UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

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

For the fiscal year ended December 31, 2021

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)	(I.R.S. Employer Identification No.)
24 CARPENTER ROAD, CHESTER, NY	**10918**
(Address of principal executive offices)	(Zip Code)

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
common stock, $0.01 par value	**KRMD**	**The Nasdaq Stock Market**

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

COMMON STOCK, $.01 PAR VALUE
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes □ No ☒

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

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files.) Yes ☒ No □

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

Large accelerated filer □	Accelerated filer □
Non-accelerated filer ☒	Smaller reporting company ☒
	Emerging growth company □

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. □

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. □

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

Based on the closing sales price of June 30, 2021, the aggregate market value of the voting and nonvoting common equity held by non-affiliates of the registrant was $120,485,383.

As of February 28, 2022, 44,671,160 shares of common stock, $0.01 par value per share, were outstanding, which excludes 3,420,502 shares of Treasury Stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's proxy statement for the 2022 Annual Meeting of Shareholders are incorporated herein by reference in Part III of this Annual Report on Form 10-K to the extent stated herein. Such proxy statement will be filed with the Securities and Exchange Commission within 120 days of the registrant's fiscal year ended December 31, 2021.

INDEX TO FORM 10-K

PART I

Throughout this report, the "Company," "KORU Medical," "KORU," "we," "us" or "our" refer to Repro Med Systems, Inc. d/b/a KORU Medical Systems.

FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements can be identified by words such as: "believe," "plan," "goal," "intend," "seek," "expect," "will," and similar references to future periods. Examples of forward-looking statements include, among others, statements we make under "Our Strategy" in Business under Item 1 of this Form 10-K and "Overview" in Management's Discussion and Analysis of Financial Condition and Results of Operations under

Item 7 of this Form 10-K, and statements regarding our move to the newly leased facility including continuity of product supply, compliance with EU MDR, transition to our secondary manufacturing source, and 2022 expenses, capital investments, and inventory levels. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations, and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, readers should not rely on any of these forward-looking statements.

Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, those discussed in this Annual Report on Form 10-K, and in particular, the risks discussed under the caption "Risk Factors" in Item 1A, and those discussed in other documents we file with the Securities and Exchange Commission ("SEC").

Any forward-looking statement made by us in this Annual Report on Form 10-K is based only on information currently available to us and speaks only as of the date on which it is made. We undertake no obligation to publicly update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise.

ITEM 1. BUSINESS

OUR BUSINESS

KORU Medical designs, manufactures and markets proprietary portable and innovative medical devices, primarily for the ambulatory infusion market as governed by the United States Food and Drug Administration (the "FDA") quality and regulatory system and international standards for quality system management. Our development and marketing focus is primarily concentrated on our mechanical infusion products, the FREEDOM Infusion Systems (which we refer to as the "FREEDOM System" when used with one or more accessories), which include the FREEDOM60® Syringe Driver, the FreedomEdge® Syringe Driver, HIgH-Flo Subcutaneous Safety Needle Sets™ and Precision Flow Rate Tubing™.

Our revenues derive from three business sources: (i) domestic core, (ii) international core, and (iii) novel therapies. Our core domestic and international revenues consist of sales of our products for the delivery of subcutaneous immunoglobulin ("SCIg") to treat Primary Immunodeficiency Diseases ("PIDD"), Chronic Inflammatory Demyelinating Polyneuropathy ("CIDP"), and other disease states that are FDA cleared for use with the KORU Medical syringe driver. Novel therapies consist of product revenues related to the sales of our infusion system (syringe drivers, tubing and needles) for feasibility/clinical trials (pre-clinical studies, Phase I, Phase II, Phase III) of biopharmaceutical companies in the drug development process as well as non-recurring engineering services revenues received from biopharmaceutical companies to ready or customize the FREEDOM System for clinical and commercial use.

OUR MISSION

Our mission is to improve the quality of life of patients around the world by delivering innovative, effective, and easy-to-use drug delivery systems that can be used at home or alternate site settings, for patient self-administration of drug therapy.

OUR STRATEGY

We plan to become the leading provider of solutions for subcutaneous large-volume infusions defined as greater than 10ml . We intend to accomplish this objective by increasing penetration of our core SCIg market and extending into new subcutaneous drug therapies.

We have identified multiple factors driving growth of the SCIg market. These include:

- Increasing diagnoses of Primary Immunodeficiency Diseases ("PIDD"), which often require Ig treatment
- New on-label indications for SCIg drugs such as Chronic Inflammatory Demyelinating Polyneuropathy ("CIDP"), Secondary Immunodeficiencies ("SID"), and others in clinical development
- Increase in the number of available SCIg medications such as the introduction of Cutaquig® and Xembify® in the United States and Europe, planned launches of Cuvitru® and HyQvia® in Japan, and others
- Biopharmaceutical investment in SCIg products, such as prefilled syringe formats that make infusion easier for patients, which may make more patients eligible for SCIg therapy
- Increasing supply of donated plasma, which increases the global supply of Ig medications
- Favorable patient preference, side effect profile, and health economics for at-home SCIg compared with IVIg therapy

We intend to maintain and extend our leadership position in the SCIg market through clinical and product innovation and commercial excellence. By improving our products, establishing thought leadership in subcutaneous therapy, partnering with SCIg drug manufacturers, expanding geographically, and executing commercially we intend to increase our overall global share position and the number of patients prescribed SCIg.

Furthermore, we plan to expand into new therapies outside of SCIg. We estimate that at least 100 large-volume drugs are in clinical development utilizing subcutaneous infusion. The pipeline is driven by the need to deliver high therapeutic doses, difficulty in formulating large molecules into small volumes, patient preference for and superior economics of subcutaneous infusion over intravenous infusion, the COVID-19 pandemic causing pharmaceutical companies to shift development programs toward at-home SC therapy, and other factors. Biopharmaceutical manufacturers seek device partners during the drug development process. We intend to partner with them during clinical development—generating services revenues to prepare and customize our products for clinical use

and regulatory clearance and product revenues by selling devices for evaluations and clinical use—and, subsequently, commercialization.

