GLOBAL MED TECHNOLOGIES INC
Form 10-K
March 25, 2009
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2008

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

COMMISSION FILE NUMBER: 0 - 22083

GLOBAL MED TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Colorado	84-1116894
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

12600 West Colfax, Suite C-420, Lakewood, Colorado 80215
(Address of principal executive offices) (Zip Code)

Registrant s telephone number: (303) 238-2000

Securities registered pursuant to Section 12(b) of the Act: None

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

Common Stock, $.01 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ Nox

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for at least the past 90 days.

Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10- K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	¨		Accelerated filer	¨
Non-accelerated filer	¨	(Do not check if a smaller reporting company)	Smaller reporting company	x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).Yes ¨ No x

The aggregate market value of voting and non-voting stock held by non-affiliates of the registrant, based upon the closing sales price of its common stock on June 30, 2008 was $38,070,140.

The number of shares of the registrant s common stock, $.01 par value, outstanding as of March 16, 2009 was 34,067,111.

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GLOBAL MED TECHNOLOGIES, INC.

FORM 10-K

DECEMBER 31, 2008

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PART I

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, including Management s Discussion and Analysis of Financial Condition and Results of Operations, contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of1933, as amended (1933 Act) and Section 21E of the Securities Exchange Act of 1934, as amended (1934 Act), and Global Med Technologies, Inc. (Global Med) intends that such forward-looking statements be subject to the safe harbors for such statements under such sections. Our forward-looking statements include, among other things, the plans and objectives of management for future operations of companies acquired during 2008, our plans and objectives relating to our business strategy, our planned product enhancements and new product development, our planned marketing efforts and the future economic performance of Global Med. These forward-looking statements are (1) identified by the use of terms and phrases such as believe , expect , anticipate , assume , will , should , could , intend , plan , estimate , objective , goal and other similar words and expressions, and (2) are subject to risks and uncertainties and represent our current expectations or beliefs concerning future events. Global Med cautions that the forward-looking statements are qualified by important factors that could cause actual results to differ materially from those in the forward-looking statements. These risks, uncertainties and other factors are described throughout this Annual Report on Form 10-K and include those outlined in Part I, Item 1A RISK FACTORS . Many of these factors are beyond our control. Our forward-looking statements represent estimates and assumptions only as of the date of this Annual Report on Form 10-K. Except as required by law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances occurring after the date of this Annual Report on Form 10-K

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PART I

ITEM 1. DESCRIPTION OF BUSINESS

Overview

Global Med Technologies, Inc. was incorporated in the State of Colorado in December 1989. Our principal executive office is located at 12600 West Colfax, Suite C-420, Lakewood, Colorado 80215 and our telephone number there is (303) 238-2000. Our principal U.S. business office is located at 4925 Robert J. Mathews Parkway, Suite 100, El Dorado Hills, California and our telephone number there is (916) 404-8400. Our European headquarters is located at 235 rue de l Etang, Limonest, France and our telephone number there is +33 (0) 478 66 53 53. Unless otherwise noted, references in this Form 10-K to Global Med , the Company , we , our , and us refer to Global Med Technologie and its subsidiaries.

Global Med Technologies, Inc. is an international medical software company that develops regulated and non-regulated products and services for the healthcare industry. We are a leading provider of blood and laboratory software systems and services and our products are deployed in 20 countries and serve over 1,600 transfusion centers, blood banks and laboratories.

Global Med s domestic divisions are Wyndgate Technologies®, a leader in software products and services for donor centers and hospital transfusion services; eDonor®, which offers web-based donor relationship management systems; and PeopleMed.com, Inc., which provides software validation, consulting and compliance solutions to hospitals and donor centers. PeopleMed.com, Inc. is owned 83% by Global Med Technologies, Inc., 11% by the Company s Chairman and CEO, and 6% by third parties. Our European subsidiary, Inlog, S.A., is a developer of donor center and transfusion management systems as well as cellular therapy software, laboratory information systems and quality assurance medical software systems which are marketed internationally.

Significant Developments in 2008

On June 26, 2008, we completed the acquisition of 100% of the capital stock of Inlog S.A., a French company and its subsidiaries (Inlog) for a maximum purchase price of $11.5 million in a combination of cash, stock and earn out payments.

On August 1, 2008, we acquired substantially all of the assets of Blueridge Solutions, LC, doing business as eDonor (eDonor) for $3.5 million in cash and the issuance of $1.5 million of our common stock.

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 software licenses, annual maintenance fees, implementation, consulting and other value added support services, and the resale of software obtained from vendors.

Our core products and their related components were developed by our Wyndgate division and include: SafeTrace®, SafeTrace Tx®, and our ElDorado product suite. As of December 31, 2008 these products were in use in over 740 sites in five countries. SafeTrace is used 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 U.S. Food and Drug Administration (the FDA) for the collection and management of blood and blood products. SafeTrace Tx is 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, inventories, bills and documents 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 also able to integrate hospitals with blood centers and provide a vein-to-vein Ò tracking of the blood supply.

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Our ElDorado product suite represents the next generation of our software and will provide a fully-integrated menu of blood management products using advanced tools and technologies. Donor Doc , the first module of the ElDorado product suite was released in May 2007. Donor Doc is an electronic history questionnaire that assists in the blood donor screening process. In February 2008, we released ElDorado Donor, a comprehensive blood management software application designed to provide for the information system needs of blood banks and donor centers. The software manages, automates, and controls activities associated with donors, donor collections, testing, manufacturing, inventory, and distribution. ElDorado Donor was developed with scalability in mind and can manage the system needs of diverse facilities, from small hospital blood banks to community blood centers, to regional and national centers, both domestically and internationally. The blood management software has been designed with input from our technology workgroup which is comprised of leading industry representatives from around the world. The work group's contributions were considered throughout the ElDorado Donor development process to produce a feature-rich and user-friendly solution.

