existing SafeTrace blood bank product and SafeTrace Tx. The FDA has cleared both products for sale in the United States.

In 1999, Global Med introduced PeopleMed. PeopleMed supports chronic disease management as an ASP. PeopleMed s system uses the Internet to coordinate sources of information and users of a patient s clinical information, including laboratory, pharmacy, primary and specialty care providers, claims, and medical records.

All of Global Med s revenues were generated from providing products and services to end users located throughout the United States, Canada, Puerto Rico and Africa.

Competition

There is substantial competition in all aspects of the blood bank and hospital information management industry. Numerous companies are developing technologies and marketing products and services in the healthcare information management area. Many competitors in the blood bank industry have received FDA clearance for their products. Many of these competitors have been in business longer and have substantially greater personnel and financial resources than Global Med. Global Med is aware of three primary competitors to our SafeTrace software product: Mak-System Corp.; Blood Bank Computer Systems, Inc. and Mediware Information Systems, Inc. There are five primary competitors in the United States to our SafeTrace Tx product: Misys Hospital Systems, Inc. (Misys is a channel partner that currently resells the Company s SafeTrace software); Mediware Information Systems, Inc.; Meditech, Inc., SCC Soft Computer; and Cerner Corp. Global Med believes it is able to compete based on the current technological capabilities of SafeTrace and SafeTrace Tx.

Dependence On Major Customers

As of February 8, 2005, Global Med, through its Wyndgate division, had over 125 customers. It intends to continue to target domestic and international blood centers, plasma centers and hospital donor and transfusion centers. During the year ended December 31, 2004, there were no customers accounting for more than 10% of revenues.

During the year ended December 31, 2003, Global Med had one customer, the Institute for Transfusion Medicine that accounted for 10.4%, or $677 thousand of Global Med s revenues.

During the year ended December 31, 2002, Global Med had one customer that accounted for 15.4%, or $1.022 million, of Global Med s revenues. Of the $1.022 million in revenues, $500 thousand was attributable to the customer terminating a five-year contract with PeopleMed. See Note 1 of the consolidated financial statements for discussion.

Royalty And Commission Agreements

The Royalty Group. Pursuant to a development agreement between Wyndgate and the Royalty Group, Wyndgate developed SafeTrace and must make royalty payments to the Royalty Group based on a percentage of Wyndgate s SafeTrace license fees collected, measured by cash received from SafeTrace licensees, net of certain fees and charges. The royalty schedule is based upon the first date of SafeTrace license invoicing, which was September 14, 1995. The royalty amounts are computed as a percentage of software license fees collected. For the years ended December 31, 2004, 2003, and 2002, Global Med expensed $0, $6 thousand, and $12 thousand, respectively, and are included in the cost of revenues in the statement of operations. Global Med has accrued but not paid any royalties for the years ended December 31, 2004, 2003, or 2002. As of December 31, 2004, the outstanding royalty obligation was approximately $125 thousand.

The Institute for Transfusion Medicine. Pursuant to a development agreement between Wyndgate and The Institute for Transfusion Medicine (ITXM), Wyndgate developed SafeTrace Tx and agreed to make royalty payments to ITXM, based on a percentage of Wyndgate s SafeTrace Tx license fees paid. The royalty amounts were computed as a percentage of net software license fees. Global Med did not pay any royalties for the years ended December 31, 2004, 2003 or 2002. In April 2003, Wyndgate signed an agreement with ITXM whereby ITXM waived its rights to payment for all future and past royalties. See Note 1 of the audited consolidated financial statements for further discussion.

Ortho Clinical Diagnostics, Inc. In 1996, Global Med entered into an Exclusivity and Software Development Agreement (the Exclusivity Agreement) with Ortho-Clinical Diagnostics, Inc. (OCD), successor to Ortho Diagnostic Systems Inc., a wholly owned subsidiary of Johnson & Johnson. The Exclusivity Agreement provided OCD the exclusive right to negotiate with Global Med with respect to Global Med s activities and developments in information technology and intellectual property relating to donor and transfusion medicine. In connection with this agreement, Global Med received $500 thousand in 1996, which was recorded as deferred revenue, because the services to be provided to OCD in conjunction with the receipt of this cash had not yet been provided.

