

FORM 10-QSB
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES ACT
OF 1934

For the quarterly period ended May 31, 2001

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 (IRS Employer
incorporation or organization) Identification No.)

24 Carpenter Road, Chester, NY 10918

(Address of principal executive offices) (Zip Code)

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

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 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes (X) No ()

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at May 31, 2001
Common stock, \$.01 par value	23,504,000 shares

Repro-Med Systems, Inc.
Table of Contents

Part I	PAGE
Item 1.	
Financial Statements	
Balance Sheet (Unaudited)- May 31, 2001	3
Statements of Operations (Unaudited)- for the three-months ending May 31,2001 and May 31, 2000	4
Statements of Cash Flow(Unaudited) - for the three-months Ending May 31,2001 and 2000	5
Notes to Unaudited Financial Statements	6
Item 2.	
Management's Discussion and Analysis of Financial Condition and Results of Operations	6

Part II

Item 1.

Legal Proceedings	9
Item 2.	
Changes in Securities and Use of Proceeds	9
Item 3.	
Defaults Upon Senior Securities	9
Item 4.	
Submission of Matters to a Vote of Security Holders	9
Item 5.	
Other Information	9
Item 6.	
Exhibits and Reports on Form 8-K	9

2
REPRO-MED SYSTEMS, INC.
BALANCE SHEET
UNAUDITED

ASSETS	May 31, 2001
CURRENT ASSETS	
Cash & Cash Equivalents	\$52,306
Accounts Receivable, net	202,256
Inventory	608,638
Prepaid Expenses & Other Receivables	90,970

TOTAL CURRENT ASSETS	954,170

EQUIPMENT & OTHER ASSETS	
Total Equipment	1,105,724
Less - Accumulated Depreciation	(648,058)

Net Book Value of Equipment	457,666
Deposits	40,000
Other Assets	52,830

TOTAL EQUIPMENT & OTHER ASSETS	550,496

TOTAL ASSETS	\$1,504,666
	=====

LIABILITIES & STOCKHOLDERS' EQUITY

CURRENT LIABILITIES	
Accounts Payable	\$157,359
Accrued Expenses	147,367
Bank Line of Credit Payable	175,000
Current Portion of Leases Payable	11,109
Current Portion Capital Gain	22,481

Total Current Liabilities	513,316

OTHER LIABILITIES	
Customer Deposits	346
Long-Term Portion of Leases Payable	22,217
Deferred Capital Gain Income	376,555

TOTAL LIABILITIES	912,434

STOCKHOLDERS' EQUITY

Preferred Stock, 8% Cumulative \$.01 Par Value Authorized 2,000,000 Issued & Outstanding 10,000 Shares	100	
Common Stock, \$.01 Par Value, Authorized 50,000,000 Shares, Issued & Outstanding 23,504,000 Respectively	235,040	
Unearned Compensation	(30,750)	
Additional Paid-in Capital	2,211,631	
Accumulated Deficit	(1,681,790)	
Treasury Stock at Cost	(142,000)	
TOTAL STOCKHOLDERS' EQUITY	592,232	
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY		\$1,504,666

3

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REPRO-MED SYSTEMS, INC.
STATEMENTS OF OPERATIONS
UNAUDITED

FOR THE 3 MONTHS ENDED
May 31,2001 May 31,2000

SALES

<S>	<C>	<C>
Net Sales of Products	\$427,414	\$556,614

COST AND EXPENSES

Cost of Goods Sold	319,160	334,198
Selling, General & Administrative Expenses	173,594	177,975
Research and Development	11,433	13,024
Depreciation and Amortization	20,289	21,415
Equity Based Compensation	10,250	0
TOTAL COST AND EXPENSES	534,727	546,612

INCOME (LOSS) FROM OPERATIONS	(107,313)	10,002
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Non-Operating Income (Expense)

Interest (Expense)	(3,741)	0
Interest & Other Income	2,997	200
	(745)	10,202

INCOME (LOSS) Before Income Taxes	(108,058)	10,202
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Provision for Income Taxes	(411)	0
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NET INCOME (LOSS) AFTER TAXES	(108,469)	10,202
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Preferred Dividends	4,000	4,000
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NET INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS	(112,469)	6,202
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WEIGHTED AVERAGE NUMBER OF SHARES
 OUTSTANDING 23,504,000 23,016,500

EARNINGS (LOSS) PER COMMON SHARE

Basic (\$0.00) \$0.00
 Diluted (\$0.00) \$0.00

4

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REPRO-MED SYSTEMS, INC.
 CONSOLIDATED STATEMENTS OF CASH FLOWS
 UNAUDITED
 FOR THE THREE MONTHS ENDED

	May 31,2001	May 31,2000	
CASH FLOWS FROM OPERATING ACTIVITIES			
<S>	<C>	<C>	
Net (Loss) Income	(\$108,469)	\$10,202	
Adjustments to reconcile net (loss) income to cash used in operating activities:			
Equity Based Compensation	10,250	0	
Depreciation and Amortization	20,289	21,415	
Deferred gross profit - building lease	(5,621)	(5,620)	
Accounts Receivable	5,331	(12,782)	
Inventories	(21,773)	(70,433)	
Prepaid Expenses	(39,383)	(11,005)	
Other Assets	(2,754)	(181)	
Accounts Payable	55,222	83,299	
Accrued Expenses	14,932	2,560	
Leases Payable	(3,703)	0	
Customers Deposits	(2,424)	(70,140)	
	-----	-----	
NET CASH USED BY (PROVIDED IN) OPERATIONS		(78,102)	(52,685)
	-----	-----	
CASH FLOWS USED BY INVESTING ACTIVITIES			
Capital Expenditures	(6,058)	(5,283)	
	-----	-----	
NET CASH USED BY INVESTING ACTIVITIES		(6,058)	(5,283)
	-----	-----	
CASH FLOW PROVIDED BY (USED IN) FINANCING ACTIVITIES:			
Proceeds from line of credit	105,000	0	
Preferred stock dividends	(4,000)	0	
Issuance of Common Stock/Exercise of Options		0	27,000
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	101,000	27,000	
	-----	-----	
NET INCREASE (DECREASE) IN CASH		16,840	(30,968)
CASH, beginning of period	35,466	167,085	
	-----	-----	
CASH, end of period	\$52,306	\$136,117	
	=====	=====	