Our Inlog S.A. subsidiary, which we acquired on June 26, 2008, has been developing, implementing, and supporting its blood bank information management solutions since 1992 and currently supplies over 800 sites in 15 countries with its products. Its product line consists of five primary products: EdgeBlood (for the donor center market), EdgeTrace (for the hospital transfusion market), EdgeLab (a laboratory information system LIS), EdgeCell (cellular therapy for tissue banks, stem cell centers and cord blood centers) and SAPA (a regulatory compliance and document management solution). Inlog recently completed the national installation of its EdgeBlood product in France where all of that country s 2.5 million annual blood donations are transacted through EdgeBlood including blood collections, infectious disease testing, component manufacturing and distribution. In addition to France, Inlog has software applications in Germany, Austria, Belgium, Switzerland, Greece and Monaco, among other countries. Our eDonor product, which we acquired on August 1, 2008 with the acquisition of substantially all of the assets of Blueridge Solutions, L.C., doing business as eDonor, is a web-based donor relationship management system that integrates recruitment, scheduling, retention and fulfillment for blood donation centers of all sizes. As of December 31, 2008, eDonor was in use at 77 sites.

In 1999, we introduced PeopleMed , through our PeopleMed.com, Inc. subsidiary. PeopleMed supports chronic disease management as an Application Service Provider (ASP). PeopleMed s system helps system users coordinate sources of information and users of a patient s clinical information, including laboratory, pharmacy, primary and specialty care providers, claims, and medical records. PeopleMed began offering validation services to the blood bank industry late in 2007 Validation services include documenting and testing systems to enable the user of these systems to conform to specific requirements and regulations. In the fall of 2007, PeopleMed s services were expanded to include validation activities and offering of quality-certified resources to help clients and non-clients perform FDA-required user validation testing on blood bank software systems prior to clients first use of our software (Go-Live). In addition to Go-Live activities, PeopleMed also offers independent services for system revalidation for clients who are upgrading to newer versions.

With our acquisitions of Inlog and eDonor, our software products are now used in 20 countries, including the United States, Canada, the Caribbean, European Union, Africa, French Polynesia, and New Caledonia, among others. With the acquisition of Inlog we immediately expanded our international footprint and with the acquisition of eDonor we gained a complementary product to our existing product offerings. We believe these acquisitions position us for further growth through cross-selling opportunities, particularly through our plans to integrate eDonor in our SafeTrace and ElDorado Donor products and our plans to introduce Inlog s EdgeCell product in the United States.

We intend to continue to commit significant research and development resources to the development of our ElDorado product suite, as well as to continuously improving our existing products. Some of our new products will be considered medical devices by the FDA and we will be required to obtain FDA 510(k) clearance for these medical devices prior to their sale or introduction into the U.S. market, as more fully discussed below in Government Approval

and Regulation . During the years ended December 31, 2008 and 2007, total research and software development expenditures totaled $4.108 million and $3.344 million, respectively. Of the total expenditures during 2008 and 2007, $284 thousand and $173 thousand, respectively, were capitalized.

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Government Approval and Regulation

The FDA considers software products used in the manufacture of blood and blood components and/or used in the maintenance of data used to evaluate the suitability of donors and the release of blood or blood components for transfusion or for further manufacturing to be medical devices . Consequently, our SafeTrace, SafeTrace Tx and ElDorado products are considered medical devices and are subject to regulations adopted by governmental authorities, including the FDA, which govern blood center computer software products regulated as medical devices. As a medical device manufacturer, Global Med is 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 (510(k) clearance). We have received and consistently maintained 510(k) clearance on our SafeTrace, SafeTrace Tx, ElDorado Donor and Donor Doc products, as required. In addition, we are required to follow applicable Quality System Regulations (QSR) of the FDA, which include extensive quality assurance, control and documentation requirements.

Our Inlog subsidiary is ISO 9001:2000 certified and its products have received the NF/ISO 25051/12119 certification indicating the highest level of quality regarding the design, testing and validation of its software, its documentation quality and the quality of its product support and maintenance.

In 1996, Congress enacted the Healthcare Information Portability and Accountability Act (HIPAA) that requires covered entities to comply with national health data standards. HIPAA imposes, among other things (i) standards for electronic health information transactions; and (ii) standards to ensure the integrity and confidentiality of health information. The HIPAA standards also require covered entities to implement administrative, physical and technological safeguards to ensure the confidentiality, integrity, availability and security of individually identifiable health information in electronic form. Many of our software products were designed and developed to facilitate HIPAA compliance and we believe that the requirement for healthcare entities to achieve and maintain HIPAA compliance will continue to create demand for our products and services.

Competition

The market for medical software is highly competitive. Our competitors include companies with products designed and marketed solely for use as blood management information systems, as well as companies that provide a blood management information system as part of an integrated laboratory information system. Our primary competitors include Mediware Information Systems, Inc., SCC Soft Computer, and Eclypsis Corporation. We believe that the principal competitive factors affecting the market for our products include the quality, reliability and effectiveness of the software solution, technical features, ease of use, value-added consulting services, responsive customer service and support, customer base, distribution channels, and the total cost of ownership. Although we believe that our products currently compete favorably with respect to such factors, many of our present and potential competitors have been in business longer and have substantially greater financial, marketing, service, support and technical resources than Global Med.

Sales and Marketing

Our medical software products and services are sold through our direct sales force and through our 15 channel partners, most of which are engaged in the sale and marketing of laboratory information systems. Our direct sales force, consisting of five persons in the United States and six in Europe, tend to focus on blood donation centers, plasma centers, transfusion centers and hospitals that are purchasing a new blood management information system, replacing antiquated technology or sunsetted products, or upgrading their current system. We typically rely on our channel partners to reach potential customers who are purchasing a comprehensive laboratory information system, including a blood management information system.

