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REPRO MED SYSTEMS INC
Form 10-Q
January 13, 2009

U.S. SECURITIES AND EXCHANGE COMMISSION WASHINGTON,
D.C. 20549

FORM 10-Q

(Mark One)

(X) QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934.

For the quarterly period ended November 30, 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 0-12305

REPRO-MED SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

New York

13-3044880

(State or other jurisdiction of
incorporation or organization)

(IRS Employer Identification No.)

24 Carpenter Road, Chester New York

10918

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (845) 469-2042

(Former name, former address and former fiscal year,
if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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 Smaller reporting company
(Do not check if a smaller reporting company)

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

As of November 30, 2008, 34,829,286 shares of common stock, \$.01 par value per

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share, were outstanding.

REPRO-MED SYSTEMS, INC.
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PART 1 - FINANCIAL INFORMATION

REPRO-MED SYSTEMS, INC.
BALANCE SHEETS

NOVEMBER 30, 2008 (UNAUDITED)	FEBRUARY 2008
-----	-----

ASSETS

CURRENT ASSETS:

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Cash	\$ 348,533	\$ 95,5
Accounts receivable less allowance for doubtful accounts of \$27,035 and \$26,115 for November 30, 2008 and February 29, 2008 respectively	414,232	297,2
Inventory	562,306	551,0
Prepaid expenses	67,691	44,3
<hr/>	<hr/>	<hr/>
Total Current Assets	1,392,762	988,1
PROPERTY & EQUIPMENT, less accumulated depreciation of \$1,178,799 and \$1,126,612 at November 30, 2008 and February 29, 2008 respectively .	202,012	235,6
OTHER ASSETS:		
Patents, net of accumulated amortization of \$90,001 and \$82,590 at November 30, 2008 and February 29, 2008, respectively	37,107	44,3
Goodwill	8,609	8,6
Security deposit	28,156	28,1
<hr/>	<hr/>	<hr/>
Total Other Assets	73,872	81,1
<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ 1,668,646	\$ 1,304,9
<hr/>	<hr/>	<hr/>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Note payable to financial institution	\$ 379,065	\$ 400,0
Note payable - current portion	4,524	4,2
Notes payable to related parties - current portion	-	15,0
Deferred capital gain - current portion	22,481	22,4
Accounts payable	150,565	342,4
Accrued expenses	85,026	53,1
Accrued interest	69,590	63,5
Accrued preferred stock dividends	56,000	52,0
Accrued payroll and related taxes	23,080	18,5
Warranty liability	62,194	62,1
Customer Deposits	1,394	5,1
<hr/>	<hr/>	<hr/>
Total Current Liabilities	853,919	1,038,9
OTHER LIABILITIES		
Note payable - less current portion	28,897	32,2
Notes payable to related parties - less current portion	394,000	394,0
Deferred capital gain less current portion	207,955	224,8
<hr/>	<hr/>	<hr/>
Total Other Liabilities	630,852	651,0
<hr/>	<hr/>	<hr/>
Total Liabilities	1,484,771	1,690,0
<hr/>	<hr/>	<hr/>
STOCKHOLDERS' EQUITY		
Preferred Stock, 8% cumulative, liquidation value \$100,000, \$0.01 par value, 2,000,000 shares authorized, 10,000 shares issued and outstanding at November 30, 2008 and February 29, 2008, respectively	100	1
Common Stock, \$0.01 par value, 50,000,000 shares authorized, 34,829,286 issued and outstanding at November 30, 2008 and February 29, 2008	348,293	348,2
Additional paid-in Capital	2,883,533	2,846,0
Accumulated deficit	(2,906,051)	(3,437,5
<hr/>	<hr/>	<hr/>
	325,875	(243,0

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Less: Treasury Stock, 2,275,000 shares at cost at November 30, 2008 and February 29, 2008	(142,000)	(142,000)
Total Stockholders' Equity	183,875	(385,000)
Total Liabilities and Stockholders' Equity	\$ 1,668,646	\$ 1,304,900

See Accompanying Notes to Financial Statements

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REPRO-MED SYSTEMS, INC. STATEMENTS OF OPERATIONS (UNAUDITED)

	FOR THE THREE MONTHS ENDED NOVEMBER 30		FOR THE NINE MONTHS ENDED NOVEMBER 30	
	2008	2007	2008	2007
NET SALES	\$ 853,591	\$ 620,879	\$ 2,490,062	\$ 1,624,000
COST AND EXPENSES				
Cost of goods sold	312,917	226,248	921,852	615,000
Selling, general and administrative	314,947	288,987	917,829	871,000
Research and development	6,093	8,651	16,126	34,000
Depreciation and amortization	19,002	16,186	59,598	48,000
TOTAL COSTS AND EXPENSES	652,959	540,072	1,915,405	1,570,000
NET OPERATING PROFIT (LOSS)	200,632	80,807	574,657	54,000
OTHER INCOME/(EXPENSES)				
Interest Expense	(9,339)	(19,448)	(39,205)	(120,000)
Interest and Other Income	-	-	8	-
TOTAL OTHER INCOME/(EXPENSE)	(9,339)	(19,448)	(39,197)	(119,000)
NET PROFIT (LOSS) BEFORE TAXES	191,293	61,359	535,460	(65,000)
Provision for Income Taxes	-	-	-	-
NET INCOME (LOSS)	\$ 191,293	\$ 61,359	\$ 535,460	\$ (65,000)
PREFERRED STOCK DIVIDENDS	-	-	4,000	4,000
NET INCOME (LOSS) AVAILABLE TO COMMON STOCKHOLDERS	\$ 191,293	\$ 61,359	\$ 531,460	\$ (69,000)
NET INCOME (LOSS) PER COMMON SHARE AVAILABLE TO COMMON STOCKHOLDERS ..	0.01	0.01	0.02	(0.01)