In May 1997, Global Med received a request from OCD to continue its evaluation of Global Med s technology, on a non-exclusive basis, with the intent of responding to Global Med by July 14, 1997 regarding whether or not OCD would propose some form of transaction with Global Med. Global Med received an additional $500 thousand from OCD during 1997 which was recorded as deferred revenue until Global Med provided the software development services as defined in the Exclusivity Agreement. Global Med finalized the Manufacturer s Representative and Software Development Agreement (OCD Agreement) during June 1999 making OCD the exclusive *in-vitro* diagnostics manufacturer s representative for the SafeTrace Tx product in defined territories around the world. The total of $1 million was included in deferred revenue as of December 31, 1998. Global Med recognized $500 thousand ratably over the term of the 22 month contract which ended in June of 2001. Global Med recognized the remaining portion of the deferred revenue in the amount of $500 thousand in June 2003 in conjunction with a Settlement Agreement with Ortho.

In June 2003, Global Med signed a settlement agreement (the Settlement Agreement) with Ortho Clinical Diagnostics, Inc. (Ortho), whereby all of Global Med s outstanding obligations to and from Ortho were released. As a result, Global Med was released from its obligation to provide Ortho with $500 thousand in software development work for which it had received payment from Ortho in 1997 as part of the exclusivity agreement Global Med signed with Ortho in 1997.

In addition, Global Med was released from all other obligations to Ortho, which included liabilities amounting to approximately $36 thousand for sales distribution commissions. For the year ended December 31, 2003, Global Med recognized $500 thousand in revenues associated with the Settlement Agreement and Ortho s waiver of its right to software development services. In addition, Global Med reduced sales and marketing expenses by $36 thousand as a result the release of Global Med from its obligation to pay commissions to Ortho for prior sales. The OCD Agreement was signed with Ortho during June 1999 and expired in June 2003.

Siemens Medical Solutions Health Services Corporation. During September of 1999, Global Med entered into a non-exclusive marketing and support agreement with Shared Medical Systems Corporation (SMS). Under this agreement, SMS markets Global Med s blood bank products on a preferred basis. Global Med will pay a commission to SMS based on the software license fee for each sale SMS has facilitated. This agreement was automatically renewed and is still in effect.

Sysmex Infosystems America, Inc. Global Med entered into a non-exclusive marketing and support agreement with Sysmex Infosystems America, Inc. (SIA). Under this agreement, SIA will market Global Med s blood bank products on a preferred basis. Global Med will pay a

commission to SIA based on the software license fee for each sale SIA has facilitated. This agreement was automatically renewed and is still in effect.

GE Medical (aka Triple G Systems Group, Inc.). Global Med entered into a non-exclusive marketing and support agreement (the Non-Exclusive Agreement #2) with GE Medical (aka Triple G Systems Group, Inc.) (Triple G). Triple G, under the Non-Exclusive Agreement #2, markets Global Med s SafeTrace Tx products on a preferred basis. Global Med will pay to Triple G a commission based on a percentage of the software license fee that Triple G facilitates through their marketing efforts. This agreement was automatically renewed and is still in effect.

National Jewish Medical and Research Center. Global Med, through its PeopleMed subsidiary, entered into a development and non-exclusive Marketing Agreement with National Jewish Medical and Research Center (National Jewish). Under the terms of this agreement, Global Med will pay National Jewish a royalty for all sales of PeopleMed s products that use National Jewish s protocols. In addition, in February 2002, PeopleMed signed a Sales and Marketing Agreement with National Jewish, whereby National Jewish will be paid a commission for sales of PeopleMed s products facilitated by National Jewish. The initial term of this agreement expired and this agreement has been automatically renewed. During the term of this agreement, there have been no royalties paid to National Jewish.

Cardiovascular Disease Management, LLC. Global Med, through its PeopleMed subsidiary, entered into a development and non-exclusive marketing agreement with Cardiovascular Disease Management (CVDM). Under the terms of this agreement, Global Med will pay CVDM a royalty for all sales of PeopleMed s products that use CVDM s protocols. During the term of this agreement, there have been no royalties paid to CVDM.