Supplemental disclosures of Cash Flow Information:

Interest \$3,741 \$0
 Income Taxes 411 801

*See accompanying notes to consolidated financial statements

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Repro-Med Systems, Inc.
Notes to the Unaudited Financial Statements

Basis of Presentation

The accompanying unaudited condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial statements and with instructions to Form 10-QSB. Accordingly, they do not include all of the information and disclosures required for annual financial statements. These financial statements should be read in conjunction with the consolidated financial statements and related footnotes for the year ended February 28, 2001 included in the Form 10-KSB for the year then ended.

In the opinion of the Company's management, all adjustments (consisting of normal recurring accruals) necessary to present fairly the Company's financial position as of May 31, 2001, and the results of operations and cash flows for the three-month periods ended May 31, 2001 and 2000 have been included.

The results of operations for the three-month period ended May 31, 2001, are not necessarily indicative of the results to be expected for the full year. For further information, refer to the financial statements and footnotes thereto included in the Company's Form 10-KSB as filed with the Securities and Exchange Commission for the year ended February 28, 2001.

Reclassification - certain reclassifications have been made to prior year amounts to conform to current year presentation.

Debt

As of May 31, 2001, we had advanced \$175,000 on our bank line of credit. The line agreement officially ended on June 30, 2001 but the bank is in the process of reviewing the line for a renewal of one year based on our request.

Part I Item 2.

Management's Discussion and Analysis of Financial Condition and Results of Operations

This Quarterly Report on Form 10-QSB 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, 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, 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 May 31, 2001 and 2000

Sales of our core products increased quarter over quarter ended May 31, 2001 with our Freedom60 sales increasing by 14% and Res-Q-Vac sales increasing by 11%. However net sales decreased overall 23% from \$556,614 (2000) to \$427,414 (2001) for the quarter primarily due to a decrease of sales in product lines which we are eliminating due to low margins, a decrease in monthly sales for one of our OEM customers, and for, the recognition of revenue in 2000 for another OEM customer.

Gross profit decreased to 25% of net sales in 2001 from 39 % in 2000 primarily resulting from the timing of revenue recognition for an OEM sale for product that was sold in a prior period and the sale completed and recognized throughout fiscal year 2000.

Selling, general and administrative expense experienced a minor decrease of 2% for the three-month period versus 2000.

Research and development expenses decreased 12% period to period as a result of the resignation of our R&D engineer during the second quarter 2000.

There was no material change in depreciation and amortization expense during this period.

Interest expense increased 100% as a result of an equipment lease payable that began in the second quarter of 2000 and due to an outstanding balance on our bank line of credit during 2001.

7

Liquidity and Capital Resources

During June 2000, we negotiated a \$200,000 line of credit with Premier Bank that is guaranteed by the President and one of the directors. The line of credit is intended for material purchases for new orders and tooling. As of May 31, 2001, \$175,000 has been advanced on the line of credit. The Company drew down the remaining \$25,000 prior to the expiration of the line on June 30, 2001. We have requested that the bank renew the line for an additional year. Currently, the bank is in the process of reviewing our request. The bank has assured the Company that if the line is not renewed, there will be no immediate repayment of the line.

Despite the negative cash flow resulting from a substantial loss for the three months ended May 31, 2001, the Company has sufficient capital for our ongoing needs based on anticipated sales growth in the next six months and maintaining careful control of expenses. We have demonstrated our ability to control costs and believe we would be able to offset any unanticipated decreases in revenues with additional reductions in overhead, materials, and labor. The funds available on May 31, 2001 are expected to meet cash requirements as planned under current operating conditions at least for the next 12 months.

To enable us to significantly increase marketing efforts of our key products, and to develop and market our new technology devices such as the "No Overflow Protector" for our Res-Q-Vac among others, we have spoken to various financial people who have offered to assist the Company to raise capital. There is no assurance that these people will be successful in their efforts or that the cost of the capital will be favorable to the company.

Subsequent Events

As of July 1, 2001, management has restructured the sales and marketing department. Our former VP of sales and marketing has been moved into the field to increase our direct sales effort, product awareness, and market share for the FREEDOM60 and Res-Q-Vac. We are currently operating with 6 active outside independent sales representatives. We have recently trained 5 additional representatives and will be continuing to train additional representatives in the coming months. We anticipate operating with approximately 20 active representatives by December 31, 2001.

In conjunction with the restructuring, we are utilizing an outside telemarketer to assist us in increasing our presence in the military and provide follow up on potential leads from trade shows and other inquiries. Management has also developed a marketing strategy to expedite the closing process on sales for the FREEDOM60.

We are in the early stages of negotiation with a major presence in the Emergency Market to discuss synergies in our product lines. There can be no assurance that these negotiations will end in a definitive agreement between the two companies or that such an agreement will be beneficial to our Company.

8

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The Company is neither a party to any material litigation, nor to the knowledge of the officers and directors of the Company, is there any other material litigation threatened against the Company.

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 May 31,2001.

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

None

9

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. Sealfon

July 13,2001

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