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WEIGHTED AVERAGE COMMON SHARES

OUTSTANDING	34,829,286	32,193,155	34,829,286	32,193,
	=====	=====	=====	=====

See Accompanying Notes to Financial Statements

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REPRO-MED SYSTEMS, INC STATEMENTS OF CASH FLOWS (UNAUDITED)

	FOR THE NINE MONTHS ENDED	
	NOVEMBER 30, 2008	NOVEMBER 30, 2007
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	\$ 535,460	\$ (65,791)
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Stock based Compensation to obtain financing	-	75,840
Stock options to employee's and directors	24,209	37,518
Interest charged to additional paid in capital	13,230	-
Depreciation and amortization	59,598	48,248
Deferred capital gain - building lease	(16,860)	(16,860)
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(117,026)	(72,505)
(Increase) decrease in inventory	(11,274)	(5,777)
(Increase) decrease in prepaid expense	(23,299)	(19,514)
Increase (decrease) in accounts payable	(191,868)	(42,842)
Increase (decrease) in accrued payroll and related taxes	4,486	(4,547)
Increase (decrease) in accrued expense	31,846	36,360
Increase (decrease) in preferred stock dividend	-	4,000
Increase (decrease) in customer deposits	(3,786)	-
Increase (decrease) in accrued interest	6,000	5,795
	-----	-----
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	310,716	(20,075)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property and equipment	(18,523)	(36,851)
Reduction in patents	-	-
Security deposits	-	26,646
Payments for patents	(164)	(6,260)
	-----	-----
NET CASH USED IN INVESTING ACTIVITIES	(18,687)	(16,465)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on note payable to financial institutes	(20,935)	-
Proceeds from note payable to related parties	-	16,762
Payments to note payable to related parties	(15,000)	-
Payments on notes payable	(3,122)	-
Payments on capitalized lease obligations	-	(617)
Preferred stock dividends	-	(4,000)
	-----	-----
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(39,057)	12,145
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	252,972	(24,395)
CASH BEGINNING OF PERIOD	95,561	99,421
	-----	-----

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CASH END OF PERIOD	\$ 348,533	\$ 75,026
	=====	=====

Supplemental Information

Cash paid during the year for:

Interest	11,738	14,698
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See Accompanying Notes to Financial Statements

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REPRO-MED SYSTEMS, INC.
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE NATURE OF OPERATIONS

Repro-Med Systems, Inc. (the "Company") was incorporated on March 24, 1980 under the laws of the State of New York. The Company was organized to engage in research, development, laboratory and clinical testing, production and marketing of medical devices used in the treatment of the human condition.

BASIS OF PRESENTATION

The accompanying unaudited financial statements as of November 30, 2008 have been prepared in accordance with generally accepted accounting principles in accordance with instructions to regulation S-X. Accordingly, they do not include all of the information and disclosures required by accounting principles generally accepted in the United States of America for complete financial presentation.

In the opinion of the Company's management, the financial statements contain all adjustments (consisting of normal recurring accruals) necessary to present fairly the Company's financial position as of November 30, 2008 and the results of operations and cash flow for the interim periods ended November 30, 2008 and 2007.

The results of operations for the nine-month period ended November 30, 2008, are not necessarily indicative of the results to be expected for the full year. These interim financial statements should be read in conjunction with the financial statements and notes thereto of the Company and management's discussion and analysis of financial condition and results of operations included in the Company's Annual Report for the year ended February 29, 2008, as filed with the Securities and Exchange Commission on Form 10-KSB.

CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Company considers all short-term investments with an original maturity of three months or less to be cash equivalents.

INVENTORY

Inventories consist of purchased parts and assembled units and are stated at the lower of average cost or market value. Average cost is calculated using a rolling average based upon new purchases and

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quantities.

PATENTS

Costs incurred in obtaining patents have been capitalized and are being amortized over seventeen years.

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REPRO-MED SYSTEMS, INC. NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

INCOME TAXES

The Company accounts for income taxes under the liability method, which requires the determination of deferred tax assets and liabilities based on the differences between the financial and tax bases of assets and liabilities using enacted tax rates expected to be in effect for the year in which differences are expected to reverse. Deferred tax assets are adjusted by a valuation allowance since, based on available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

As November 20, 2008, the Company made no provisions for income taxes because of the net operating loss carry forwards available in amounts exceeding the current period liability. The deferred tax asset associated with the net operating loss carry forwards available are fully reserved (and have been prior to this time) based on the Company's lack of profitability. When it is more likely than not that the Company will recognize the net operating loss carry forwards, an appropriate adjustment will be reflected in the Company's financial statement.