Misys Hospital Systems, Inc. Global Med entered into a non-exclusive marketing and support agreement with Misys Hospital Systems, Inc. (Misys). In the Agreement, Global Med granted to Misys the non-exclusive and non-transferable worldwide rights, excluding the African continent and the following countries; India, Indonesia, Bangladesh, Burma, Cambodia, Laos, Malaysia, Mongolia, Nepal, North Korea, Philippines, Singapore, Shri Lanka, South Korea, Taiwan, Thailand, Vietnam, China (including Hong Kong and Macau); non-exclusive and non-transferable right to market, promote, endorse and assist Wyndgate in the sale and license of its blood donor product, SafeTrace, to Misys clients. Global Med maintains all responsibilities for the licensure, delivery, installation, warranty or support between Wyndgate and the Licensee for all contracts facilitated under the terms of this agreement. Global Med will pay a commission to Misys based on the software license fee for each sale Misys has facilitated. This agreement was automatically renewed and is still in effect. During the term of this agreement, there have been no royalties paid to Misys.

McKesson Information Solutions LLC. Global Med entered into a Value Added Marketing Agreement (McKesson Agreement) with McKesson Information Solutions LLC, a division of McKesson Corporation, to provide Wyndgate s SafeTrace Tx (the Software) advanced transfusion management system as Horizon Blood Bank, as a privately-labeled (OEM) module to be separately licensed with McKesson s Horizon Lab solution. Horizon Blood Bank serves as a tool to help organizations improve patient safety by automating the management and tracking patient transfusion services. McKesson Information Solution s products are in use in over 2 thousand hospitals throughout the United States.

The McKesson Agreement grants McKesson the right to privately brand SafeTrace Tx in the United States, Canada, and Mexico. The McKesson Agreement also grants McKesson rights to market the Software to McKesson s hospital information system, clinical systems and ancillary systems customers. This Agreement does not prevent Wyndgate from pursing sales opportunities through its existing channel partner base as provided and/or required by those agreements. Wyndgate is not required and will not inform McKesson of the opportunities brought to Wyndgate by its channel partners.

The McKesson Agreement requires Wyndgate and McKesson to integrate certain aspects of their respective software products. Wyndgate and McKesson have agreed that certain aspects of their joint software development will be unique to one another, and not available to any other channel partner or non-McKesson customers. In light of these grants of exclusivity, McKesson has agreed to certain revenue commitments in order to maintain their marketing rights in terms of the increased software product functionality. The revenue commitments include software license fees, implementation services fees, and maintenance fees.

In the event that McKesson is unable to meet certain revenue commitments, McKesson has the right to purchase prepaid license fees from Wyndgate in order to maintain its marketing rights. In the McKesson Agreement, Wyndgate has agreed to notify McKesson, as soon as reasonably possible, if any entity makes a proposal to acquire a majority share in, or full ownership of, Global Med or the Software. McKesson would have the right within ten (10) days to also make an offer after receipt of such notice. Global Med has no obligation to accept such offer. The McKesson Agreement grants McKesson the right to participate in meetings that relate to future development of the Software. Wyndgate is required to provide frequent and timely communications on the path of the Software. Wyndgate and McKesson have agreed to certain enhancements to the Software. The McKesson Agreement provides for McKesson to pay Wyndgate certain fees for the licensing of the

Software, performance of implementation and maintenance services by Wyndgate for McKesson s customers using the Software.

Certain terms of the McKesson Agreement are not provided because they are proprietary in nature and are subject to confidentiality and non-disclosure provisions under the Agreement.

Paratech, LLC. Global Med, through its PeopleMed subsidiary, entered into a non-exclusive marketing agreement with Paratech, LLC. (Paratech). Under the terms of this agreement, Global Med will pay Paratech a commission for sales of PeopleMed s products they facilitate.