Our track record of regulatory clearance and successful patient use combined with our channel access position KORU to both maximize our growth in the core SCIG market and expand into new therapeutic areas.

OUR PRODUCTS

FREEDOM SYSTEM

The FREEDOM System comprises the FREEDOM60 Syringe Driver (standard 60/50ml syringe compatible) and FreedomEdge Syringe Driver (standard 30ml and 20ml syringe and prefilled syringe compatible), HIgH-Flo Subcutaneous Safety Needle Sets and Precision Flow Rate Tubing. The systems are portable, easy to operate, maintenance free and do not require batteries or electricity. The FREEDOM System operates at a lower pressure than an electrical, volumetric pump and maintains a balance between what a patient's subcutaneous tissues can absorb and what the system delivers, or what we refer to as DynEq®.

The FREEDOM System is cleared by the FDA for a wide range of flow rates and certain medications for subcutaneous and intravenous indications, including specific clearance for leading immune globulins Cutaquig ®, Cuvitru®, Hizentra®, and Xembify® and a variety of antibiotics. The FREEDOM System is the only infusion system specifically cleared for use with a prefilled syringe, the Hizentra® 20ml prefilled syringe.

Ambulatory infusion systems are most prevalent in the home care and alternate site markets. The use of the FREEDOM System for treatment of PIDD through SCIg administration continues to increase and remains the market leading delivery system in the U.S. for these infusions. There is an expanded indication for Hizentra® for patients with CIDP which is an acquired immune-mediated inflammatory disorder of the peripheral nervous system. It is expected that new SCIg drugs may enter the market. We believe the FREEDOM System is an ideal system for SCIg administration because:

- the patient is able to self-administer in any location;
- the system has less adverse events;
- the pump is easily configured for this application;
- it is the best value infusion system available in a heavily cost constrained market; and
- it has demonstrated effectiveness and safety from millions of patient infusions.

HIgH-Flo Subcutaneous Safety Needle Sets are a critical element of the FREEDOM System, are available in 26- and 24-gauge sizes and feature unique design elements specific to subcutaneous self-administration. One such feature includes a back-cut needle designed for more comfort and less tissue damage with flexible wings to minimize patient discomfort.

Precision Flow Rate Tubing is designed for repeatable flow rates without allowing unrestricted flow. The tubing regulates the flow rate and infusion time for various applications when used with the FREEDOM System. Each tubing set provides a different level of flow restriction and consistently delivers medication with low residual volume to minimize drug waste.

SALES AND DISTRIBUTION

The FREEDOM System is sold through both direct sales and medical device distributors to specialty pharmacy customers and home infusion providers. Our products are sold principally through a small number of distributors so our specialty pharmacy customers receive the benefit of remote inventory management and one-stop shopping. We sell the majority of our products through two distributors in the U.S. and two distributors outside the U.S. As of December 31, 2021, these four distributors comprised approximately 62% of our net revenues with one of our U.S. distributors contributing approximately 41%.

Specialty pharmacies, home infusion providers, and distributors are our primary call points, although we provide education and training materials to clinicians, patients and patient advocates both in the field and online.

MANUFACTURING AND RAW MATERIALS

We currently perform product assembly, calibration, pre- and post-assembly quality control inspection and testing, and final packaging for all of our products at our Chester, NY facility and expect to continue such activities for certain of our products at our newly leased facility in Mahwah, NJ commencing on or about June 2022. In the fourth quarter of 2020, we entered into an agreement with Command Medical Products, Inc. ("Command"), to manufacture and supply the Company's subassemblies, needle sets and tubing products for supply continuity and cost savings. We expect the transition to Command to be completed in July 2022.

Our ability to meet customer demand depends, in part, on our ability to obtain timely and adequate delivery of components for our products. All of the components that go into the manufacturing of our products and accessories are sourced from third-party suppliers on a single source basis. We believe alternative sources of supply for all equivalent materials are available from other sources or can be produced by the Company, and the Company does not believe it is substantially dependent on any suppliers. The Company uses single-source suppliers in part due to governmental approval and validation requirements. A change in supplier, or the use of multiple suppliers of the same materials, often would necessitate additional approvals and validations, which the Company seeks to avoid unless and until the need arises. The Company does not have any contracts with suppliers that impose material binding obligations on the Company or provide the Company with any material rights or benefits, other than the agreement with Command.

RESEARCH AND DEVELOPMENT

We recognize the importance of innovation to our long-term success and are committed to research and new product development activities. Our product development team along with outside engineering resources are engaged in continuously improving existing product performance and researching new product opportunities to enhance our product portfolio. We spent $2.5 million and $1.3 million on research and development for the years ended December 31, 2021 and 2020, respectively. We intend to make additional investments in research and development over the next twelve months.

REGULATORY

Our medical devices and technologies, as well as our business activities, are subject to a complex set of regulations and rigorous enforcement, principally by the FDA, and numerous other federal, state, and non-U.S. governmental authorities. To varying degrees, each of these agencies requires us to comply with laws and regulations governing the development, testing, manufacturing, labeling, marketing and distribution of our products.

The FDA regulates, among other things, the research, development, testing, manufacturing, approval, labeling, storage, recordkeeping, advertising, promotion and marketing, distribution, post approval monitoring and reporting and import and export of medical devices in the U.S. to assure the safety and effectiveness of medical products for their intended use. Thus, both before and after a product is commercially released, we have ongoing responsibilities under the FDA. For instance, all medical devices marketed in the U.S. must be manufactured in accordance with the FDA's quality system regulations ("QSRs"). Accordingly, our facility and procedures and those of our suppliers are also subject to periodic inspections by the FDA to determine compliance with applicable laws and regulations. The Federal Trade Commission also regulates the advertising of our products. Further, we are subject to laws directed at preventing fraud and abuse, which subject our sales and marketing, training and other practices to government scrutiny.