PROPERTY AND EQUIPMENT AND DEPRECIATION

Property and equipment is stated at cost and is depreciated using the straight-line method over the estimated useful lives of the respective assets. Routine maintenance, repairs and replacement costs are expensed as incurred and improvements that extend the useful life of the assets are capitalized. When property and equipment are sold or otherwise disposed of, the cost and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is recognized in operations.

STOCKHOLDERS' EQUITY/NOTES PAYABLE TO RELATED PARTIES

During the three month and nine month period ended November 30, 2008, \$4,410 and \$13,230 respectively of interest accruing on a note payable to related party was charged to additional paid-in capital.

NET INCOME (LOSS) PER COMMON SHARE

The Company computes per share amounts in accordance with Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings per Share". SFAS No. 128 requires the presentation of primary and fully diluted earnings per share ("EPS") and requires presentation of basic and diluted EPS. Basic EPS is computed by dividing the income (loss) available to Common Stockholders by the weighted-average number of common shares outstanding for the period. Diluted EPS is based on the weighted-average number of shares of Common Stock and Common stock equivalents outstanding during the periods. Common stock equivalents have been excluded from the weighted average shares outstanding

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calculation, as inclusion would be anti-dilutive. The diluted earnings per share calculation include the addition of \$4,000 from preferred stock dividends, resulting in no difference between basic and diluted earnings per share.

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REPRO-MED SYSTEMS, INC. NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

USE OF ESTIMATES IN THE FINANCIAL STATEMENTS

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Important estimates include but are not limited to, asset lives, valuation allowances, inventory and accruals.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

In determining the allowance for doubtful accounts the Company analyzes the aging of accounts receivable, historical bad debts, customer creditworthiness and current economic trends.

REVENUE RECOGNITION

In accordance with Securities and Exchange Commission's (SEC's), Staff Accounting Bulletin No. 104, sales of manufactured products are recorded when shipment occurs and title passes to a customer, persuasive evidence of an arrangement exists with the customer, the sales price is fixed and determinable and the collectability of the sales price is reasonably assured. The Company's revenue stream is derived from the sale of an assembled product. Other service revenues are recorded as the service is performed. Shipping and handling costs are generally billed to customers and are included in sales. The Company does not accept return of goods shipped unless it is a Company error. The Company does not grant sales allowances other than an occasional 1% discount for payments made within 30 days. The only credits provided to customers are for defective merchandise and sales incentives are occasional advertising in customer catalogues.

STOCK-BASED COMPENSATION

The Company accounts for employee stock based compensation and stock issued for services using the fair value method. In accordance with SFAS No. 123R, the measurement date of shares issued for services is the date when the counterparty's performance is complete.

The Company accounts for stock issued for services using the fair value method. In accordance with the Emerging Issues Task Force ("EITF") 96-18, the measurement date of shares issued for service is the date when the counterparty's performance is complete.

RECLASSIFICATIONS

Certain amounts in the February 29, 2008 and November 30, 2007, financial statements have been reclassified to conform to the presentation used in the November 30, 2008, financial statements.

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REPRO-MED SYSTEMS, INC.
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

NOTE 2 INVENTORY

Inventory is valued at the lower of average cost or market and consists of the following at:

	November 30, 2008	February 29, 2008
	-----	-----
Raw materials	\$446,364	\$426,587
Work in progress	56,992	56,992
Finished goods	58,950	67,453
	-----	-----
	\$562,306	\$551,032

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at:

	November 30, 2008	February 29, 2008	Estimated Useful Lives
	-----	-----	-----
Furniture and office equipment	\$ 431,769	\$ 413,247	5 years
Manufacturing equipment and tooling	949,042	949,042	7-12 years
	-----	-----	
	1,380,811	1,362,289	
Less: accumulated amortization and depreciation ...	1,178,799	1,126,612	
	-----	-----	
Property and Equipment, Net .	\$ 202,012	\$ 235,677	

Depreciation expense was \$52,187 and \$44,434 for nine months ended November 30, 2008 and November 30, 2007 respectively.

NOTE 4 RELATED PARTY TRANSACTIONS

NOTES PAYABLE TO RELATED PARTIES

The President of the Company has advanced the Company \$100,000 under a demand loan which bears interest at the rate of 8% (see Note 6 - Long-term debt). This note has been approved by the Board of Directors. The President has agreed to extend the maturity date to March 30, 2010.

Additionally, during the year ended February 28, 2007, the President made short term advances to the Company for working capital secured by accounts receivable of the Company aggregating \$69,274. These advances were repaid during the fiscal year ending February 29, 2008.

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REPRO-MED SYSTEMS, INC. NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

LEASED AIRCRAFT

The Company leases an aircraft from a Company controlled by the President. The lease payments aggregated \$16,125 for due nine months ended November 30, 2008 and \$22,500 for the years ended February 29, 2008. The original lease agreement has expired and the Company is currently on a month-to-month basis for rental payments.