Government Approval And Regulation

The FDA requires all blood tracking application software vendors to submit a 510(k) application for review. The application process for FDA review and compliance with FDA guidelines relates to computer software products regulated as medical devices. The FDA considers software products intended for the following to be medical devices: (i) use in the manufacture of blood and blood components; or (ii) maintenance of data used to evaluate the suitability of donors and the release of blood or blood components for transfusion or further manufacturing. As medical device manufacturers, Global Med and its competitors are required to register with the Center for Biologics Evaluation and Research (CBER), list their medical devices, and submit a pre-market notification or application for pre-market review. In April 1997, Global Med s Wyndgate division received notification from the FDA of its finding of substantial equivalence of SafeTrace. This determination provides a 510(k) clearance and permits Global Med to continue to market SafeTrace. On January 29, 1999, the 510(k) clearance was received for SafeTrace Tx.

Global Med s products and services are subject to regulations adopted by governmental authorities, including the FDA, which governs blood center computer software products regulated as medical devices. Global Med is also required to follow applicable Quality System Regulations (QSR) of the FDA, which include testing, control and documentation requirements, as well as similar requirements in other countries, including International Standards Organization (ISO) 9001 standards. In 1996 Congress passed legislation that impacted the healthcare information management. The Healthcare Information Portability and Accountability Act (HIPAA) requires the Department of Health and Human Services (HHS) to enact standards for information sharing, security and patient confidentiality. Although HHS has not issued clarification on many of the topics under HIPAA, Global Med believes these regulations will have an important impact on requiring advanced management information systems that will enable various healthcare organizations to comply with emerging requirements.

HIPAA contains provisions regarding the confidentiality and security of patient medical record information. Standards for the electronic handling of health data and security of patient information became effective in 2000. This legislation requires the Secretary of Health and Human Services, or HHS, to (a) adopt national standards for electronic health information transactions, (b) adopt standards to ensure the integrity and confidentiality of health information, and (c) establish a schedule for implementing national health data privacy legislation or regulations. The standards and legislation will impact the customers ability to obtain, use or disseminate patient information, which will extend to their use of Global Med s products. Global Med believes that the proposed standards issued to date would not materially affect the business of Global Med. Global Med cannot determine the potential impact of the standards that might finally be adopted.

Financing Agreements With Related Parties

Debt Conversion

Pursuant to a Loan Restructuring and Restatement Agreement between Global Med and eBanker of which GMIL is a subsidiary, dated November 19, 2000, as amended (the Agreement), Global Med was required to repay $3.829 million, which amount included all principal, interest and other charges due under the Agreement (except for $96 thousand in extension interest payments and accrued interest thereon due on July 1, 2004), on or before March 1, 2004. By an Assignment dated July 4, 2002, eBanker assigned the Agreement to Global Med International Holdings Limited (GMIHL), a subsidiary of eBanker and parent company of GMIL. By an Assignment dated July 4, 2002, GMIHL assigned the Agreement to GMIL. By an Assignment dated October 28, 2002, GMIL assigned the Agreement to GMCAL, a subsidiary of GMIL. By an Assignment dated September 19, 2003, GMCAL assigned the Agreement to GMIL. Pursuant to a Loan and Promissory Note between Global Med and GMIHL dated June 18, 2002, as previously amended (the Note), Global Med was required to repay GMIHL $200 thousand, which amount included all principal, interest and other charges due under the Note (except for $12 thousand in extension interest payments due on July 1, 2004), on or before March 1, 2004. GMIHL has assigned the Note to GMIL. The total debt owed by Global Med to GMIL under the Agreement and the Note (except for the $96 thousand in extension interest payments and accrued interest thereon due on July 1, 2004 and the $12 thousand in extension interest payments due on July 1, 2004, referenced above) (the Debt) was $4.029 million at December 31, 2003.