As of December 31, 2008, our channel partners included McKesson, Cerner, Siemens Medical, Sunquest, QuadraMed, GE Medical Systems, Digi-trax Corporation, Omnitech, Orchard Software, BarcodesWest, CaridianBCT, Keane, CPSI, Fresenius Kabi and Biomedical Synergies, Inc., among others. One of our channel partners accounted for 14.5% and 25.2% of our revenue during 2008 and 2007, respectively and 32.1% and 56.3% of our gross accounts receivable as of December 31, 2008 and 2007, respectively. No other channel partner accounted for more than 10% of our revenue.

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Customers

Customers for our products include some of the world s most recognized names: Mayo Clinic, Stanford Hospitals, Cedar-Sinai, CHLA, City of Hope, UC San Diego, Memorial Sloan-Kettering, New York Presbyterian, French Blood Establishment, and over 1,600 hospitals and medical sites domestically and internationally. During the years ended December 31, 2008 and 2007, approximately 77% and 98% of our revenue was derived from customers in the United States, respectively, and 23% and 2% of our revenue was derived from customers outside of the United States, primarily in Europe. Substantially all of our revenue outside of the United States comes from Inlog. No single customer accounted for more than 10% of our revenue in 2008 and 2007.

Employees

As of March 1, 2009, we had 186 full-time employees, consisting of 2 employees in the corporate offices in Lakewood, Colorado, 58 employees at our business offices in El Dorado Hills, California, 20 employees at our eDonor offices in Phoenix, Arizona, 71 employees of our Inlog subsidiary that are located primarily in Limonest, France and the remainder are spread throughout the United States. We have employment agreements with our executive officers and certain key personnel. Our employees are not represented by a labor union or subject to collective bargaining agreements. We have never experienced a work stoppage and believe that our employee relations are satisfactory.

Available Information

Global Med s Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge on the Securities and Exchange Commission s (SEC) website: http:/www.sec.gov. You may also read and copy any materials we file with the SEC at the SEC s Public Reference Room at 100 F Street, NE., Washington, DC 20549 or you may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Additional information about the Company and our products and services is also available on our website at http://www.globalmedtech.com.

Our shareholders have direct electronic access to all of our SEC filings via a link to the Securities and Exchange Commissions website available on our website at www.globalmedtech.com or via the SEC website at www.sec.gov. We send proxy and information statements directly to our shareholders when matters are brought to the vote of our shareholders.

ITEM 1A. RISK FACTORS

In addition to other information contained in this Annual Report on Form 10-K, we have identified the following risks and uncertainties. If any of the events or circumstances described below were to occur, our business, financial condition or operating results could be materially and adversely affected. We have organized our Risk Factors under captions that we believe describe various categories of potential risk. For your convenience, we have not duplicated risk factors that could be considered to be included in more than one category.

Risks Related to Our Business

Our reported revenue and operating results may fluctuate widely due to irregular sales cycles, contract terms and the application of accounting rules

The sales cycle for our products, which is the period of time between the identification of a potential customer and completion of the sale, is typically lengthy and subject to a number of factors over which we have little control, such as our customers budgeting constraints and approval processes. Our revenue can fluctuate from quarter to quarter based on our customers buying decisions. In addition, our ability to recognize revenue from software sales can be impacted by contract terms and the application of accounting rules for revenue recognition to contracts that include deliverable and non-deliverable software products, services for modification or customization of our software, acceptance criteria and other contingencies.

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We are dependent on major channel partners to sell our products into certain markets

Our medical software products and services are sold through our direct sales force and through our 15 channel partners, most of which are engaged in the sale and marketing of laboratory information systems. Our direct sales force tends to focus on blood donation centers, plasma centers, transfusion centers and hospitals that are purchasing a new blood management information system, replacing antiquated technology or sunsetted products, or upgrading their current system. We typically rely on our channel partners to reach potential customers who are purchasing a comprehensive LIS, including a blood management information system. One of our channel partners accounted for 14.5% and 25.2% of our revenue during 2008 and 2007, respectively and our operating results may be adversely affected if we do not maintain such relationships.

We may not be able to realize our sales backlog as expected which could reduce our revenue and operating results

As of December 31, 2008 our sales backlog of unrecognized revenue totaled $9.9 million. While this amount represents contracted sales for which revenue has not been recognized, we may ultimately not be able to realize the revenue as expected if our customer delays the project, or cancels the order, , or is otherwise unable to move forward or if we are unable to complete the project for any reason.

Our substantial recurring maintenance revenue could be reduced if we fail to meet service requirements.

During the year ended December 31, 2008, annual maintenance fees represented over 50% of our revenue. Our maintenance agreements range in term from single year to multi-year agreements. Maintenance consists of product bug fixes, continued regulatory compliance, and product updates. If we fail to continue to meet our maintenance commitments, a significant portion of our revenues could be at risk which could reduce our revenue and operating results.

Our results are vulnerable to general economic conditions

Worsening general economic conditions or a prolonged or recurring recession could adversely affect our operating results if our customers decide to delay or cancel plans to purchase, upgrade or support their healthcare management information systems. In an economic slowdown, we may also experience the negative effects of increased competitive pricing pressure, customer turnover, reductions in customer consulting service requirements and a decline in our customers credit worthiness.

Our cash flows from operations may fluctuate widely from quarter to quarter and our revenue and cash receipts may not be sufficient to meet the operating needs of our business.