NOTE 5 NOTE PAYABLE TO FINANCIAL INSTITUTION

On February 21, 2008, the Company borrowed \$400,000 from a financial institution under a revolving loan agreement. The loan does not specify a maturity date and is due on demand. The loan was personally guaranteed by a director of the Company. The loan bears interest at the rate of 4.75% per annum. The amount outstanding on the note payable is \$379,065 and 400,000 at November 30, 2008 and February 29, 2008 respectively.

NOTE 6 LONG-TERM DEBT

Long-term debt consists of the following at:

	November 30, 2008 -----	February 29, 2008 -----
In April 2004, the Company borrowed \$25,000 from three individuals, including \$10,000 from the President, at 2% over the prime-lending rate. These loans mature June 30, 2008. As an additional incentive to make the loans, the Company agreed to grant one share of its common stock for each dollar of indebtedness outstanding at each calendar quarter. During the year ended February 29, 2008, the President was repaid the \$10,000. The remaining balance was paid in 2008.	-	\$ 15,000
The President of the Company has loaned the Company, \$100,000 at 8% interest. The loan is unsecured and matures March 30, 2010.....	100,000	100,000
In October 2006, the Company borrowed \$325,000 from a Director of the company, at 6% interest per annum. This loan matures April 30, 2010. In addition to the interest the holder is issued Warrants' to acquire 150,000 shares of restricted common stock at \$.10 per share. The Warrants vest immediately. On February 21, 2008, the Director exercised the warrants and stock options granted in June 2007 and, as consideration for the stock received, reduced the loans outstanding.	294,000	294,000
In January 2008, the Company entered into an installment loan arrangement to purchase a vehicle. The loan bears interest at the rate of 6.735% and is payable in 84 monthly installments of \$552. The loan is secured by the vehicle.	33,421	36,543
	-----	-----
	427,421	445,543
Less current portion	4,524	19,293
Long-term portion	\$422,897	\$426,250

In connection with the October 2006 borrowing of \$325,000, the company

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issued 150,000 warrants to acquire its common stock at \$0.10 per share. As a result of the company performing a Black-Scholes computation on the value of the warrants, it concluded that the resultant value of approximately \$4,500 was not significant and accordingly, did not reduce the value of the warrants from the note proceeds.

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REPRO-MED SYSTEMS, INC. NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

NOTE 7 STOCK OPTIONS

On June 6, 2007, the Board of Directors approved the issuance of 4,360,000 stock options to key employees and directors of the Company. The options have an expiration date of 5 years from the date of grant and an exercise price of \$0.06 per share. Of the 4,360,000 stock options granted, 1,690,000 vested immediately and 890,000 stock options vest each succeeding year for three consecutive years.

The following table summarizes the company's stock options:

	Options Outstanding -----	Exercise Price -----	Average Exercise Price -----	Weighted Average Life -----	Weighted Average Exercise Price -----
Balance, February 29, 2008	--	--	--	--	--
Granted	4,360,000	\$ 0.06	\$ 0.06	3.0	\$ 0.06
Exercised ..	600,000	0.06	0.06	--	--
Cancelled ..	--	--	--	--	--
Balance, November 30, 2008	3,760,000	\$ 0.06	\$ 0.06	3.0	\$ 0.06

The fair value of the option calculated using the Black-Scholes pricing model aggregated \$120,966. The amount recorded in the Statement of Operations for the 1,690,000 options, which vested immediately, was \$45,966. The balance of the expense will be recorded in the succeeding 3 years at approximately \$25,000 per year.

The fair value of the options was calculated using the following factors and the Black-Scholes pricing model:

Risk free rate	2.4%
Volatility	96.16%
Expected life	1.5 years
Dividend yield	0%

NOTE 8 SALE-LEASEBACK TRANSACTION - OPERATING LEASE

On February 25, 1999, the Company entered into a sale-leaseback arrangement whereby the Company sold its land and building at 24 Carpenter Road in Chester, New York and leased it back for a period of 20 years. The leaseback is accounted for as an operating lease. The

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gain of \$449,617 realized in this transaction has been deferred and is amortized to income in proportion to rental expense over the term of the related lease.

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REPRO-MED SYSTEMS, INC. NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

At February 29, 2008 minimum future rental payments are:

Year	Minimum Rental Payments
2009	\$120,000
2010	120,000
2011	120,000
2012	120,000
2013	120,000
thereafter	845,000

	\$1,445,000
	=====

Rent expense for the year ended February 29, 2008 aggregated \$120,000 and \$90,000 for the nine months ended November 30, 2008.

NOTE 9 COMMITMENTS AND CONTINGENCIES

- Contingencies

The Company is contingently liable to rework and fulfill a contractual commitment of its product for a customer order. The total additional material and labor cost to complete this work approximates \$62,000. The provision has been recorded in the Company's financial statements.

- Accounting for Uncertainty in Income Taxes

The Company has a net operating loss carry over of approximately \$2,800,000 and did not file income taxes for four fiscal years. In accordance with FASB Interpretation 48, "Accounting for Income Tax Uncertainties", the Company recognizes that the failure to file tax returns for these fiscal years is an event which will "more likely than not" create a tax penalty liability to be sustained by the taxing authority. As of November 30, 2008, the effect of taxes, interest and penalties cannot be determined.