On April 14, 2004, Global Med International Limited (GMIL) and Global Med amended their existing financing agreements and entered into an agreement to combine the outstanding $3.829 million and $200 thousand debt agreements. The combined loan of $4.029 million was then

separated into two parts: $529 thousand was converted into debt (Remaining Debt) and $3.5 million was converted into $1 par value Series AA Convertible Redeemable Preferred Stock (Preferred Stock). (See note 6 of the financial statements for further discussion of the preferred stock.) The due date of the Remaining Debt is March 1, 2006. The interest rate on the Remaining Debt is 15% per year and interest on this debt is due and payable quarterly on March 1, June 1, September 1, and December 1 of each year until the Remaining Debt is paid in full. The Remaining Debt is secured by all of Global Med s assets and is subject to the outstanding terms of November 19, 2000 financing agreement (Loan Agreement). As of April 14, 2004, Global Med had paid GMIL $287 thousand of the $287 thousand extension fee. At December 31, 2004, principal of $529 thousand and accrued interest of $69 thousand was outstanding under the terms of the Remaining Debt agreement.

Under the terms of the Remaining Debt and Preferred Stock Agreements, the personal guaranty of Dr. Michael I. Ruxin, the Company s Chairman and CEO, remains in effect until both the Preferred Stock and Remaining Debt and any related dividends or interest, respectively, are paid. Unless Global Med is in default of the Remaining Debt or Preferred Stock agreements, Dr. Ruxin s personal guaranty is limited to the debt and related interest and will not exceed $650 thousand and will remain in effect until the total Remaining Debt has been fully paid or satisfied. The agreements also contain the following provisions:

- Global Med agrees to register with the SEC all unregistered Global Med shares and shares underlying derivatives regardless of the owner of the shares.
- Registration of all Global Med Shares will be maintained and not allowed to lapse.
- Remaining Debt and Preferred Stock are not satisfied unless eliminated.
- Any future restructuring of the Remaining Debt or Preferred Stock is not a satisfaction of the Remaining Debt or Preferred Stock unless specified in writing by GMIL.
- While any of the Remaining Debt or Preferred Stock is outstanding, the Company has agreed not to incur any debt in excess of $100 thousand without the written consent of GMIL.

As part of these agreements, Global Med agreed to indemnify GMIL and its affiliates, including but not limited to GMCAL, GMIHL, eBanker, Online Credit Limited, Heng Fung Singapore Ltd., and China Credit, and their employees, officers, directors, and agents for any legal proceeding that results or stems from GMIL s conversion of this debt to Preferred Stock.

In conjunction with the signing of the Remaining Debt and the Preferred Stock Agreement, these agreements preserved the right of GMIL to appoint 5 of 9 members of Global Med s Board of Directors until the Remaining Debt and Preferred Stock have been satisfied. Further, GMIL shall have the right to select a replacement director for any member of the Borrower s Board of Directors that was selected by Lender who resigned or otherwise fails to serve as a director. Global Med agrees not to increase the number of directors above nine except with GMIL s written consent. If Global Med defaults on the repayment of any amount borrowed under the financing agreements initiated with eBanker, all of the Board of Directors of Global Med will be required to resign and GMIL will have the right to appoint all new members.

Series BB Preferred Stock. As of February 28, 2004, Dr. Ruxin had 1,692 hours of accrued vacation and sick time with a book value, collectively, of approximately $224 thousand (the Accrued PTO). In addition, Dr. Ruxin had approximately $60 thousand of accrued wages. Dr. Ruxin agreed to convert the Accrued PTO and accrued wages with a combined book value of $284 thousand into 675,386 shares of Series BB Preferred Stock. The Series BB Preferred Stock had the following terms:

- The Series BB Preferred Stock was convertible, at the option of the holder thereof, at any time, in whole or in part, after the closing market price for Global Med s common stock for any day reaches $0.75 per share or more (regardless of whether the closing market price subsequently declines to below $0.75 per share), upon written notice to Global Med, at the rate of one (1) share of common stock per share of Series BB Preferred Stock.
- The Series BB Preferred Stock was junior to the Series AA Preferred Stock and senior to Global Med s common stock and all other existing or future series of preferred stock and will have a liquidation preference of $0.42 per share. The Series BB Preferred Stock did not have voting rights.

In December 2004, the Series BB Preferred Stock was converted into common stock.

Employees

As of January 31, 2005, Global Med had 52 full-time employees, consisting of 2 employees in the corporate offices in Lakewood, Colorado and 46 at Wyndgate s offices near Sacramento, California. Global Med has employment agreements with certain personnel. Global Med s employees are not represented by a labor union or subject to collective bargaining agreements. Global Med has never experienced a work stoppage and believes that its employee relations are satisfactory.