Our business is also affected by patient privacy laws and government payor cost containment initiatives, as well as environmental health and safety laws and regulations.

U.S. Device Classification and Clearance

Except where an exemption applies, each new or significantly modified medical device we seek to commercially distribute in the U.S. will require either a premarket notification to the FDA requesting permission for commercial distribution under Section 510(k) of the Federal Food, Drug and Cosmetic Act ("FFDCA"), also known as a 510(k) clearance, or approval of a pre-market approval ("PMA") application. For example, the use of our FREEDOM System with therapies not covered by the existing FDA clearance will require additional 510(k) clearance or PMA approval.

Under the 510(k) process, applicants must demonstrate to the FDA that a device is as safe and effective as, or substantially equivalent to, a legally marketed device, known as the "predicate" device. Applicants must submit performance data to establish substantial equivalence. In some instances, data from human clinical trials must also be submitted in support of a 510(k), and these data must be collected in a manner that conforms to the applicable Investigational Device Exemption ("IDE") regulations. The FDA must issue a substantial equivalence determination before commercial distribution can occur. Changes to cleared devices that will not significantly affect the safety or effectiveness of the device can generally be made without additional 510(k) submissions. Changes that will significantly affect the safety or effectiveness of the device will require a new 510(k) prior to marketing of the modified device. Notably, the FDA has announced its intention to pursue comprehensive reforms to its current 510(k) clearance pathway and to its post-market safety monitoring process. We cannot predict with any certainty how these reforms may impact our business. See "ITEM 1A. RISK FACTORS."

Under the PMA application process, the applicant must demonstrate that the device is safe and effective for its intended use. This approval process applies to most Class III devices, and generally requires clinical data to support the safety and effectiveness of the device, obtained in conformance with IDE regulations. The FDA will approve a PMA application if it finds that there is a reasonable assurance that the device is safe and effective for its intended purpose, and that the proposed manufacturing is in compliance with the QSRs. For novel technologies, the FDA will seek input from an advisory panel of medical experts regarding the safety and effectiveness of, and their benefit-risk analysis for the device. The PMA process is generally more detailed, lengthier and more expensive than the 510(k) process, though both processes can be expensive and lengthy, and requires payment of significant user fees, unless an exemption is available.

We are also required to comply with the regulations of every other country where we commercialize products before we can launch or maintain new products on the market. Many countries that previously did not have medical device regulations, or had minimal regulations, are now introducing them.

International sales of medical devices manufactured in the U.S. that are not approved by the FDA for use in the U.S., or that are banned or deviate from lawful performance standards, are subject to FDA export requirements. Additionally, exported devices are subject to the regulatory requirements of each country to which the device is exported. Some countries do not have medical device regulations, but in most foreign countries, medical devices are regulated. Frequently, regulatory approval may first be obtained in a foreign country prior to application in the U.S. due to differing regulatory requirements; however, other countries require approval in the country of origin first. Most countries outside of the U.S. require that product approvals be recertified on a regular basis, generally every five years. The recertification process requires that we evaluate any device changes and any new regulations or standards relevant to the device and, where needed, conduct appropriate testing to document continued compliance. Where recertification applications are required, they must be approved in order to continue selling our products in those countries.

Post-Approval Regulation

Even after a device is cleared or approved by FDA for marketing, numerous regulatory requirements continue to apply. The FDA and other worldwide regulatory agencies and competent authorities actively monitor compliance to local laws and regulations through review and inspection of design and manufacturing practices, record-keeping, reporting of adverse events, labeling and promotional practices. The FDA can ban certain medical devices, detain or seize adulterated or misbranded medical devices, order repair, replacement or refund of these devices and require notification of health professionals and others with regard to medical devices that present unreasonable risks of substantial harm to the public health. The FDA may also enjoin and restrain a company for certain violations of the FFDCA and the Safe Medical Devices Act pertaining to medical devices or initiate action for criminal prosecution of such violations. In addition, FDA and other governmental agencies such as the Department of Justice can take action against a company that promotes "off-label" uses. Regulatory agencies and authorities in the countries where we do business can halt production in or distribution within their respective country or otherwise take action in accordance with local laws and regulations. Any adverse regulatory action, depending on its magnitude, may restrict a company from effectively marketing and selling its

products, may limit a company's ability to obtain future premarket clearances or approvals, and could result in a substantial modification to a company's business practices and operations.

Manufacturing Regulation

We must also comply with FDA and foreign agency regulations governing medical device manufacturing practices. The FDA and foreign agencies require manufacturers to register their establishments, and they monitor compliance with device manufacturing requirements through inspections of manufacturing facilities. If an investigator observes conditions that might be violative, the manufacturer must correct those conditions or explain them satisfactorily or face potential regulatory action that might include physical removal of the product from the marketplace. We are an FDA-registered medical device manufacturer and must demonstrate that we comply with the FDA's QSR and Current Good Manufacturing Practices ("cGMPs").

We believe that our products and procedures are in compliance with all applicable FDA and international regulations. There is no assurance, however, that other products we are developing or products that we may develop in the future will be cleared by the FDA and classified as Class II products, or that additional regulations restricting the sale of our present or proposed products will not be promulgated by the FDA or other foreign agencies. In addition, changes in FDA, or other federal or state health, environmental or safety regulations or their applications could adversely affect our business.

