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REPRO MED SYSTEMS INC  
Form 10-Q  
January 14, 2010

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended November 30, 2009

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  
(State or other jurisdiction of  
incorporation or organization)

13-3044880  
(IRS Employer Identification No.)

24 Carpenter Road, Chester New York  
(Address of principal executive offices)

10918  
(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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.) 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

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As of November 30, 2009, 35,584,286 shares of common stock, \$.01 par value per share, were outstanding.

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

REPRO-MED SYSTEMS, INC.  
BALANCE SHEETS

NOVEMBER 30,	FEBRUARY 28,
2009	2009
-----	-----

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UNAUDITED

ASSETS

CURRENT ASSETS:

Cash .....	\$ 577,354	\$ 51
Accounts receivable less allowance for doubtful accounts of \$29,773 and \$26,783 for November 30, 2009 and February 28, 2009 respectively ..	522,803	48
Inventory .....	737,923	62
Prepaid expenses .....	68,563	7
Deferred Tax Asset Net of Valuation Allowance of \$383,520 and \$383,520 for November 2009 and February 2009 respectively .....	179,000	30
	-----	-----
Total Current Assets .....	2,085,643	2,00
	-----	-----

PROPERTY & EQUIPMENT, less accumulated depreciation of \$1,242,810 and \$1,197,359 at November 30, 2009 and February 28, 2009 respectively .....	231,806	22
--	---------	----

OTHER ASSETS:

Patents, net of accumulated amortization of \$95,290 and \$91,198 at November 30, 2009 and February 28, 2009, respectively .....	36,413	3
Goodwill .....	8,609	
Security deposit .....	28,156	2
	-----	-----
Total Other Assets .....	73,178	7
	-----	-----

TOTAL ASSETS .....	\$ 2,390,627	\$ 2,31
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Note payable - current portion .....	\$ 6,591	\$
Notes payable to related parties - current portion .....	36,198	11
Deferred capital gain - current portion .....	22,481	2
Accounts payable .....	136,682	21
Accrued expenses .....	101,364	14
Accrued interest .....	52,183	4
Accrued preferred stock dividends .....	64,000	6
Accrued payroll and related taxes .....	22,255	1
Warranty liability .....	72,186	9
Customer Deposits .....	-	
	-----	-----
Total Current Liabilities .....	513,940	72
	-----	-----

OTHER LIABILITIES

Note payable - less current portion .....	29,961	2
Notes payable to related parties - less current portion .....	627,652	65
Deferred capital gain less current portion .....	185,475	20
	-----	-----
Total Other Liabilities .....	843,088	88
	-----	-----

Total Liabilities .....	1,357,028	1,60
	-----	-----

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, 2009 and February 28, 2009, respectively ..	100	
Common Stock, \$0.01 par value, 50,000,000 shares authorized, 35,584,286 and 34,829,286 issued and outstanding at November 30, 2009		

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and February 28, 2009 respectively .....	355,843	34
Additional paid-in Capital .....	3,008,162	2,91
Accumulated deficit .....	(2,188,506)	(2,41)
	-----	-----
	1,175,599	84
Less: Treasury Stock, 2,275,000 shares at cost at November 30, 2009 and February 28, 2009 .....	(142,000)	(14
	-----	-----
Total Stockholders' Equity .....	1,033,599	70
	-----	-----
Total Liabilities and Stockholders' Equity .....	\$ 2,390,627	\$ 2,31
	=====	=====

The accompanying notes are an integral part of these 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,	
	2009	2008	2009	2008
	-----	-----	-----	-----
NET SALES .....	\$ 898,103	\$ 853,591	\$ 2,658,288	\$ 2,658,288
COST AND EXPENSES				
Cost of goods sold .....	309,800	312,917	928,016	928,016
Selling, general and administrative .....	457,783	314,947	1,259,020	1,259,020
Research and development .....	6,841	6,093	20,850	20,850
Depreciation and amortization .....	14,891	19,002	49,543	49,543
	-----	-----	-----	-----
TOTAL COSTS AND EXPENSES .....	789,315	652,959	2,257,429	2,257,429
	-----	-----	-----	-----
NET OPERATING PROFIT .....	108,788	200,632	400,859	400,859
OTHER INCOME/(EXPENSES)				
Gain (Loss) Currency Exchange .....	(443)	-	(3,271)	(3,271)
Interest Expense .....	(11,374)	(9,339)	(35,515)	(35,515)
Interest and Other Income .....	437	-	1,117	1,117
	-----	-----	-----	-----
TOTAL OTHER INCOME/(EXPENSE) .....	(11,380)	(9,339)	(37,669)	(37,669)
	-----	-----	-----	-----
NET PROFIT BEFORE TAXES .....	97,408	191,293	363,190	363,190
Provision for Income Taxes .....	(41,923)	-	(133,041)	(133,041)
	-----	-----	-----	-----
NET INCOME .....	\$ 55,485	\$ 191,293	\$ 230,149	\$ 230,149
PREFERRED STOCK DIVIDENDS .....	\$ -	\$ -	\$ 4,000	\$ 4,000
	-----	-----	-----	-----
NET INCOME AVAILABLE TO COMMON STOCKHOLDERS	\$ 55,485	\$ 191,293	\$ 226,149	\$ 226,149
NET INCOME PER COMMON SHARE AVAILABLE TO COMMON STOCKHOLDERS .....	-	0.01	0.01	0.01
	=====	=====	=====	=====