During the years ended December 31, 2002 through 2004, Global Med had customers located in numerous locations across the United States and Puerto Rico and sales are not concentrated in any geographic or economic region. PeopleMed s customer is located in the State of Colorado. For the year ended December 31, 2004, Global Med continued to recognize revenues from the geographic areas above, but recognized approximately 5% of its revenues from international customers. The results for the three years ended December 31, 2004 may not be indicative of the current or future operations.

Our common stock is currently trading on the OTC Bulletin Board. OTC Bulletin Board stocks are not required to send annual reports directly to their shareholders. Our shareholders have direct electronic access to all of our SEC filings via our website at www.globalmedtech.com or via the SEC website at www.sec.gov. Global Med does send proxy filings to our shareholders as matters are voted on by all of our shareholders. When Global Med does send information to its shareholders that relates to our annual or interim results, this annual financial information does contain audited information on which an opinion has been issued or interim information that has been reviewed.

Legal Proceedings

In September 2002, Global Med filed a lawsuit against Donnie L. Jackson, Jr., Global Med s former Vice President of Sales and Marketing. Global Med alleges, among other things, that prior to his resignation in July 2002 Mr. Jackson misappropriated certain trade secrets of Global Med. Mr. Jackson is currently a management employee of one of Global Med s competitors. On March 30, 2005, the Superior Court of the State of California in and for the County of El Dorado granted the motion for summary judgment for Donnie L. Jackson, Jr. and ordered the Company to pay approximately $655 thousand for attorneys fees. Global Med is vigorously pursuing an appeal of this decision. Global Med believes that the lower court ruling in this case is substantively and procedurally in error and does not believe the lawsuit will have a material impact on Global Med s business. Global Med is appealing the judgment of the court and has not accrued any amount in the Company s financial statements. If the Company s appeal is not successful, the Company may be required to pay damages that range from $0 to approximately $655 thousand.

MANAGEMENT

Our directors and executive officers and their ages as of the date of this prospectus are as follows:

Name	Age	Position	Officer or Director Since
Michael I. Ruxin, M.D	59	Chairman of the Board and Chief Executive Officer and Principal Financial Officer and Accounting Officer	1989
Fai H. Chan	60	Director	1998
Robert H. Trapp	49	Director	1998
Kwok Jen Fong	55	Director	1998
Gary L. Cook	47	Director, Acting Principal Financial Officer and Treasurer through February 25, 2004	1998
Gerald F. Willman, Jr	47	Director and Senior Vice President of International Business Development for Wyndgate Technologies	1995
Tony T.W. Chan	30	Director	1999
Thomas F. Marcinek	51	President and Chief Operating	

Name	Age	Position	Officer or Director Since
		Officer	1998
David T. Chen	69	Director	2002

China Credit has appointed five of the eight members of the Board of Directors of Global Med. The directors appointed by China Credit are Fai H. Chan, Kwok Jen Fong, Robert H. Trapp, Tony T. W. Chan, and Gary L. Cook. Fai H. Chan, Kwok Jen Fong and Tony T.W. Chan are also directors of China Credit.

The directors of Global Med are elected to hold office until the next annual meeting of shareholders and until their respective successors have been elected and qualified. Officers of Global Med are elected by the Board of Directors and hold office until their successors are elected and qualified.

The following sets forth biographical information concerning Global Med s directors and executive officers for at least the past five years. All of the following persons who are executive officers of Global Med are full time employees of Global Med.

Michael I. Ruxin, M.D., the founder of Global Med, has been an officer and director of Global Med since its incorporation in 1989 and is currently the Chairman and Chief Executive Officer of Global Med. Dr. Ruxin received a B.A. degree from the University of Pittsburgh and a M.D. degree from the University of Southern California. Dr. Ruxin is a licensed physician in California and Colorado.