The operating cash flows of our Inlog subsidiary are highly seasonal as the majority of its annual maintenance and support fees are billed and collected during the first quarter, while the fourth quarter is characterized by annual cash outflows for taxes and mandated employee-related payments. Consequently, Inlog s cash flows tend to be the highest during the first half of the year and the lowest during the second half of the year. Due to Inlog s significance, our consolidated cash flows from operations are expected to follow this pattern. In addition, our consolidated revenue and cash receipts may not be sufficient to meet our operating needs and other obligations. If this were to be the case, we may need to take action to reduce our operating costs or take other measures to increase or maintain our liquidity. There is no assurance that such actions will be sufficient to provide adequate cash flow to expand our business or continue to operate at our current levels.

If we are unable to successfully integrate the operations of Inlog and eDonor, our revenue and results of operations could be adversely affected.

Our operating costs could increase even further if we are unable to successfully combine the acquired operations of Inlog and eDonor or integrate the systems and procedures including research and development, integrated sales, accounting and financial reporting, or to realize the revenue synergies we expect from the combined companies. Our pro forma combined financial results cover a period during which we were not under common control or management and, therefore, are not indicative of our future financial or operating results. Our failure to integrate Inlog and eDonor and obtain all of the expected benefits could impair our future revenue and operating results.

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Our business and our software products are subject to substantial competition which may adversely affect our ability to attract and retain customers

There is substantial competition in all aspects of the medical software 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 which could make their products and services more attractive than ours which may adversely affect our ability to attract and retain customers.

Our revenue may be dependent on our ability to update and enhance our existing products and services and to develop new ones

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 reduce our planned expenditures which could negatively impact our business operations.

We cannot be certain that our research and development activities will be successful

While we are committed to enhancing our software products and services and introducing new products, we cannot be certain that our research and development activities will be successful. Furthermore, we may not have sufficient financial resources to identify and develop new technologies and bring new products to market in a timely and cost effective manner, and we cannot ensure that any such products will be commercially successful and profitable if and when they are introduced.

We depend significantly upon our intellectual property rights and the failure to protect our rights could reduce our revenue and/or increase our operating costs.

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, we have obtained a patent for our SafeTrace Tx product. 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 that could force us to reduce our planned expenditures which could negatively impact our business operations. For example, on

April 25, 2008, we received a letter from their patent counsel stating that a third party, Mediware, has filed for a reexamination of our issued patent. We believe our patent is valid and also believe it will prevail in any reexamination.

Our success also depends 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 competitive position with respect to our products.

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Failure to comply with government regulations and requirements could preclude us from continuing to market our existing products or introducing new products which could adversely affect our revenue and results of operations

Our SafeTrace, SafeTrace Tx and ElDorado products and services are subject to regulations adopted by governmental authorities, including the FDA, which govern blood center computer software products regulated as medical devices. Compliance with government regulations can be costly and 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 which could reduce our revenue and operating results.

We may be subject to product 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. In the event that we do not have adequate insurance to cover any product liabilities that we may incur, we could incur substantial costs. In addition, any actual or perceived defect in our products could adversely affect the market s perception of us and our products, and could have an adverse effect on our reputation and the demand for our products.

We may pursue strategic acquisitions and if we are unable to successfully acquire or integrate these companies, we may not be able to grow our revenue

As part of our business strategy, we may seek to acquire companies that sell software products that complement our current product mix, particularly companies focused on critical health management. We may use either equity or debt financing or our cash to make acquisitions. There is no assurance that our cash will be adequate and that equity or debt financing will be available on terms favorable to us. In the event we are not able to successfully acquire companies, we may not be able to grow our revenue. In the event we are able to acquire other companies, we may be subject to a number of risks related to the integration and management of such companies, including failure to obtain valid consents to assignment of contracts, failure of the business of the acquired company to achieve expected results, diversion of management s attention, and failure to retain key personnel of the acquired company.

We depend on our key personnel for the success of our business and the loss of one or more key personnel could have an adverse effect on our ability to manage our business

Our success and our ability to manage our business depend upon the efforts and continued service of our senior management team. The loss of one or more of our key personnel could have a material adverse effect on our business and operations as 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. 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 executive management or key employees.

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Risks Related to International Operations

We face a number of risks associated with international operations

On June 26, 2008, we completed the acquisition of Inlog S.A., a French company and its subsidiaries, including one located in Germany. We face a number of risks relating to remotely managing foreign operations including: linguistic and cultural differences; differing regulatory environments impacting our technology and our customer base; differing labor standards; difficulties and costs of staffing and managing international operations; different economic conditions; and potentially adverse tax consequences. Our failure to adequately acknowledge and manage these conditions and risks could adversely impact our revenue and our operating results.

We are subject to foreign exchange risks

We are subject to foreign exchange risks because we report our results from operations in U.S. dollars, while our Inlog subsidiary s revenue and expenses are denominated in Euros and converted to U.S. dollars in consolidation. For the year ended December 31, 2008, Inlog accounted for approximately 22% of our total revenue, based on its results from June 26, 2008 through December 31, 2008. We expect Inlog to account for a much larger percentage of our revenue in 2009, which will include a full year of Inlog s results. A decrease in the value of the Euro against the U.S. dollar could affect our consolidated profitability. We currently do not hold forward exchange contracts to manage the foreign currency exchange risk.

Risks Related to Our Stock

Our common stock is deemed to be a Penny Stock , subject to special requirement 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 (Securities Exchange Act). Penny stocks are stocks:

- With a price of less than $5.00 per share;
- That are not traded on a recognized national exchange; 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 (3) 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.