Other Healthcare Laws

We are subject to additional healthcare regulation and enforcement by the federal government and by authorities in the states and foreign jurisdictions in which we conduct our business. These laws include:

- the federal Anti-Kickback Statute, which prohibits, among other things, persons from knowingly and willfully soliciting, receiving, offering or paying remuneration, directly or indirectly, in exchange for or to induce either the referral of an individual for, or the purchase, order or recommendation of, any good or service for which payment may be made under federal healthcare programs, such as the Medicare and Medicaid programs. A person or entity does not need to have actual knowledge of the federal Anti-Kickback Statute or specific intent to violate it to have committed a violation;

- federal false claims laws which prohibit, among other things, individuals or entities from knowingly presenting, or causing to be presented, claims for payment from Medicare, Medicaid or other federal third-party payors that are false or fraudulent. In addition, the government may assert that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the False Claims Act;

- the federal Civil Monetary Penalties Law, which prohibits, among other things, offering or transferring remuneration to a federal healthcare beneficiary that a person knows or should know is likely to influence the beneficiary's decision to order or receive items or services reimbursable by the government from a particular provider or supplier;

- federal criminal laws that prohibit executing a scheme to defraud any federal healthcare benefit program or making false statements relating to healthcare matters;

- the federal Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), as amended by the Health Information Technology for Economic and Clinical Health Act, which governs the conduct of certain electronic healthcare transactions and protects the security and privacy of protected health information;

- the federal Physician Payment Sunshine Act, which requires manufacturers of drugs, devices, biologics and medical supplies for which payment is available under Medicare, Medicaid or the Children's Health Insurance Program (with certain exceptions) to report annually to the Centers for Medicare & Medicaid Services ("CMS") information related to payments or other "transfers of value" made to physicians (defined to include doctors, dentists, optometrists, podiatrists and chiropractors), certain health care professionals beginning in 2022, and teaching hospitals and ownership and investment interests held by the physicians described above and their immediate family members, and payments or other "transfers of value" to such physician owners; and

- analogous state and foreign law equivalents of each of the above federal laws, such as anti-kickback and false claims laws which may apply to items or services reimbursed by any third-party payor, including commercial insurers; state laws that require pharmaceutical and device companies to comply with the industry's voluntary compliance guidelines and the applicable compliance guidance promulgated by the federal government or otherwise restrict payments that may be made to healthcare providers and other potential referral sources; state laws that require device manufacturers to track and report information related to payments and other "transfers of value" to physicians and other healthcare providers or pricing, marketing expenditures and information; and state laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and may not have the same effect, thus complicating compliance efforts.

Violations of any of the laws described above include civil and criminal penalties, damages, fines, the curtailment or restructuring of an entity's operations, the debarment, suspension or exclusion from federal and state healthcare programs and/or imprisonment.

Coverage and Reimbursement

Our profitability and operations are subject to changes in legislative, regulatory and reimbursement policies and decisions as well as changes in private payer reimbursement coverage and payment decisions and policies. Our products are purchased by specialty pharmacies and ambulatory service providers or hospitals that typically bill various third-party payors, such as governmental programs (e.g., Medicare, Medicaid, and comparable non-U.S. programs), private insurance plans and managed care plans, for the healthcare

services and products provided to their patients. The ability of our customers to obtain appropriate coverage and reimbursement for our products and the drugs they administer is critical because it affects which products customers purchase and the price they are willing to pay. Third-party payors are increasingly reducing coverage and reimbursement for certain healthcare services and products and challenging prices charged for healthcare services and products.

Environmental Health and Safety Laws

We are required to comply with federal, state, and local environmental laws; however, there is no significant effect of compliance on capital expenditures, earnings, or competitive position. We do not use significant amounts of hazardous materials in the assembly of our products.

COMPETITION AND THE MARKET

Competition for the FREEDOM System includes electronic (volumetric) pumps, elastomeric ("infuser") pumps, and fully mechanical pumps as well as other types of pumps. Safety, ease of use, familiarity, cost effectiveness, accuracy, pressure, etc. are driving influencers of pump selection. Electronic pumps deliver drugs at a programmed flow rate. They are more costly and require electricity or batteries, extensive training and maintenance and must be programmed by a qualified pharmacist or clinician. Elastomeric pumps are one-time-use balloon type devices used for infusion of drugs in intravenous ("IV") and surgical wound site applications. Pharmacies are required to fill them with drugs and deliver them to the patient. They are easy to use from the patient point of view but can be more costly and time consuming to fill, are temperature sensitive and have larger residual volumes than other delivery systems.

Competition for infusion devices for new drugs includes a variety of technologies and companies. No single technological approach—autoinjectors, electronic (volumetric pumps), mechanical pumps, needle-free injectors, on-body wearable pumps, pen injectors, and pre-filled syringes—will meet the needs of all or even a majority of drugs. For drugs requiring infusion volumes over 3 ml, the segment most similar to the SCIg drugs currently delivered by the FREEDOM System, the most relevant approaches include mechanical pumps, on-body wearable pumps, and simple electronic pumps. Challenges to their successful commercialization include high costs per infusion, increased environmental impact, complexity for users, and complex mechanisms with multiple failure modes.

HUMAN CAPITAL RESOURCES

As of December 31, 2021, we had 77 full time employees and no part time employees. As of December 31, 2021, approximately 57% of the Company's workforce was female and approximately 20% of the Company's employees in managerial roles were female. Approximately 41% were minorities (non-White) in the Company workforce as of December 31, 2021. None of our employees are represented by a collective bargaining agreement.

To help drive consistent execution of our business strategy, including our customer focused philosophy, and support their development, we provide training opportunities to our employees that align with their responsibilities over their career with us. We maintain a dedicated Internet-based learning platform with a broad portfolio of written, audio-visual and interactive enterprise-wide and discipline-specific policy and training materials. This platform includes a library of self-directed courses and virtual, instructor-led programs for employees at all levels of our organization. Managers and supervisors are provided training to help their employees progress in their professional development.