Fai H. Chan has been a Director of Global Med since May 1998. From 1997-2002, he was a director and from 1998-2002 he was Chairman of the Board of Directors and President of eVision. Mr. Chan is the Managing Chairman of China Credit and has been a Director of China Credit since September 2, 1992. Mr. Chan was elected Managing Director of China Credit on May 1, 1995 and Chairman on June 3, 1995. Mr. Chan s title in China Credit changed to Managing Chairman on August 25, 2003. China Credit s primary business activities include investment holdings, securities investment, financing, issuance of credit cards and discount cards. Mr. Chan has been the Chairman of the Board of Directors of American Pacific Bank since 1988 and Executive Officer thereof between April 1991 and April 1993.

Robert H. Trapp has been a Director of Global Med since May 1998. He has been a Director of eVision since December 1997 and the Managing Director since February 1998. Mr. Trapp was a Director of China Credit from May 1995 to May 2001; a Director of Inter-Asia Equities, Inc., a merchant banking company, since February 1995 and the Secretary thereof since April 1994; Director, Secretary and Treasurer of Asia SuperNet Corporation, (formerly, Powers Technologies Inc.), which owns various industrial companies; and the Canadian operational manager of Pacific Concord Holding (Canada) Ltd. of Hong Kong, which operates in the consumer products industry, from July 1991 until November 1997.

Kwok Jen Fong has been a Director of Global Med since May 1998. Mr. Fong has been a Director of eVision since February 1998 and a Director of China Credit since May 1995. Mr. Fong has been a practicing solicitor in Singapore for at least the last seven years.

Gary L. Cook has been a Director of Global Med since 1998 and was the Acting Principal Financial Officer and Treasurer from October 2000 to February 25, 2004. In February of 2004, Mr. Cook replaced Dr. Ruxin as Chairman and member of the Audit Committee. From 1998 to June of 2002, he was Secretary, Treasurer and Chief Financial Officer of eVision and Treasurer of eBanker. From 1994 to 1996, Mr. Cook was self-employed as the principal of a small business. From 1982 to 1994, he worked for KPMG LLP responsible for all auditing services for several clients in various financial and other industries. Mr. Cook received a B.A. in Accounting from Brigham Young University in 1982 and is a member of the American Institute of Certified Public Accountants. Mr. Cook has been a Director of Cognigen Networks, Inc. since October 2002 and Chief Financial Officer since 2003.

Gerald F. Willman, Jr. has been a Director of and is now the Senior Vice President of International Business Development for Wyndgate Technologies. Mr. Willman has been a Vice President of the Wyndgate division since May 1995 and Chief Financial Officer from April through August 1998. Mr. Willman was director and then a Vice President of The Wyndgate Group, Ltd., from 1984 to 1995 and was responsible for the overall design and development of the products developed by The Wyndgate Group, Ltd., including research of new technologies. Prior to his employment at The Wyndgate Group, Ltd., he was employed as a development team leader at Systems Research, Inc. Mr. Willman received a B.S. degree from Hampden Sydney College and M.B.A. degree from National University.

Tony T.W. Chan has been a Director of Global Med since December 1999. Mr. Chan has been the Managing Director of China Credit since August 25, 2003 and Director of China Credit since January 17, 2000. Mr. Chan has been the Chief Operating Officer and Director of eVision since 1999, and its Chairman since 2002. From 1998 to April 1999, Mr. Chan worked as an Investment Banker for Commerzbank, Global Equities, Hong Kong, involved in the establishment of a new regional business center in Hong Kong. From 1996 to 1998, Mr. Chan worked for Peregrine Derivatives specializing in Asian equity financial products. Mr. Chan received a Bachelor of Commerce degree in Finance with honors from the University of British Columbia. Mr. Chan is also a director of American Pacific Bank and President and Director of eBanker.

Thomas F. Marcinek was elected as President and Chief Operating Officer in March 1998. From 1994 until joining Global Med, he was the President and owner of Prax Information Systems, Wantagh, New York, a practice management software consulting company. From 1990-1994, he was the President of the Data Technologies Group, a division of Henry Schein, Inc., Melville, New York. From 1985-1990, he was the Vice President of MIS for that same company.