Our common stockholders could face substantial potential dilution from our Series A Convertible Preferred Stock and outstanding stock options, warrants, unvested restricted stock and contingently issuable shares

As of December 31, 2008, we had 34.067 million shares of common stock outstanding. In addition, our outstanding Series A Preferred Stock was convertible into approximately 8.3 million shares and outstanding stock options, warrants, contingently issuable shares to the Inlog sellers and unvested restricted stock totaled approximately 19.8 million as of that date. Accordingly, fully-diluted shares outstanding as of December 31, 2008 totaled approximately 62.2 million shares. We cannot predict the actual number of shares of common stock that will be issued upon the

conversion our Series A Preferred Stock or upon the exercise of stock options and warrants however, existing common stockholders could experience significant dilution.

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The market price of our common stock is highly volatile which may limit our investors ability to actively trade their shares of our common stock

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.

We do not anticipate paying any dividends on our 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.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. DESCRIPTION OF PROPERTIES

Our executive office is located in Lakewood, Colorado where we lease one thousand square feet under an agreement that expires in February, 2010. We also lease approximately 19 thousand square feet of office space in El Dorado Hills, California, under a lease that expires in August 2013. Our eDonor division occupies approximately five thousand square feet of office space in Phoenix, Arizona under a lease that expires in October 2009 and our Inlog subsidiary headquarter offices are located in Lyon, France where we occupy approximately nine thousand square feet of office space under an agreement that expires in October 2011. We believe that our existing facilities are generally adequate for our current operations.

ITEM 3. 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. After leaving Global Med, Mr. Jackson became a management employee of one of our 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. On September 1, 2005, the Company was required to deposit $1.004 million with the Superior Court in the State of California in the County of El Dorado, which represented potential fees and attorneys costs that we could be required to pay in the event we did not prevail on appeal. Based on information available at the time and upon the advice of counsel, we recorded a litigation accrual in 2005 equal to the amount of the escrow deposit. In December 2006, the summary judgment was reversed by the California Court of Appeals and the matter was remanded to the trial court. In May 2007, the $1.004 million escrow deposit was returned to us along with $80 thousand in accrued interest. While we are vigorously pursuing the lawsuit, we continue to maintain our $1.004 million legal accrual as of December 31, 2008 and 2007 under SFAS 5, Accounting for Contingencies .

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

A Special Meeting of the Shareholders of Global Med Technologies, Inc. was held on November 12, 2008. The following matters were voted on at the meeting: (i) the election of (1) two Class I Directors for a term of three years, (2) two Class II Directors for a term of two years, and (3) one Class III Director for a term of one year, each to serve on Global Med s Board of Directors until their successors are duly elected and qualified; (ii) approval of an amendment to the Company s Amended and Restated Articles of Incorporation to permit the Company s shareholders to act by less than unanimous written consent; and (iii) ratification of the appointment of Ehrhardt Keefe Steiner & Hottman PC to serve as the Company s independent registered public accountants for the year ending December 31, 2008.

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(i) Michael I. Ruxin, M.D. and Thomas F. Marcinek were elected as Class I Directors to serve for a three-year term expiring in 2011. Robert R. Gilmore and Sarah L. Eames were elected as Class II Directors to serve for a two-year term expiring in 2010. T. Kendall Hunt was elected as a Class III Director to serve for a one-year term expiring in 2009. The votes cast for or withheld with respect to the election of each director was as follows:

Name	Number of Votes Cast For	Number of Votes Withheld
Sarah L. Eames	32,890,952	179,522
Robert R. Gilmore	32,885,322	185,152
T. Kendall Hunt	32,894,622	175,852
Thomas F. Marcinek	30,835,529	2,234,945
Michael I. Ruxin, M.D.	30,864,329	2,206,145

(ii) The votes cast for, against, or abstaining, and the number of broker non-votes with respect to the approval of the an Company s Amended and Restated Articles of Incorporation was as follows:

For: 21,278,520 Against: 482,926 Abstain: 42,461

(iii) The votes cast for, against, or abstaining, and the number of broker non-votes with respect to the approval of the ra appointment of Ehrhardt Keefe Steiner & Hottman PC as the Company s independent registered accountants fo December 31, 2008 was as follows:

For: 32,816,310 Against: 205,567 Abstain: 48,597

PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock trades on the OTC Bulletin Board. OTC Bulletin Board Market quotations reflect inter-dealer prices, without retail mark-up, markdown or commission, and may not necessarily represent actual transactions.

The following table sets forth the quarterly high and low bid prices for our common stock for the two years ended December 31, 2008 and 2007, as reported by NASDAQ.

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COMMON STOCK

	2008	
	HIGH	**LOW**
First Quarter (January 2008 to March 2008)	$1.31	$0.79
Second Quarter (April 2008 to June 2008)	$1.60	$1.05
Third Quarter (July 2008 to September 2008)	$1.50	$1.00
Fourth Quarter (October 2008 to December 2008)	$1.30	$0.56

	2007	
	HIGH	**LOW**
First Quarter (January 2007 to March 2007)	$0.80	$0.60
Second Quarter (April 2007 to June 2007)	$1.15	$0.65
Third Quarter (July 2007 to September 2007)	$1.46	$0.81
Fourth Quarter (October 2007 to December 2007)	$1.46	$0.97

Holders

As of March 1, 2009, we had approximately 153 holders of record of our common stock.

Dividends

Common Stock

Since inception, we have not paid any dividends on our common stock and do not anticipate paying such dividends in the foreseeable future. We intend to retain earnings, if any, to finance our operations or make acquisitions. In accordance with the terms of our Series A Convertible Preferred Stock (Series A), we cannot issue dividends on the common stock while the Series A is outstanding unless an equal dividend is declared on the Series A. The dividend on the Series A would be calculated by determining the number of common shares the Series A is convertible into and then applying the same dividend to the Series A that was provided to the common shareholders. The payment of dividends in the future would also be subject to the written approval of our lenders.