We believe our employees are key to achieving our business objectives. We have COVID-19 prevention protocols in place to minimize the spread of COVID-19 in our workplace. These protocols, which remain in place, meet or exceed the Centers for Disease Control guidelines and where applicable, state mandates.

Our key human capital measures include employee safety, turnover, absenteeism and production. We frequently benchmark our compensation practices and benefits programs against those of comparable industries and in the geographic areas where our facilities are located. We believe that our compensation and employee benefits are competitive and allow us to attract and retain skilled and unskilled labor throughout our organization. Our notable health, welfare and retirement benefits include:

- Company subsidized health insurance
- 401(k) Plan with Company matching contributions
- Paid time off
- Life and disability insurance

We strive to maintain an inclusive environment free from discrimination of any kind, including sexual or other discriminatory harassment. Our employees have multiple avenues available through which inappropriate behavior can be reported, including a confidential hotline. All reports of inappropriate behavior are promptly investigated with appropriate action taken to stop such behavior.

PATENTS AND INTELLECTUAL PROPERTY

We filed and received U.S. and foreign protection for many of our products relating to infusion systems and related components. We had one patent granted in the U.S. and eleven foreign patents granted outside the U.S. in 2021. As of December 31, 2021, we have six applications pending in the U.S. and 13 applications pending in foreign jurisdictions. Expiration dates for the entire patent portfolio range (US & Foreign) from 2022 to 2038. In some cases where it was no longer deemed economically beneficial, we have allowed certain patent and/or trademark protections to lapse. In addition, the patent application process for both the U.S. and foreign countries is highly uncertain and involves complex legal and factual issues that differ from country to country. Consequently, there can be no assurance that patent applications relating to products or technology will result in patents being granted or that, if issued, the patents will afford protection against competitors with similar technology. There can be no assurance that we will have the financial resources necessary to enforce any patent rights we may hold.

EXECUTIVE OFFICERS

The following table sets forth certain information with respect to our executive officers as of March 2, 2022:

Name	Age	Position / Held Since
Linda Tharby	53	Chief Executive Officer and President (since April 2021)
Karen Fisher	55	Chief Financial Officer, Secretary and Treasurer (since 2015)
Manuel Marques	49	Chief Operating Officer (since December 2018)

Executive officers hold office at the discretion of the Board of Directors.

Ms. Tharby was appointed as President and CEO in April 2021. Ms. Tharby has over 25 years of executive leadership experience building and leading strong performing global organizations that develop and commercialize products and service innovations, while delivering solutions to patients in the home setting. Prior to joining KORU, Ms. Tharby spent the last 24 years working in various roles of increased responsibility at Becton Dickinson ("BD"). Ms. Tharby was a member of the Executive Leadership team of BD that transformed the company from an $8 billion medical supplies company to an $18 billion global medical technology company. Ms. Tharby's most recent role at BD was Chief Customer Experience Officer from July 2018 through December 2020. In her prior role, as BD's Chief Human Resources Officer, from October 2016 through July 2018, she led the company through its $24 billion acquisition and integration of C.R. Bard in 2017. She also held numerous global business leadership roles at BD, including Executive Vice President and President of Life Sciences, Group President of Pre-Analytical Systems and Biosciences, Worldwide President of Diabetes Care, and Vice President/General Manager of Pharmaceutical Systems. Ms. Tharby has an Honors Bachelor of Business Administration from Wilfrid Laurier University in Waterloo, Ontario Canada.

Ms. Fisher has more than 26 years of financial experience at a variety of industries. Prior to joining KORU in 2015, Ms. Fisher was Assistant Controller, Senior Manager for Armored Autogroup, Inc., a worldwide consumer products company. Before joining Armored Autogroup, Inc., she spent seven years at Gilman Ciocia, Inc., where she served in a variety of financial roles, including Chief Accounting Officer and Treasurer, and, earlier, as Controller. Before Gilman Ciocia, Inc., she held multiple financial management roles at The New York Times Company and Thomson Financial. Ms. Fisher is a Certified Public Accountant and a graduate of Arizona State University with a B.S. in accounting.

Mr. Marques was appointed as Chief Operating Officer in December 2018. Prior to that, Mr. Marques served as our Vice President of Operations and Engineering from February 2016 and joined KORU as Director of Manufacturing and Manufacturing Engineering in July 2015. Prior to joining KORU, Mr. Marques served as Lean Manufacturing Champion at Nobel Biocare Procera LLC, a manufacturer of dental implants and CAD/CAM-based individualized prosthetics, until joining KORU. Mr. Marques has over 24 years of experience within the dental, medical device, and automotive industries, and holds two U.S. patents for cardiovascular medical devices. Mr. Marques obtained a B.S. in Mechanical Engineering Technology and an M.S. in Engineering Management from the New Jersey Institute of Technology.

ITEM 1A. RISK FACTORS

RISK FACTORS

An investment in our common stock involves significant risks. Before making an investment in our common stock, you should carefully consider all of the information contained in this Annual Report on Form 10-K and our other filings with the SEC including the material risks and uncertainties that we have identified below. The risks and uncertainties identified below are not the only risks and uncertainties we face. If any of the material risks or uncertainties that we face were to occur, the trading price of our common stock could decline and you could lose part or all of your investment. Please note that additional risks not currently known to us or that we currently deem immaterial also may adversely affect our business, operations, results of operations, financial condition and prospects.

Risks Related to Our Business

If we are unable to successfully introduce new products or fail to keep pace with advances in technology, our business, financial condition and results of operations could be adversely affected.