David T. Chen has been a director of Global Med since March 13, 2002. Mr. Chen has been a Director, the Chief Executive Officer and President of American Pacific Bank, Portland, Oregon since 1993, and was a Director of eBanker USA.com, Inc. until January 2002. Mr. Chen received a B.A. in Public Administration from Taiwan National Chung-Hsin University in 1959, a M.A. in Political Science from the University of Oregon in 1966 and a B.A. in Math from the University of Washington in 1972.

Family Relationships

Mr. Tony T.W. Chan is the son of Mr. Fai H. Chan. Both are directors of Global Med.

Involvement In Certain Legal Proceedings

In September 2002, Global Med filed a lawsuit against Donnie L. Jackson, Jr., Global Med s former Vice President of Sales and Marketing. Global Med alleges, among other things, that prior to his resignation in July 2002 Mr. Jackson misappropriated certain trade secrets of Global Med. Mr. Jackson is currently a management employee of one of Global Med s competitors. On March 30, 2005, the Superior Court of the State of California in and for the County of El Dorado granted the motion for summary judgment for Donnie L. Jackson, Jr. and ordered the Company to pay approximately $655 thousand for attorneys fees. Global Med is vigorously pursuing an appeal of this decision. Global Med is appealing the judgment of the court and has not accrued any amount in the Company s financial statements. If the Company s appeal is not successful, the Company may be required to pay damages that range from $0 to approximately $655 thousand.

Audit Committee

In February 2004, Gary Cook, a director of the Company and the former Acting Principal Financial Officer and Treasurer of the Company, replaced Michael I. Ruxin, the Company s CEO and Chairman, as the Chairman of the Audit Committee. The remaining members of the Audit Committee are Robert H. Trapp and Kwok Jen Fong. The audit committee met once in 2003 and 2004. The Audit Committee also reviewed and approved in writing the filing of each Form 10-Q during 2004. Mr. Cook is considered financial expert. None of the Audit Committee s members are considered independent.

Compliance With Section 16(a) Of The Exchange Act

Based on information provided to the Company, it is believed that all of the Company s directors, executive officers and persons who own more than 10% of the Company s common stock were in compliance with Section 16(a) of the Exchange Act of 1934 during the last fiscal year. During the year ended December 31, 2004, all of the Company s directors, executive officers and Company s common stock were in compliance with section 16(a) of the Exchange Act of 1934, except as follows: in June 2002, eBanker transferred its interest in Global Med to Global Med International Limited (GMIL).

Gary Cook failed to file a Form 4 with respect to one transaction, and was late in filing a Form 5 with respect to the same transaction; Online Credit Ltd. was late in filing a Form 4 with respect to one transaction; Futuristic Image Builder Limited, Heng Fung Finance Limited (and its subsidiaries and affiliates that beneficially own shares of the Company s common stock), Robert Trapp, Tony Chan and Fai Chan each failed to file a Form 5.

Code of Ethics

The Company has a code of ethics that has been approved by the Board of Directors. The Code of Ethics was filed as an exhibit to the Company s Form S-1 that was filed on December 6, 2004. The Code of Ethics was filed as Exhibit 10.72 to the Form S-1.

Directors

Compensation of Directors

Our Board of Directors consists of nine seats. Directors serve for a term of one year and stand for election at our annual meeting of stockholders. One vacancy currently exists on the Board of Directors as of the date of this prospectus. Pursuant to our Bylaws, a majority of directors may appoint a successor to fill any vacancy on the Board of Directors. Dr. Michael Ruxin is also an executive officer of Global Med.

***Standard Arrangements*.** In April 2004, the Board of Directors of Global Med approved a resolution authorizing that non-employee members of Global Med s Board of Directors be compensated in their capacities as board members at a rate of $500 per board meeting attended. The employees of Global Med that serve on the Board of Directors are not compensated in their capacity as board members. Global Med reimburses all of its officers, directors and employees for accountable expenses incurred on behalf of Global Med.

***Other Arrangements*.** During 2000, Global Med also authorized the issuance of 35 thousand common shares to a director in his capacity as acting Principal Financial and Accounting Officer and Treasurer. All of the 35 thousand authorized shares have been issued as of January 31, 2005. These shares were valued at $37 thousand, and $7 thousand in compensation expense was recognized during 2004 related to t