Preferred Stock

As of March 1, 2009, 5,948 shares of Series A were outstanding. We currently do not intend to pay any dividends on the Series A.

Recent Sales of Unregistered Securities

On June 26, 2008, we issued 451 thousand shares of Global Med common stock in connection with the acquisition of Inlog and its related subsidiaries. On July 31, 2008, we issued1.180 million of Global Med common stock in connection with the acquisition of eDonor. These transactions were effected under Section 4(2) of the Securities Act.

Issuer Purchases of Equity Securities

None

Equity Compensation Plan Information

The following table details equity securities authorized for issuance as of December 31, 2008.

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	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a) (c)
Equity compensation plans approved by stockholders			
2001 Stock Option Plan	6,217,036	$ 0.89	3,819,178
Equity compensation plans not approved by stockholders			
Stock Options	2,380,100	$ 0.69	877,967
Warrants	10,137,292	$ 0.73	---
Total	18,734,428	$ 0.78	4,697,145

The number of common shares available for issuance or already issued under the terms of the existing stock option grants or under the stock option plan and stock compensation plan are subject to adjustment under certain conditions that include the declaration of stock dividends, or stock splits, etc.

ITEM 6. SELECTED FINANCIAL DATA

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide information under this item.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with our audited financial statements and related notes included in Part II, Item 8 of this Annual Report on Form 10-K. This discussion contains forward-looking statements, the accuracy of which involves risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements for many reasons, including the risks faced by us described in Part I, Item 1A RISK FACTORS .

GENERAL

Global Med is an international medical software company which develops regulated and non-regulated products and services for the healthcare industry. We are a leading provider of blood and laboratory systems and services and our products are deployed in 20 countries and serve over 1,600 transfusion centers, blood banks and laboratories.

Business Strategy

Global Med s goal is to become a global supplier of critical health management information software. We plan to achieve this goal through a combination of organic growth and strategic acquisitions.

Our organic growth strategy for marketing and selling our products and services is two pronged:

1. Direct selling to customers through our internal sales force; and

2. Marketing and selling through Channel Partners that are established in blood donor hospital markets.

In addition to increasing revenues and cash flows through our direct sales efforts and channel partner relationships, we are focused on adding new channel partners and strategic alliances and developing new products and adding enhanced functionality to our existing product mix to attract and maintain customers.

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Global Med s acquisition strategy is to purchase companies that sell software products that complement our current product mix, particularly companies focused on critical health management. We may use either equity or debt financing or our cash to make acquisitions.

Overview

Global Med designs, develops, markets and supports information management software products for blood banks, hospitals, centralized transfusion centers and other health care related facilities.

We sell various core products and their related components through our Wyndgate division: SafeTrace, SafeTrace Tx, and our ElDorado product suite. SafeTrace is used by blood centers and hospitals to track blood donations. SafeTrace Tx is used primarily by hospitals and centralized transfusion services 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 FDA for the collection and management of blood and blood products. ElDorado Donor is intended as a comprehensive blood management software application designed to provide for the information system needs of blood banks and donor centers. Donor Doc is an electronic history questionnaire that assists in the blood donor screening process.

We acquired our Inlog S.A. subsidiary on June 26, 2008 for $10.9 million in a combination of cash and stock. We are also contingently obligated to pay up to $1,481 million in earn out consideration over the next five years. Inlog has been developing, implementing, and supporting its blood bank information management solutions since 1992 and currently supplies over 800 sites in 15 countries with its products. Its product line consists of five primary products: EdgeBlood (for the donor center market), EdgeTrace (for the hospital transfusion market), EdgeLab (a laboratory information system LIS), EdgeCell (cellular therapy for tissue banks, stem cell centers and cord blood centers) and SAPA (a regulatory compliance and document management solution). Inlog recently completed the national installation of its EdgeBlood product in France where all of that country s 2.5 million annual blood donations are transacted through EdgeBlood including blood collections, infectious disease testing, component manufacturing and distribution. In addition to France, Inlog has software applications in Germany, Austria, Belgium, Switzerland, Greece and Monaco, among other countries.

Our eDonor product, which we acquired on August 1, 2008 with the acquisition of substantially all of the assets of Blueridge Solutions, L.C., for $3.5 million in cash and the issuance of $1.5 million of our common stock is a web-based donor relationship management system that integrates recruitment, scheduling, retention and fulfillment for blood donation centers of all sizes. As of December 31, 2008, eDonor was in use at 77 sites.

We derive our revenues from the sale of software licenses, annual maintenance fees, implementation fees, consulting fees and other value added support services. Annual maintenance fees represented over 50% of our revenue for the year ended December 31, 2008. Our maintenance services are generally sold under multi-year agreements. As such, they represent a fairly stable recurring revenue source for us as software maintenance tends to be a nondiscretionary expenditure for our customers. The majority of our software is sold under a perpetual license with a one-time license fee. Our software license fee revenue, which represented 21% of our revenue for the year ended December 31, 2008 can fluctuate from period to period based on our customers buying decisions. In addition, our ability to recognize software license fees can be impacted by contract terms and the application of accounting rules for revenue recognition to contracts that include deliverable and non-deliverable software products, service for modification or customization of our software, acceptance criteria and other contingencies.

We maintain a sales backlog which represents software and services sold under signed contracts, which have not yet been recognized as revenue. As of December 31, 2008, our backlog balance included $3.451 million related to contracted software sales and $6.496 million related to implementation, training, validation and other services. We

expect the revenue from our sales backlog will be recognized in 2009 and 2010, with the majority occurring in 2009.