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PART I ITEM 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Quarterly Report on Form 10-Q contains certain "forward-looking" statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) and information relating to us that are based on the beliefs of the management, as well as assumptions made by and information currently available. Our actual results may vary materially from the forward-looking statements made in this report due to important factors such as, recent operating losses,

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uncertainties associated with future operating results, unpredictability related to Food and Drug Administration regulations, introduction of competitive products, limited liquidity, reimbursement related risks, government regulation of the home health care industry, success of the research and development effort, market acceptance of Freedom60(R), availability of sufficient capital to continue operations and dependence on key personnel. When used in this report, the words "estimate," "project," "believe," "anticipate," "intend," "expect" and similar expressions are intended to identify forward-looking statements. Such statements reflect current views with respect to future events based on currently available information and are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. These statements involve risks and uncertainties with respect to the ability to raise capital to develop and market new products, acceptance in the market place of new and existing products, ability to penetrate new markets, our success in enforcing and obtaining patents, obtaining required Government approvals and attracting and maintaining key personnel that could cause the actual results to differ materially. Repro-Med does not undertake any obligation to release publicly any revision to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

THREE MONTHS ENDED NOVEMBER 30, 2008 VS. 2007

Strong sales of our Freedom60 line continued during the quarter ended November 30, 2008 resulting in our net profit of \$191,293 for the Quarter (which contained no stock based compensation) as compared to \$61,359 (which included stock based compensation of \$4,750) for the same quarter in 2007, an increase of 212%. Selling, General and Administrative Expense (SG&A) increased 9% to \$314,947 from \$288,987 quarter over quarter 2008 vs. 2007, due to increased staff and increases in marketing costs, such as trade shows. Research and Development decreased to \$6,093 from \$8,651 primarily due to reallocation of resources from engineering to sales.

Total sales increased by 37% from \$623,613 to \$855,869 for the three-month period ending November 30, 2008 as compared to the quarter ending November 30, 2007. Returns and allowances were insignificant.

Sales of the Freedom60 Syringe Infusion System, related accessories and repairs increased overall by 66% from \$383,257 to \$636,744 in the third quarter ending November 30, 2008 as compared to the same period in 2007. This increase is due to the increased sales for use with immune globulin caused by Medicare specifying the Freedom60 for use with SCIG, (subcutaneous immune globulin) and antibiotics along with word of the costs and performance being communicated throughout the industry. Sales of RES-Q-VAC and related accessories showed an

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overall decrease of 17% from \$203,260 to \$168,987 which was due to very strong sales of RES-Q-VAC both internationally and domestically during the first half of the year which did not continue in the third quarter, as these tend to be somewhat cyclical in nature. Company sales of non-core products increased during the quarter by \$13,341 or 36% primarily due to the sales of needle sets purchased to supply along with our Freedom60.

Interest expense decreased by 52% to \$9,339 from \$19,448 as a result of paying off high interest demand notes and making more timely payments to vendors.

NINE MONTHS ENDED NOVEMBER 30, 2008 VS. 2007

Net Income shows a profit of \$535,460 (after deducting \$24,209 of employee and director stock options recorded as fair market value) for the nine months ending November 30, 2008 as compared to a loss of \$65,791 (after deducting stock based compensation for financing of \$75,840 and \$37,518 for employee and director stock options) for the same nine months in 2007 and represents a total improvement in the year to date third quarter net income of \$601,251.

Total sales increased by 53% to \$2,496,040 from \$1,632,140 for the nine-month period ending November 30, 2008. Returns and allowances were insignificant.

Sales of the Freedom60 Syringe Infusion System, including related accessories and repairs increased 87% in the nine months ended November 30, 2008 vs. the nine months ended November 30, 2007. We have concentrated the majority of our efforts in the Freedom60 line, specifically towards the subcutaneous immune globulin (SCIG) market. This sales increase was due to our direct efforts, and the reimbursement, which was increased twenty fold and subsequently resulted in Medicare issuing a letter of clarification stating the Freedom60 as the only pump approved for SCIG reimbursement. Lastly, we diligently called on, in-serviced (trained) and sold virtually every major SCIG provider in the domestic market. Reflected in the sales year to date is a new distributor in Finland who has begun selling the Freedom60 in the Scandinavian market. We anticipate these sales to continue to increase as the SCIG market continues to develop and as we work on new enhancements to the Freedom60 that we believe will expand this market even further. In addition, we expect many of the SCIG users will see benefit in using the Freedom60 system for other uses, such as antibiotics, chemotherapeutics and pain medications.

Sales of the RES-Q-VAC increased overall by 16% with increases in both the international and domestic markets from \$590,823 to \$686,662 for the nine months ended November 30, 2008 vs. nine months ended November 30, 2007.

Selling, General and Administrative Expense (SG&A) increased 5% to \$917,829 in 2008 from \$871,356 in 2007. This increase is related to an increase in trade show expenses, and higher recruiting expenses associated with the hiring of additional staff.

Research and development expenses decreased from \$34,761 to \$16,126 primarily due to reallocation of certain labor costs to sales.