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WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	35,584,286	34,829,286	35,309,741
	=====	=====	=====

The accompanying notes are an integral part of these Financial Statements

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REPRO-MED SYSTEMS, INC  
STATEMENTS OF CASH FLOWS UNAUDITED

	FOR THE NINE MONTHS ENDED	
	NOVEMBER 30, 2009	NOVEMBER 30, 2008
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income .....	\$ 230,149	\$ 535,460
Adjustments to reconcile net income to net cash from operating activities:		
Stock based Compensation .....	19,312	24,209
Interest charged to additional paid in capital .....	-	13,230
Depreciation and amortization .....	49,543	59,598
Deferred capital gain - building lease .....	(16,860)	(16,860)
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable .....	(34,061)	(117,026)
(Increase) decrease in inventory .....	(116,074)	(11,274)
(Increase) decrease in prepaid expense .....	4,634	(23,299)
(Increase) decrease in deferred tax asset .....	127,000	-
Increase (decrease) in accounts payable .....	(82,795)	(191,868)
Increase (decrease) in accrued payroll and related taxes	8,472	4,486
Increase (decrease) in accrued expense .....	(41,177)	31,846
Increase (decrease) in customer deposits .....	(92)	(3,786)
Increase (decrease) in warranty liability .....	(21,261)	-
Increase (decrease) in accrued interest .....	6,000	6,000
	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES .....	132,790	310,716
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property and equipment .....	(48,945)	(18,523)
Payments for patents .....	(4,169)	(164)
	-----	-----
NET CASH USED IN INVESTING ACTIVITIES .....	(53,114)	(18,687)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable .....	7,837	-
Net payments on note payable to financial institutes .....	-	(20,935)
Payments to note payable to related parties .....	(25,763)	(15,000)
Payments on notes payable .....	(3,605)	(3,122)
	-----	-----
NET CASH USED IN FINANCING ACTIVITIES .....	(21,531)	(39,057)
NET INCREASE, IN CASH AND CASH EQUIVALENTS .....	58,145	252,972
CASH BEGINNING OF YEAR .....	519,209	95,561
	-----	-----
CASH END OF YEAR .....	\$ 577,354	\$ 348,533
	=====	=====

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### Supplemental Information

Cash paid during the year for:

Interest .....	\$ 12,251	\$ 11,739
Non-Cash Activities		
Issuance of Common Stock to reduce related Party Loan ....	\$ 83,050	\$ -

The accompanying notes are an integral part of these 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, 2009 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, 2009 and the results of operations and cash flow for the interim periods ended November 30, 2009 and 2008.

The results of operations for the three and nine-month periods ended November 30, 2009, 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 28, 2009, as filed with the Securities and Exchange Commission on Form 10-K.

#### 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 quantities.

#### PATENTS

Costs incurred in obtaining patents have been capitalized and are being

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amortized over seventeen years.

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### INCOME TAXES

Deferred income taxes are provided using the liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carry forwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of the changes in tax laws and rates of the date of enactment.

The Company recorded deferred tax assets in the amount of \$562,520 and \$689,520 for the periods ended November 30, 2009 and February 28, 2009, respectively. The deferred tax assets have been offset by valuation allowances of \$383,520 for the periods ended November 30, 2009 and February 28, 2009, respectively. Management based the valuation allowance calculations on the prospect of future profitability.