Cost of revenue includes the employee costs and direct expenses of the departments that provide maintenance, implementation, consulting and other value added support services. It also includes third-party software costs when third-party software is bundled with our software solutions. General and administrative expenses include the employee costs and the direct expenses of our executive and support functions, plus other general corporate expenses such as accounting and legal fees and corporate governance costs. Selling and marketing expenses include employee costs, commissions, the direct expenses of our sales and marketing department, plus advertising, marketing and trade show expenses. Research and development includes the employee and direct costs of our research and development department that are incurred prior to new products achieving technological feasibility.

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Costs incurred after a new product reaches technological feasibility are capitalized as software development costs and amortized over the life of the product. Software amortization is included in depreciation and amortization.

Critical Accounting Policies and Estimates

Management s Discussion and Analysis of Financial Condition and Results of Operations discusses 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. As described by the Securities and Exchange Commission, critical accounting estimates and assumptions are those that may be material due to the levels of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change and that may have a material impact on the financial condition or operating performance of the company. Based on this definition, we believe the following are our critical accounting policies and estimates.

Revenue Recognition

We recognize revenue in accordance with the American Institute of Certified Public Accountants Statement of Position (SOP) No. 97-2, Software Revenue Recognition. Our standard software license agreement 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 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.

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.

In those instances in which vendor specific objective evidence exists for the undelivered elements but does not exist for the delivered elements, we use the residual method. Under the residual method, the total fair value of the undelivered elements, as indicated by vendor-specific objective evidence, is recorded as unearned, and the difference between the total arrangement fee and the amount recorded as unearned for the undelivered elements is recognized as revenue related to the delivered elements.

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. The projected costs associated with contract accounting are accrued at rates consistent with the revenue recognized under the percentage of completion method.

For those customer accounts for which revenue has been earned except that collectability of the amount is not deemed reasonably assured, we recognize revenues related to these accounts in the period cash is received.

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Certain of our contracts include warranties that provide for refunds of all or a portion of the software license and or other fees in the event that we are 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.

We provide consulting services that include implementation, training and the performance of other services to our customers. Revenue from such services is generally recognized ratably over the period during which the applicable service is to be performed. In addition, we may recognize certain implementation revenues based on hourly rates in effect on the contract multiplied by the number of hours completed.

Support agreements generally call for us 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.

Allowance for Doubtful Accounts

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make payments for goods and services. We analyze accounts receivable aging, customer credit-worthiness, and changes in our customer payment trends when evaluating the adequacy of the allowance for doubtful accounts. The allowance is based on a specific review of all significant past-due accounts and on a general reserve analysis. If the financial condition of our customers deteriorates, resulting in an impairment of their ability to make payments, additional allowances may be required.

Allocation of Acquisition Purchase Prices

We allocated the purchase price to acquire Inlog and eDonor to identifiable intangible and tangible assets and liabilities based on their estimated fair values at the date of acquisition with the residual amount allocated to goodwill. Intangible assets include software, customer relationships, trade names and non-compete agreements. The fair value of these assets was estimated based on the discounted future cash flow using management s assumptions about future operating results and cash discount rates. We also used our projections to estimate the useful life of these intangible assets and are amortizing the estimated fair values of intangibles over our estimated useful lives. The use of other assumptions could have produced different results with a corresponding adjustment to intangible assets, amortization expense and goodwill. Goodwill represents the excess of the purchase price over the estimated fair value of the net tangible and intangible assets acquired. Goodwill and trade names are deemed to have an indefinite life and are not amortized but are subject to impairment tests. We will test goodwill for impairment on at least an annual basis using a two-step process based on an evaluation of Inlog and eDonor s estimated fair value using discounted cash flow modeling. The first step is a screen for potential impairment, while the second step measures the amount of the impairment, if any.

Capitalized Software Costs

We invest substantial capital and human resources to enhance our existing healthcare information products and to develop new products. Costs of research and development, principally the design and development of software prior to the determination of technological feasibility, are expensed as incurred. Once technological feasibility has been established, which we define as a working prototype, we capitalize further development costs which typically consist primarily of coding as capitalized software development costs and amortize such costs over the estimated useful life of the software product. The determination of technological feasibility is inherently subjective, and different interpretations could change the value of capitalized software, amortization expense and research and development costs.

Income Tax Valuation Allowance

At December 31, 2008, we had U.S. state and foreign net operating loss carry forwards available to offset future taxable income in the respective jurisdictions. SFAS 109, *Accounting for Income Taxes*, requires that valuation reserves be established for deferred tax assets if it is more likely than not that the assets will not be realized. We have provided valuation reserves on our net operating loss carry forwards for the amount of net deferred assets in excess of the net operating loss we expect to utilize in 2009.

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YEAR ENDED DECEMBER 31, 2008 COMPARED TO YEAR ENDED DECEMBER 31, 2007

Revenues. Revenues are comprised primarily of license fees, maintenance and usage fees, and implementation and consulting services revenues.

Revenues for the year ended December 31, 2008 increased by $7.290 million or 45.3% to $23.369 million from $16.079 million for the year ended December 31, 2007. Our acquisitions of Inlog and eDonor on June 26, 2008 and August 1, 2008, respectively, accounted for $6.287 million of the increase. Our Wyndgate and PeopleMed revenues increased $1.003 million, or 5.9% over the year ended December 31, 2007.

The table below shows the percentage of our total reported revenues for the period.

	2008	2007
Maintenance	50.5%	42.7%
Consulting services	25.2%	27.9%
Software license fees	21.0%	27.0%
PeopleMed	3.3%	2.4%
Total revenue	100%	100%

At December 31, 2008, our sales backlog totaled $9.947 million compared to $5.347 million at December 31, 2007. Backlog represents software and services sold under signed contracts, which have not yet been recognized as revenue. The December 31, 2008 backlog balance included $3.451 million related to contracted software sales and $6.496 million related to implementation, training, validation and other services. At December 31, 2007, our backlog included $1.600 million related to contracted software sales and $3.747 million related to implementation, training, validation and other services.