Depreciation and amortization expense increased by 24% from \$48,248 during the nine months of 2007 as compared to \$59,598 for 2008 as a result of new depreciation on capital equipment and adjustments to certain patent expenses. Interest expense for the nine months has decreased from \$120,410 to \$39,205 for the year to date third quarter 2007 to 2008 as a result of the elimination of compensation relating to loans which were fully paid off before YE 2008 and lower interest replacement loans. Our profit margin increased slightly from 62% to 63% due to increased production efficiencies.

LIQUIDITY AND CAPITAL RESOURCES

For the nine months ended November 30, 2008, the net profit improved to \$535,460 (after deducting stock based compensation of \$24,209) as compared to a loss of \$65,791 (after deducting stock based compensation for financing of \$75,840 and \$37,518 for employee and director stock options) for the previous year to date primarily as a result of our improved sales performance, especially with our Freedom60 and to a lesser extent, Res-Q-Vac sales. For the nine months ending

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November 30, 2008, Net Cash provided from Operations was \$310,716 as compared with net cash used by operations of \$20,075 for the prior year. This increase is due primarily to increased sales and certain cost controls related to Selling and General and Administrative Expense.

In January of 2008 we were notified by The Trade Adjustment Assistance Program of the Trade Department that our application for a grant of \$150,000 was approved for use to assist us with marketing, ISO and regulatory affairs, and new product development. The grant matches the company on a 50-50 basis thereby reducing our costs for these new programs in half. The Trade Adjustment Assistance Program is a United States Government program to help manufacturing firms adjust to foreign business competition. The program is authorized by the Trade Act of 1974 and is administered by the U. S. Department of Commerce. The program operates through Trade Adjustment Assistance Centers located across the United States. The New York State area is served by the New York State Trade Adjustment Assistance Center (NYS TAAC). The NYS TAAC is affiliated with the Research Foundation of the State University of New York at Binghamton. Several payments were issued during nine month period pursuant to this program.

In raising capital beginning in February 2004, the Company issued promissory notes in the total amount of \$432,000. These five-year promissory notes paid 2% over prime plus four shares of common stock per year for every year the loan was in place. The loans were fully satisfied by the end of February 2008 and replaced with a simple loan secured with an interest rate set at prime on February 21, 2008.

We believe the Freedom60 continues to find a solid following in the subcutaneous immune globulin market and this market is expected to continue to increase both domestically and internationally. We continued to experience an increase in sales and cash flow during nine months ended November 30, 2008 and with these increases and the capital we currently have, we will continue to meet or exceed the company's financial needs for the next twelve months.

FREEDOM60

The Freedom60 Syringe Infusion Pump is designed for ambulatory medication infusions. Ambulatory infusion pumps are most prevalent in the home care market. Other potential applications for the Freedom60 are pain control, the infusion of specialized drugs such as IgG, and chemotherapy. The home infusion therapy market is comprised of approximately 4,500 sites of service, including local and national organizations, hospital-affiliated organizations, and national home infusion organizations, and produces approximately \$4.5 Billion in revenue annually (Ref: www.nhianet.org). With insurance reimbursement in a severe decline, there is a tremendous need for a low-cost, effective alternative to electronic and expensive disposable IV administration devices for the home care. The Freedom60 provides a high-quality delivery to the patient at costs similar to gravity and is targeted for the home health care industry, patient emergency transportation, and for any time a low-cost infusion is required.

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For the home care patient, Freedom60 is an easy-to-use lightweight mechanical pump using a 60cc syringe, completely portable, cost effective and maintenance free, with no batteries to replace and no cumbersome IV pole. For the infusion professional, Freedom60 delivers precise infusion rates and uniform flow profiles providing consistent transfer of medication. A Form 510(k) Pre-market Notification for initial design of the Freedom60 as a Class II device was approved by the FDA in August 1994.

The Company also designed and manufactured the Freedom60-FM, an enhanced version

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of the Freedom60 which contains an electronic flow monitor system that provides occlusion and end of infusion alarm. This product is directed at nursing homes, hospitals and pediatric ambulatory applications where alarms are generally required for nursing acceptance. Nurses also appreciate being able to visualize the drug volume by reading the scale on the syringe.

We have expanded the use of the Freedom60 to cover most antibiotics including the widely used and somewhat difficult to administer vancomycin. We have also found a following for Freedom60 for use in treating thalissemia with the drug desferal. In Europe we found success in using the Freedom60 for pain control, specifically post-operative epidural pain administration. Our European market also uses the Freedom60 for chemotherapy.

The Freedom60 use for Primary Immune Deficiency by injecting immune globulin (IgG) under the skin as a subcutaneous administration has seen increased usage over the past year. This method has provided patients with vastly improved quality of life with much fewer unpleasant side effects over the traditional intravenous route. The Freedom60 is an ideal system for this administration since the patient is able to self-medicate at home, the pump is easily configured for this application, and the Freedom60 is the lowest cost infusion system available in a heavily cost constrained market. We have begun to advertise one of the main benefits of the Freedom60 for use with IgG which is that it operates in "dynamic equilibrium"; that is the pump finds and maintains a balance between what a patient is able to absorb and what the pump infuses. This balance is created by a safe, limited and controlled pressure which adjusts the flow rate automatically to the patient's needs providing a reliable, faster and a more comfortable administration with fewer side effects for these patients.