The company recorded a net amount of \$306,000 in available net operating loss tax benefits during the quarter ended February 28, 2009. There were no income tax expense recognized in the three and nine-months ended November 30, 2008. For the three and nine-months ended November 30, 2009, \$41,195 and \$127,000 were recognized related to the use of a portion of these benefits for current taxable income.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the balance sheet along with any associated interest and penalties that would be payable to the taxing authorities upon examination. The Company does not have any unrecognized tax benefits at November 30, 2009 and February 28, 2009 or during the periods then ended. No unrecognized tax benefits are expected to arise within the next twelve months.

### 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.

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## NET INCOME PER COMMON SHARE

Basic earnings per share is computed on the weighted average of common shares outstanding during each year. Diluted earnings per share includes an increase to income for the preferred stock dividends and an increase in the weighted average shares by the common shares issuable upon exercise of employee and director stock options (Note 6) and convertible preferred stock shares as follows:

THREE-MONTHS ENDED NOVEMBER 30, 2009	INCOME (NUMERATOR)	SHARES (DENOMINATOR)	PRE-SHARE AMOUNT
-----			
Basic Net Income Per Common Share			
Income available .....	\$ 55,485	35,584,286	-
Preferred stock dividends .....	-	-	-
Options includable .....	-	2,799,837	-
Convertible preferred stock .....	-	192,307	-
-----			
Diluted Net Income Per Common Share	\$ 55,485	38,576,430	-
-----			

NINE-MONTHS ENDED NOVEMBER 30, 2009	INCOME (NUMERATOR)	SHARES (DENOMINATOR)	PRE-SHARE AMOUNT
-----			
Basic Net Income Per Common Share			
Income available .....	226,149	35,309,741	0.01
Preferred stock dividends .....	4,000	-	-
Options includable .....	-	2,799,837	-
Convertible preferred stock .....	-	192,307	-
-----			
Diluted Net Income Per Common Share	230,149	38,301,885	0.01
-----			

## 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.

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## 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



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and the collect ability 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 not 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. 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. The measurement date of shares issued for service is the date when the counterparty's performance is complete.

### SUBSEQUENT EVENTS

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The Company has evaluated subsequent events through January 14, 2010, the date on which the financial statements were issued.

### RECLASSIFICATIONS

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Certain amounts in the February 28, 2009 and November 30, 2008, financial statements have been reclassified to conform to the presentation used in the November 30, 2009, financial statements.

### NOTE 2 INVENTORY

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

	November 30, 2009	February 28, 2009
	-----	-----
Raw materials .....	\$452,952	\$470,426
Work in progress .....	45,896	37,391
Finished goods .....	239,075	114,032
	-----	-----
	\$737,923	\$621,849
	-----	-----

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### NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at:

	November 30, 2009	February 28, 2009	Estimated Useful Lives
	-----	-----	-----
Furniture and office equipment ....	\$ 488,635	\$ 459,840	5 years
Manufacturing equipment and tooling .....	985,981	965,831	7-12 years

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	-----	-----
	1,474,616	1,425,671
Less: accumulated amortization and depreciation .....	1,242,810	1,197,359
	-----	-----
Property and Equipment, Net .....	\$ 231,806	\$ 228,312
	-----	-----

Depreciation expense was \$13,459 and \$17,744 for the three months ended November 30, 2009 and November 30, 2008, respectively. Depreciation expense was \$45,451 and \$52,187 for the nine months ended November 30, 2009 and November 30, 2008 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 5 - Long-term debt). This note has been approved by the Board of Directors. The President has agreed to extend the maturity date to March 31, 2011.

LEASED AIRCRAFT

The Company leases an aircraft from a Company controlled by the President. The lease payments aggregated were \$5,375 for the three months ended November 30, 2009 and November 30, 2008, and \$16,125 for nine months ended November 30, 2009 and November 30, 2008. The original lease agreement has expired and the Company is currently on a month-to-month basis for rental payments.

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NOTE 5 LONG-TERM DEBT

Long-term debt consists of the following at:

	November 30, 2009	February 28, 2009
	-----	-----
The President of the Company has loaned the Company, \$100,000 at 8% interest. The loan is unsecured and matures March 31, 2011 .....	\$100,000	\$100,000
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 .....	28,855	32,319
In February 2009, the Company refinanced a previous loan borrowed from a Director of the Company. The previous loan was replaced by a new \$672,663 loan, payable in monthly installments of \$5,754 at a rate of 6.00% interest. The additional monies financed through the Director were used to pay-off a \$400,000 financial institution note. During the second quarter of 2009, the Company issued the Director 755,000 shares of common stock at the price of \$0.11 per share to further reduce the debt .....	563,850	672,663

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In October 2009, the Company entered into an equipment loan with Key Equipment Finance. The loan bears interest at a rate of 7.50% and is payable in 48 monthly installments of \$189 .....