We need to successfully introduce new products to achieve our strategic business objectives. A significant element of our strategy is to increase revenue growth by investing in innovation and new product development, which will require substantial resources. Our successful product development will depend on many factors, including our ability to attract strong talent to lead our research and development efforts, properly anticipate and satisfy customer needs, adapt to new technologies, obtain regulatory concurrence on a timely basis, demonstrate satisfactory clinical results, manufacture products in an economical and timely manner, obtain appropriate intellectual property protection for our products, gain and maintain market acceptance of our products, and differentiate our products from those of our competitors. In addition, patents attained by others can preclude or delay our commercialization of a product. There can be no assurance that any products now in development or that we may seek to develop in the future will achieve technological feasibility, obtain regulatory concurrence or gain market acceptance. If we cannot successfully introduce new products or adapt to changing technologies, our products may become obsolete, and our revenue and profitability could suffer.

Our business depends on an adequate supply of drugs to be administered by our products.

Demand for our products depends on the availability of drugs to be administered by them. Currently, most of our products require immunoglobulin therapies that rely on blood plasma collection for drugs such as Hizentra® and Cuvitru®. Any disruption in the supply of these drugs for any reason, including contamination, could significantly adversely affect our business. The change of any drug indication by the FDA or comparable foreign governmental agencies could also result in decreased demand for our products. In addition, pharmaceutical companies and other competitors have or are developing alternative therapies for disease states that are deliverable without a medical device. The COVID-19 pandemic has negatively impacted the collection of plasma, the source of the active ingredient of SCIg medications, which may limit the supply of these drugs. If there is not an adequate supply of drugs requiring administration by medical devices such as those provided by us or alternative therapies are developed, our sales may suffer and/or our products may become obsolete.

Our compliance with EU MDR regulations by May 2024 will require significant investment and, if we are not in compliance by that time, we will not be able to sell our products in the EU.

In the European Union ("EU"), we are required to comply with the new Medical Device Regulation ("MDR" or "EU MDR") effective May 2021, which supersedes the prior Medical Device Directives. Medical devices which have a valid CE certificate to the current Medical Device Directives (issued before May 2021), as do all of our current products, can continue to be sold until May 2024 or until the CE certificate expires, whichever comes first, providing there are no significant changes as defined in Article 120 of EU MDR. The MDR was published in May 2017 with a 3-year transition period. That transition period was extended to May 2021 due to the COVID-19 pandemic. The CE mark required to sell medical devices in the EU is affixed following conformity assessment and either approval from an appointed independent notified body or through self-certification by the manufacturer. The selected pathway to CE marking is based on product risk classification. CE marking indicates conformity to the applicable essential requirements of the relevant Medical Device Directives and in the future to the general safety and performance requirements for the new MDR. The MDR will change multiple aspects of the existing regulatory framework for CE marking, such as increased clinical evidence requirements and other new requirements, including Unique Device Identification ("UDI") as well as many other post-market obligations. MDR also significantly modifies and increases the compliance requirements for the industry and will require significant investment by us in the near future to implement.

If we are unable to comply with the MDR by May 2024, we will not be able to sell our products in the EU, which will materially impact our net revenues.

Interruption of our manufacturing operations, including due to transitioning to our new facility, could adversely affect our future revenues and operating income.

The FDA and other U. S. and non-U.S. government agencies regulate our manufacturing operations, which includes product assembly, calibration, pre- and post-assembly quality control inspection and testing, and final packaging for all of our products. Variations in the manufacturing process may result in production failures which could lead to launch delays, product shortage, unanticipated costs, lost revenues and damage to our reputation. A failure to identify and address manufacturing problems prior to the release of products to our customers may also result in a quality or safety issue that could result in a recall or other inability to sell our products.

Our products are currently manufactured and stored at our corporate headquarters and manufacturing facility. Products are also stored in storage facilities in the local NY area. Loss or damage to our manufacturing and storage sites due to weather, vandalism, terrorism, a natural disaster, issues in our manufacturing process, equipment failure or other factors, could adversely affect our ability to manufacture sufficient quantities of products or otherwise deliver products to meet customer demand or contractual requirements which may result in a loss of revenue and other adverse business consequences, including damage to our relationship with customers.

We take precautions to safeguard our facility and storage site, including acquiring insurance, adopting health and safety protocols and utilizing off-site storage of computer data. Our insurance may not cover our losses in any particular case. In addition, regardless of the level of insurance coverage, damage to our facilities may harm our business, financial condition and operating results.

Our business has been and could continue to be adversely affected by the COVID-19 pandemic.

The COVID-19 pandemic has and will continue affecting economies and businesses around the world. We are closely monitoring the impact of COVID-19 on all aspects of our business, including how it may impact our employees and business operations. While we did not incur significant manufacturing disruptions during 2021 from the COVID-19 pandemic, customer purchasing patterns and clinical trial activity have been less predictable. The COVID-19 pandemic has also impacted the rate of diagnosis of many conditions due to fewer infections causing patients to seek diagnosis, reduced access to healthcare professionals, and other factors including conditions treated by SCIg using the FREEDOM infusion system. We also believe COVID-19 has precipitated limited availability and rising costs of raw materials and labor, which may impact our financial results if current trends continue. We may experience disruptions that could severely impact our results of operations and financial condition. We are unable to predict the impact that COVID-19 will have on our future operating results and financial condition due to numerous uncertainties. These uncertainties include the geographic spread of the pandemic, the severity of the virus, the impact of the virus directly on our employees or those of our suppliers, the duration of the outbreak, governmental actions, travel restrictions and social distancing, business closures or business disruptions (including those impacting our supply chain), delays in clinical trials, the effectiveness of actions taken in the United States and other countries to contain and treat the disease, the availability of plasma and drugs that are administered by our products, the number of new prescriptions for PIDD and CIDP, purchasing patterns of customers in response to the pandemic, changes to our operations, or whether the United States and additional countries are required to move to complete lock-down status, among others. Our sales representatives are unable to hold in-person meetings with customers and health care providers to discuss our products, which may further impact our sales. As local jurisdictions continue to put restrictions in place, our ability to continue to manufacture our products may also be limited. Such events may result in a period of business and manufacturing disruption, and in reduced operations, any of which could materially affect our business, financial condition and results of operations. The health of our workforce and our ability to meet staffing needs at our facility cannot be predicted and is vital to our operations. We will continue to monitor the COVID-19 situation closely and intend to follow health and safety guidelines as they evolve. Further, the spread of COVID-19, which has caused a broad impact globally, may materially affect us economically. While the potential economic impact brought by, and the duration of, COVID-19 may be difficult to assess or predict, it has resulted in significant disruption of global financial markets, which could reduce our ability to access capital, negatively affecting our liquidity. In addition, the recession resulting from the spread of COVID-19 could materially affect our business and the value of our common stock. The ultimate long-term impact of COVID-19 is highly uncertain and cannot be predicted with confidence.