Cost of revenue. Cost of revenues increased $4.254 million or 86.7% to $9.158 million for the year ended December 31, 2008 from $4.904 million for the year ended December 31, 2007. Acquisitions accounted for $2.715 million of the increase. The remaining $1.539 million increase was primarily due to an $852 thousand increase in employee compensation costs and $406 thousand of the increase related to the reallocation of employees from research and development assignments in 2007 to software maintenance and technical support functions in 2008. In addition, the cost of third party software products increased by $216 thousand primarily as a result of additional licenses fees associated with these products, and overhead increased by $81 thousand.

Gross profit. Gross profit increased $3.036 million or 27.2% to $14.211 million for the year ended December 31, 2008 from $11.175 million for the year ended December 31, 2007 with acquisitions accounting for $3.572 million of the increase. While gross profit for 2008 increased over 2007 due to the increase in revenues, our gross profit as a percentage of total revenue declined to 60.8% from 69.5% for the years ended December 31, 2008 and 2007, respectively. The decline in gross margins is mainly attributable to the Inlog acquisition, as Inlog has historically achieved lower gross margins than our Wyndgate division.

General and administrative. General and administrative expenses increased $2.250 million or 68.8% to $5.522 million for the year ended December 31, 2008 compared to $3.272 million for the year ended December 31, 2007, with acquisitions accounting for $1.092 million of the increase. The remaining $1.158 million increase was primarily related to non-recurring legal and accounting expenses of $397 thousand related to start-up activities associated with acquired entities, and $59 thousand in travel expenses related to acquisitions. Other increases include $211 thousand in compensation and benefits related expenses, $89 thousand in hiring expenses, $158 thousand in directors compensation, $73 thousand in contract services, and $38 thousand in training expenses.

Sales and marketing. For the year ended December 31, 2008, sales and marketing expenses increased $1.231 million or 46.2% to $3.895 million for the year ended December 31, 2008 compared to $2.664 million for the year ended December 31, 2007. Our acquisitions of Inlog and eDonor accounted for $1.099 million of the increase with the remaining increase of $132 thousand comprised primarily by increased advertising, marketing and trade show expenses.

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Research and development. Research and development expenses increased $653 thousand or 20.6% to $3.824 million for the year ended December 31, 2008 compared to $3.171 million for the year ended December 31, 2007. The acquisitions of Inlog and eDonor accounted for $1.176 million of the increase, which was partially offset by a $523 thousand, or 16.5%, decrease related to our Wyndgate and PeopleMed business. This decrease related primarily to the allocation of approximately $406 thousand to cost of revenue resulting from the assignment of employees from research and development assignments in 2007 to maintenance and technical support functions in 2008. Other decreases in research and development costs in 2008 included an increase in capitalized software development costs of $110 thousand and a decrease in employee compensation costs of $392 thousand, partially offset by an increase of $348 thousand in consulting services costs and $42 thousand in increased travel expenses primarily associated with acquisitions.

Depreciation and amortization. Depreciation and amortization of software and intangibles costs for the year ended December 31, 2008 and 2007 were $794 thousand and $181 thousand, respectively. Acquisitions accounted for $575 thousand of the increase which primarily represented amortization of purchased software and intangibles.

Income from operations. Our income from operations for the year ended December 31, 2008 was $176 thousand compared to $1.887 million for the year ended December 31, 2007. Our 2008 acquisitions produced a $370 thousand loss from operations, while our Wyndgate and PeopleMed businesses produced operating income of $546 thousand for the year ended December 31, 2008. The decrease in operating income related to our Wyndgate and PeopleMed divisions resulted primarily from acquisition and integration related expenses and an increase in our infrastructure to support 2008 sales activity relating to revenue that will be recognized in 2009 and beyond.

Interest income. Interest income for the years ended December 31, 2008 and 2007 was $115 thousand and $211 thousand, respectively.

Interest expense. Interest expense was $411 thousand and $13 thousand for the years ended December 31, 2008 and 2007, respectively. Interest expense increased as a result of the additional debt associated with financing our Inlog and eDonor acquisitions. Interest expense for 2008 includes $80 thousand in non-cash amortization of imputed interest on non-interest bearing obligations to the Inlog sellers.

Provision for income taxes. We incurred a pre-tax loss of $120 thousand for the year ended December 31, 2008 and recorded a provision for income taxes in the amount of $299 thousand. The income tax expense for 2008 resulted primarily from stock-based compensation expense related to incentive stock options that are not deductible for tax purposes and an increase in the valuation reserve related to unused net operating loss carry forwards in the United States and France. For the year ended December 31, 2007, our pre-tax income was $2.085 million and our provision for income taxes was $107 thousand. Income taxes in 2007 benefited from the reversal of the valuation reserve related to utilization of net operating losses for federal and state taxes.

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LIQUIDITY AND CAPITAL RESOURCES

Net cash used in operations for the year ended December 31, 2008 was $950 thousand. The primary components of the reconciliation of net loss of $419 thousand to net cash in operations included the add back of non-cash charges for depreciation and amortization of $794 thousand, amortization of financing costs of $80 thousand, stock-based compensation of $413 thousand, a provision for bad debt expense of $72 thousand, excess tax benefits from stock options of ($296) thousand, and the deferred income tax benefit of ($102) thousand. These non-cash charges (benefits) were offset by an increase in working capital, net of acquisitions of $1.492 million. The operating cash flows of our Inlog subsidiary are highly seasonal as the majority of its annual maintenance and support fees are billed and collected during the