	7,697	-
	-----	-----
	700,402	804,982
Less current portion .....	42,789	122,260
	-----	-----
Long-term portion .....	\$657,613	\$682,722
	-----	-----

Aggregate maturities as required on long-term debt at November 30, 2009 are:

2010 .....	\$	42,789
2011 .....		145,473
2012 .....		48,383
2013 .....		51,294
2014 .....		52,415
Thereafter ..		360,048
		-----
		\$ 700,402
		-----

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### NOTE 6 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 fair value of each option grant was calculated to be \$.0272 on the date of grant using the Black-Schole Option pricing model with the following assumption used for grants during the applicable period.

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

During the nine-months ended November 30, 2009, \$19,312 in option expense was recorded because the Company records the expense semi-annually from the grant date. As of November 30, 2009, there was approximately \$20,000 of total unrecognized compensation cost related to unvested options. That cost is expected to be recognized within the next year.

The following table summarizes the Company's stock options:

OPTIONS	SHARES	WEIGHTED-AVERAGE EXERCISE PRICE	WEIGHTED-AVERAGE REMAINING CONTRACTUAL TERM
-----	-----	-----	-----
Outstanding at February 28, 2009	3,400,000	0.06	
Granted .....	-		
Exercised .....	-		
Forfeited or expired .....	-		
	-----	-----	-----

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Outstanding at November 30, 2009	3,400,000	0.06	2.5
Exercisable at November 30, 2009	2,630,000	0.06	2.5

A summary of the status of the Entity's nonvested shares as of November 30, 2009, and changes during the nine-months ended November 30, 2009, is presented below:

NONVESTED SHARES	SHARES	WEIGHTED-AVERAGE GRANT-DATE FAIR VALUE
Nonvested at February 28, 2009	1,540,000	0.06
Granted .....	-	
Vested .....	770,000	0.06
Forfeited .....	-	
Nonvested at November 30, 2009	770,000	0.06

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NOTE 7 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 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.

At November 30, 2009 minimum future rental payments are:

Year	Minimum Rental Payments
2010 .....	\$ 132,504
2011 .....	132,504
2012 .....	132,504
2013 .....	132,504
2014 .....	132,504
thereafter ..	563,142
	-----
	\$1,225,662
	=====

Rent expense aggregated \$33,126 for the three months ended November 30, 2009 and \$30,000 for the three months ended November 30, 2008. Rent expense aggregated \$99,378 for the nine months ended November 30, 2009 and \$90,000 for the nine months ended November 30, 2008.

NOTE 8 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 \$28,000. The provision has been recorded in the Company's financial statements.

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### PART I ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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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 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, 2009 VS. 2008

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Sales of our Freedom60 and related accessories increased 13% for the quarter ended November 30, 2009 over the previous quarter and resulting in total gross sales increasing by 5.4% from \$855,617 to \$901,454 for the three-month period ending November 30, 2009 as compared to the quarter ending November 30, 2008. Returns and allowances were insignificant.

We have taken a portion of our revenues for investment back into the Company to develop new products and achieve more market penetration. Specifically, spending on more marketing for these new products, which includes increased presence at trade shows, additional customer service representatives, and the hiring of a sales associate in Europe increased these costs by 96% over the quarter ending November 2008. Additionally, we improved our infrastructure to meet our expanded needs including computer support, general maintenance as well as increases in production staff and general overhead which resulted in these costs increasing by 64%.

Net profit for the Quarter was \$55,485 as compared to \$191,293 for the same quarter in 2008. Cost of goods sold decreased \$3,117 or 1% from \$312,917 in November 30, 2008 to \$309,800 in November 30, 2009. Selling, General and Administrative Expense (SG&A) increased 45% to \$457,783 from \$314,947 quarter over quarter 2009 vs. 2008, due to increased sales staffing required for new products. Research and Development increased to \$6,841 from \$6,093 primarily due to reallocation of resources from sales to engineering.

Sales of the Freedom60 Syringe Infusion System, related accessories and repairs increased from \$636,744 to \$694,209, an increase of \$57,465 for the third quarter ending November 30, 2009 as compared to the same period in 2008. This increase is due to the continued increase of sales for use with 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 overall increase of 1% from \$168,987 to \$169,858 due to higher foreign sales which offset a decrease in domestic sales. Company sales of non-core products decreased during the quarter by \$12,667 primarily due to an OEM customer discontinuing one of their product lines.