We may be unable to compete successfully in our highly competitive industry.

We operate in a single market – ambulatory infusion – and are dependent upon our success in that market. We face competition in our market from a wide range of international and domestic companies, including those that deliver electronic volumetric pumps, elastomeric infuser pumps and other mechanical devices. These include large medical device companies with multiple product lines, some of which may have greater financial and marketing resources than we do. We also face competition from companies that are even more specialized than ours with respect to particular markets or product lines. Some of those companies have greater financial and sales and marketing resources than we do or offer products at a lower price point than ours. In addition, former employees may

develop products that are competitive with ours or capitalize on customer relationships developed while employed with us, subject to their continuing obligations under confidentiality agreements and other restrictive covenants that may survive their employment. We face competition on the basis of product features, clinical or economic outcomes, product quality, availability, price, services, technological innovation and other factors. In addition, we face changing customer preferences and requirements, changes in the ways health care services are delivered, including the transition of high-acuity care to lower-acuity, and non-acute care settings.

Competition may increase further as additional companies begin to enter our market or modify their existing products to compete directly with ours. If we are forced to reduce our prices due to increased competition, our business could suffer.

The medical technology industry has also experienced a significant amount of consolidation, resulting in larger companies with greater access to markets. Health care systems, other health care companies and even retail pharmacies are also consolidating, resulting in greater purchasing power for these companies. As a result, competition among medical device suppliers to provide goods and services has increased. Group purchasing organizations and integrated health delivery networks have also served to concentrate purchasing decisions for some customers, which has led to downward pricing pressure for medical device suppliers. Further consolidation in the industry could intensify competition among medical device suppliers and exert additional pressure on the prices of our products.

Consolidation in the medical industry could have a negative impact with payor and provider relationships and distributor relationships, as we could lose market share as consolidation occurs.

Technological developments by others may disrupt our business and negatively impact our revenues.

The medical device industry is subject to rapid technological change and discovery and frequent product introductions. The development of new or improved products, processes or technologies by other companies that provide better features, pricing or clinical outcomes or economic value may render our products or proposed products obsolete or less competitive. If our competitors respond more quickly to new or emerging technologies and changes in customer requirements or we do not introduce new versions or upgrades to our product portfolio in response to those requirements, our products may not be marketable. If competitors develop more effective or affordable products or achieve earlier patent protection or product commercialization for new products than we do, our operations will likely be adversely affected.

We are subject to costly and complex laws and governmental regulations and any adverse regulatory action may materially adversely affect our financial condition and business operations.

Our medical devices and technologies, as well as our business activities, are subject to a complex set of regulations and rigorous enforcement, principally by the FDA, and numerous other federal, state, and non-U.S. governmental authorities. To varying degrees, each of these agencies requires us to comply with laws and regulations governing the design, development, and manufacturing; testing, labeling, content and language of instructions for use and storage; clinical trials; product safety; establishment registration and device listing; marketing, promotion, and distribution of our products; premarket clearance and approval; record keeping procedures; advertising and promotion; recalls and field safety corrective actions; post-market surveillance, including reporting of deaths or serious injuries and malfunctions that, if they were to recur, could lead to death or serious injury; post-market approval studies; and product import and export.

In the U.S., our device products are subject to clearance or approval by FDA under the FFDCA. Before we can market a new medical device, or a new use of, new claim for, or significant modification to, an existing product, we must first receive either 510(k) clearance or approval of a PMA application from the FDA, unless an exemption applies. Under the 510(k) process, the manufacturer must submit to the FDA a premarket notification, demonstrating that the device is "substantially equivalent," as defined in the statute, to a legally marketed predicate device. To be "substantially equivalent," the proposed device must have the same intended use as the predicate device, and either have the same technological characteristics as the predicate device or have different technological characteristics and not raise different questions of safety or effectiveness than the predicate device. If the manufacturer is unable to demonstrate substantial equivalence to FDA's satisfaction, or if there is no available predicate device, then the manufacturer may be required to seek approval through the PMA application process, which is generally more costly and time consuming than the 510(k) process. Through the PMA application process, the applicant must submit data and information demonstrating reasonable assurance of the safety and effectiveness of the device for its intended use. Accordingly, a PMA application typically includes, but is not limited to, extensive technical information regarding device design and development, pre-clinical and clinical trial data, manufacturing information, labeling and financial disclosure information for the clinical investigators in device studies.

We cannot guarantee that we will be able to obtain or maintain FDA 510(k) clearance or premarket approval for our new products or enhancements or modifications to existing products (including the use of our FREEDOM System with therapies not covered by the existing FDA clearance), and the failure to maintain approvals or clearances, or obtain approval or clearance could have a material adverse effect on our business, results of operations, financial condition and cash flows. Even if we are able to obtain approval or clearance, it may:

- take a significant amount of time
- require the expenditure of substantial resources
- involve stringent clinical and pre-clinical testing, as well as increased post-market surveillance
- involve modifications, repairs, or replacements of our products, and
- limit the proposed uses of our products.