Repro-Med Systems' objective is to build a product franchise with Freedom60 and the sale of patented disposable tubing sets. Freedom60 uses rate-controlled tubing with standard slide clamp and luer-lock connector on the patient end. Our patented syringe disc connector insures that only the Company's Freedom60 tubing sets will function with the pump. Non-conforming tubing sets, without the patented disc connector, are ejected from the pump to prevent the danger of an overdose or runaway pump from injuring the patient.

THE MARKET FOR INFUSION PUMPS & DISPOSABLES

The ambulatory infusion market has been rapidly changing due to reimbursement issues. Insurance reimbursement has drastically reduced the market share of high-end electronic type delivery systems as well as high-cost disposable non-electric devices, providing an opportunity for the Freedom60. We believe market pressures have moved to consider alternatives to expensive electronic systems especially for new subcutaneous administrations which usually cannot be done with gravity. For cost concerns some patients have been trained to administer intravenous drugs through IV push where the drug is pushed into the vein directly from a syringe. This is a low-cost option but has been associated with complications and considered by many to be a high-risk procedure. Thus, the overall trend has been towards syringe pumps due to the low-cost of disposables.

In order to receive more favorable Medicare reimbursement for our Freedom60 Syringe Infusion System, we had submitted a formal request for a HCPCS coding verification with the Statistical Analysis Durable Medical Equipment Regional Carrier (SADMERC). On May 21, 2007 we received a notification from CMS (Centers for Medicare & Medicaid Services) that the Freedom60 had been re-reviewed for Medicare billing. It was the determination that the Medicare HCPCS code(s) to bill the four Durable Medical Regional Carriers (DMERCs) should be: E0779

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Ambulatory infusion pump, mechanical, reusable, for infusion 8 hours or greater. The new coding provides for a substantial increase in reimbursement for providers using an infusion pump for authorized users under Part B of Medicare. Current approved uses under Medicare include among others, subcutaneous immune globulin, antivirals, antifungals, and chemotherapeutics. In June 2007 CMS issued a clarification that the Freedom60 Syringe Infusion Pump is the only allowable pump to be billed with subcutaneous immune globulin under HCPCS code E0779.

COMPETITION FOR THE FREEDOM60

Competition for the Freedom60 for IgG is currently limited to electrically powered infusion devices which are more costly and can create high pressures during delivery which can cause complications for the administration of IgG. However, there can be no assurance that other companies with greater resources will not enter the market with competitive products which will have an adverse effect on our sales.

There is the potential for new drugs to enter the market, such as using Hyaluronidase which can facilitate absorption of IgG, making multiple site infusions unnecessary and changing the market conditions for devices such as the Freedom60. We believe the Freedom60 is ideal for all these new drug combinations but there can be no assurance that these newer drugs will have the same needs and requirements as the current drugs being used.

There can be no assurance that Medicare will continue to provide reimbursement for the Freedom60 or they may allow reimbursement for other infusion pumps that are currently in the market or new ones that may enter shortly, which could adversely affect our sales into this market.

RES-Q-VAC

The RES-Q-VAC Emergency Airway Suction System is a lightweight, portable, hand-operated suction device that removes fluids from a patient's airway by attaching the RES-Q-VAC pump to various proprietary sterile and non-sterile single-use catheters sized for adult and pediatric suctioning. The one-hand operation makes it extremely effective and the product is generally found in emergency vehicles, hospitals and wherever portable aspiration is a necessity, including backup support for powered suction systems. The disposable features of the RES-Q-VAC reduce the risk of contaminating the health professional from HIV or SARS when suctioning a patient or during post treatment cleanup. All of the parts that connect to the pump are disposable.

We recently introduced a new version of the RES-Q-VAC with the addition of a portable LED white light, which attaches to the canister assembly. The light is fully malleable and can direct light during operations when lighting is poor or at night. We have our latest version of the RES-Q-VAC called Ultra which contains all of our latest enhancements. We have begun marketing the RES-Q-VAC ULTRA both domestically and with a distributor in Italy.

A critical component and advantage of the RES-Q-VAC ULTRA is the Full Stop Protection, (FSP) a recently patented filtering system that both prevents leakage and over-flow of the aspirated fluids, even at full capacity, and traps all air and fluid borne pathogens and potentially infectious materials within the sealable container. This protects users from potential exposure to disease and contamination. The Full Stop Protection meets the requirement of the Occupational Safety and Health Administration. The Company has received a letter

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from OSHA confirming that the RES-Q-VAC with the Full Stop Protection falls under the engineering controls of the Blood borne Pathogen regulation and that the Products use would fulfill the regulatory requirements.

We have also added new connectors to our pediatric catheters, which allow them to connect directly to the adult containers with FSP. These connectors allow pediatric suctioning with the benefit of the Full Stop Protection device as well as with sterile catheters. Many infants are born with contagious diseases and the new system eliminates this concern among paramedics during an emergency delivery.