Interest expense increased by 22% to \$11,374 from \$9,339 for comparative quarter in 2008 as a result of refinancing certain notes outstanding in 2008.

NINE MONTHS ENDED NOVEMBER 30, 2009 VS. 2008  
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Total gross sales increased by 6.9% (\$173,063) to \$2,669,326 from \$2,496,263 for the nine month period ending November 30, 2009.

We have taken a portion of our revenues for investment back into the Company to develop new products and achieve more market penetration. Specifically, spending on more marketing for these new products, which includes increased presence at trade shows, additional customer service representatives, and the hiring of a sales associate in Europe increased these costs by 75.1% over the nine months ending November 2008. Additionally, we improved our infrastructure to meet our expanded needs including computer support, general maintenance as well as increases in production staff and general overhead which resulted in these costs increasing by 42% in the current nine months over the nine months ended November 30, 2008.

Net income shows a profit of \$230,149 for the nine months ending November 30, 2009 as compared to \$535,460 for the same nine months in 2008. Cost of Goods sold increased \$6,164 or 1%, from \$921,852 to \$928,016 due to an increase in production payroll and related benefits and production supplies.

Selling, General and Administrative increases from \$917,829 in November 30, 2008 to \$1,259,020 in November 30, 2009 or 37% resulting from an increase in salaries, benefits and taxes which were added to market our new subcutaneous infusion sets which are still in development. The company also incurred higher auditing fees resulting from obtaining ISO certification status and increases from our SEC auditing and legal fees.

Research and Development expenses increased \$4,724 or 29% from \$16,126 in 2008 to \$20,850 in 2009.

Depreciation and amortization expenses decreased by \$10,055 from \$59,598 in 2008 to \$49,543 in 2009 as a result of assets reaching their fully depreciated values.

LIQUIDITY AND CAPITAL RESOURCES  
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Net Cash provided from Operations was \$132,790 as compared with net cash provided by operations of \$310,716 for the nine months ended November 30, 2008. This decrease is due primarily to a lower net income for the period including payments for Fiscal 2009 audit fees resulting from a change of auditors and higher legal fees.

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 by 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. Minimal funds were used in the previous year. However, we have initiated these programs now and intend to complete them by the end of our next fiscal year. At the end of November 30, 2009 there is approximately \$55,000 remaining in payment assistance from this grant.

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 during nine months ended November 30, 2009 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

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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](http://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.

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.

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.

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The Freedom60 use for Primary Immune Deficiency by injecting immune globulin (IgG) under the skin as a subcutaneous administration has seen increased usage especially in Europe over the past year. We have been told by meeting users at trade shows that his method has provided them 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 the pressure at the patient's sites and the rate that 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 greater convenience and lower cost 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 ensures 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

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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 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.

### COMPETITION FOR THE FREEDOM60

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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.



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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

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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 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 product's 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 these products in relevant publications and in their catalogs.

COMPETITION FOR THE RES-Q-VAC

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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.

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### TRADE SHOWS

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We continue to support both of our main product lines at national and international tradeshows. In March, we exhibited at both the National Home Infusion Association's Annual Conference and Exposition and the EMS Today show held in Baltimore, MD. The National Home Infusion Association represents the interests of organizations that provide alternate-site infusion and specialized pharmacy products and services to the entire spectrum of home-based patients, while EMS Today was for the promotion of RES-Q-VAC to the EMS market. In May, we exhibited at Infusion Nurses Society Annual Meeting and Industrial Exhibition in Nashville, TN, the largest meeting for infusion nursing professionals in the United States. In June, we traveled to Orlando, FL for the Immune Deficiency Foundation National Conference which is the largest gathering of patients with primary immunodeficiency diseases in the world. In this quarter ending November 30, 2009 for the Freedom60 line we exhibited at the ECI conference on Immunology in Berlin in October and also at the Medica Trade show in Dusseldorf, Germany. We exhibited at the EMS Expo Trade show in Atlanta in October 2009 to support our RES-Q-VAC in the emergency market.

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

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Not Applicable

### PART I ITEM 4. CONTROLS AND PROCEDURES

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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, 2009 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

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#### ITEM 1. LEGAL PROCEEDINGS

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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

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Not required for Smaller reporting companies

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS  
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None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES  
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None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS  
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No matters were submitted to a vote of security holders of the Company during the quarter ended November 30,2009.

ITEM 5. OTHER INFORMATION  
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None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K  
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(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  
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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 14, 2010

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

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