A critical advantage of our RES-Q-VAC airway suction system is versatility. With the addition of Full Stop Protection, we created specific custom RES-Q-VAC kits for various vertical markets:

Emergency Medicine - we make several special kits for emergency use, which contain all the catheters necessary to treat adults as well as infants or children. These first responder kits are generally non-sterile. We also have special attachments available for the advanced paramedic to treat patients who are intubated.

Respiratory - in-home care, long term care, situations requiring frequent suctioning such as cystic fibrosis patients, patients with swallowing disorders, elderly, patients on ventilators and with tracheostomies all benefit from the portability, cost and performance of the RES-Q-VAC. In hospitals, the RES-Q-VAC provides emergency back up due to power loss or breakdown of the wall suction system.

Hospital Use - for crash carts, the emergency room, patients in isolation, moving patients throughout the hospital (e.g., from ICU to Radiology) and backup for respiratory, RES-Q-VAC is available sterile with Full Stop Protection for the ultimate in performance and to meet all the OSHA regulations and CDC guidelines for use in treating patients in isolation, and in any location. Hospitals are required under the EMTALA regulations to provide emergency treatments to patients anywhere in the primary facility and up to 250 yards away. The RES-Q-VAC insures full compliance with these regulations and helps minimize unfavorable outcomes and potential lawsuits there from. We provide special hospital kits, which are fully stocked to meet all hospital applications for both adult and pediatric.

Nursing Homes, Hospice, Sub-acute - we provide special configurations for dining areas, portable suctioning for outside events and travel. Chronic suction can be accommodated with RES-Q-VAC, which can be left by the bedside for rapid use during critical times.

Dental Applications - we offer a version of the RES-Q-VAC, called DENTAL-EVAC which addresses the needs of oral surgeons for emergency back up suction during a procedure. DENTAL-EVAC is supplied with the dental suction attachments such as saliva ejector and high volume evacuator.

Military Applications - due to its lightweight, portability, and rapid deployment, we believe that the RES-Q-VAC is ideal for any military situation. In addition, rapid, aggressive, and repeated suctioning best treats exposure to chemical weapons of mass destruction such as Sarin. We believe that the RES-Q-VAC's compact size, powerful pump, and full protection of the user from any contamination, gives us a competitive edge in this market.

RES-Q-VAC is sold domestically and internationally by emergency medical device distributors. These distributors generally sell to the end user and advertise

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these products in relevant publications and in their catalogs.

COMPETITION FOR THE RES-Q-VAC

Currently there are a number of competitive devices built in China such as Ambu Res Cue Pump and Easy Breezer, which are essentially copies of the RES-Q-VAC technology, and are available at lower costs. There is also a device called V-Vac made by Laerdal which has strong representation. None of these devices have our patented Full Stop Protection filter, or are available sterile. The RES-Q-VAC currently has greater performance and while lower cost devices initially did affect our sales, currently it appears that we are increasing and maintaining sales in this market. However with the decrease in funding to the emergency medical market due to an economic downturn, there can be no assurance that our sales will continue at the current level, or that these lower cost devices will not begin to erode our markets.

TRADE SHOWS

In this quarter ended November 30, 2008, we attended tradeshows for Freedom60 including ESID (European Society for Immunodeficiency's) from October 16 to 19 held in the Netherlands and Medica from November 19 to 22 held in Dusseldorf, Germany.

On September 4 we held new distributor training in Middletown, NY and September 29 we held another training session for a distributor in Finland.

For RES-Q-VAC we attended the EMS Expo from October 16 to 19, 2008 held in Las Vegas, NV.

PART I ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Applicable

PART I ITEM 4. CONTROLS AND PROCEDURES

The Company's management, including the Company's chief executive officer and chief financial officer, have evaluated the effectiveness of the company's "disclosure controls and procedures "as such is defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based upon their evaluation, the chief executive officer and chief financial officer concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective for the purpose of ensuring that the information required to be disclosed in the reports that the Company files or submits under the Exchange Act with the Securities and Exchange Commission (the "SEC") (1) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (2) is accumulated and communicated to the Company's management, including its chief executives and chief financial officers, as appropriate to allow timely decisions regarding required disclosure.

There have been no changes in the Company's internal control over financial reporting during the quarter ended November 30, 2008 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are, from time to time, subject to claims and suits arising in the ordinary course of business, including claims for damages for personal injuries, breach of management contracts and employment related claims.

ITEM 1A. RISK FACTORS

Not required for Smaller reporting companies

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

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

No matters were submitted to a vote of security holders of the Company during the quarter ended November 30, 2008.

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

- 31.1 Certification of Chief Executive Officer and Principal Accounting Officer Pursuant to Section 302 of Sarbanes-Oxley Act 2002
- 32.1 Certification of Chief Executive Officer and Principal Accounting Officer Pursuant to Section 906 of the Sarbanes-Oxley Act 2002

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SIGNATURES

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

REPRO-MED SYSTEMS, INC.

/s/ Andrew I. Sealton

January 13, 2009

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Andrew I. Sealfon, President, Treasurer,
Chairman of the Board, Director, and
Chief Executive Officer