Both before and after a product is commercially released, we have ongoing responsibilities under the FDA and other applicable non-U.S. government agency laws and regulations. The FDA and other worldwide regulatory agencies actively monitor compliance with local laws and regulations through review and inspection of design and manufacturing practices, recordkeeping, reporting of adverse events, labeling and promotional practices. The results of these inspections can include inspectional observations on the FDA's Form 483, warning letters, or other forms of enforcement. If the FDA, state or foreign regulatory authorities were to conclude that we are not in compliance with any applicable laws or regulations, or that any of our medical products are ineffective or pose an unreasonable

health risk, they could deem our products adulterated or misbranded, and take enforcement action against us. FDA, state and foreign regulatory authorities have broad enforcement powers. Possible enforcement actions include, but are not limited to: temporarily or permanently suspending the sale and/or distribution of such medical products; detaining or seizing all adulterated or misbranded medical products; ordering recall, repair, replacement, or refund of such products; refusing to grant pending pre-market approval or 510(k) clearance applications; and/or requiring us to notify health professionals and others that the devices present unreasonable risks of substantial harm to the public health. In addition, the FDA prohibits device manufacturers from promoting their products for uses and indications other than those set forth in the approved product labeling, and failure to comply with this prohibition could subject us to significant civil or criminal exposure, administrative obligations and costs, and/or other potential penalties from, and/or agreements with, the federal government. The FDA and other non-U.S. government agencies may also assess civil or criminal penalties against us, our officers or employees and impose operating restrictions on a company-wide basis. The FDA may also recommend prosecution to the U.S. Department of Justice. Any adverse regulatory action, depending on its magnitude, may restrict us from effectively marketing and selling our products and limit our ability to obtain future pre-market clearances or approvals, and could result in a substantial modification to our business practices and operations.

Regulations regarding the development, manufacture and sale of medical devices are evolving and subject to future change and have tended to become more stringent over time. Regulatory changes could result in restrictions on our ability to continue or expand our operations, higher than anticipated costs, or lower than anticipated sales. We cannot predict what impact, if any, those changes might have on our business; however, failure to comply with applicable regulatory requirements could have a material adverse effect on our business, financial condition, and results of operations. Later discovery of previously unknown problems with a product or manufacturer could result in fines, delays or suspensions of regulatory clearances or approvals, seizures or recalls of products, physician advisories or other field actions, operating restrictions and/or criminal prosecution. We may also initiate field actions as a result of a failure to strictly comply with our internal quality policies. The failure to receive product approval clearance on a timely basis, suspensions of regulatory clearances, seizures or recalls of products, physician advisories or other field actions, or the withdrawal of product approval by the FDA or by comparable agencies in foreign countries could have a material adverse effect on our business, financial condition or results of operations.

Governmental regulations outside the U.S. have also, and may continue to, become increasingly stringent and common. In the EU, for example, a new MDR was published in 2017 which, when it enters into full force in May 2021, will include significant additional premarket and post-market requirements. Penalties for regulatory non-compliance could be severe, including fines and revocation or suspension of a company's EU device approval, ability to distribute products and criminal sanctions. Future foreign governmental laws and regulations may have a material adverse effect on us.

In addition, exported devices are subject to the regulatory requirements of each country to which the device is exported. Some countries do not have medical device regulations, but in most foreign countries, medical devices are regulated. Frequently, regulatory approval may first be obtained in a foreign country prior to application in the U.S. due to differing regulatory requirements; however, other countries, such as China for example, require approval in the country of origin or legal manufacturer first. Most countries outside of the U.S. require that product approvals be renewed or recertified on a regular basis, generally every four to five years. The renewal or recertification process requires that we evaluate any device changes and any new regulations or standards relevant to the device and conduct appropriate testing to document continued compliance. Where renewal or recertification applications are required, they may need to be renewed and/or approved in order to continue selling our products in those countries. There can be no assurance that we will receive the required approvals for new products or modifications to existing products on a timely basis or that any approval will not be subsequently withdrawn or conditioned upon extensive post market study requirements.

Our global regulatory environment is becoming increasingly stringent and unpredictable, which could increase the time, cost and complexity of obtaining regulatory approvals for our products, as well as the clinical and regulatory costs of supporting those approvals. Several countries that did not have regulatory requirements for medical devices have established such requirements in recent years and other countries have expanded on existing regulations. Certain regulators are exhibiting less flexibility and are requiring local preclinical and clinical data in addition to global data. While harmonization of global regulations has been pursued, requirements continue to differ significantly among countries. In the United Kingdom, for example, the Medicines and Healthcare products Regulatory Agency (MHRA) is responsible for regulating the UK medical device market. With recent changes in the United Kingdom's membership with the European Union, the MHRA has and will continue to impose new regulatory obligations becoming effective in 2021 through 2023, for medical device manufacturers. We expect this global regulatory environment will continue to evolve, which could impact our ability to obtain future approvals for our products or could increase the cost and time to obtain such approvals in the future.

Our business and financial results may be materially adversely affected if our facility is not ready for manufacturing when the lease on our current facility expires in December 2022.

The lease on our current corporate headquarters and manufacturing facility expires in December 2022. We have entered into a lease for a new facility for our operations, and we expect to complete our move into that facility in June 2022. If we are unable to establish continuous manufacturing operations in our new facility before our existing lease expires, our revenues will suffer. We may not be able to establish such operations before our existing lease expires due to a number of factors, including delays in construction caused by raw materials, labor shortages and unforeseen complications; delays in receiving necessary regulatory approvals from U.S. and international authorities; unexpected manufacturing quality issues; inability to hire or retain necessary personnel; and other unforeseen circumstances. We have begun building our product inventory and expect to continue to do so through the second quarter of 2022, in order to ensure we can continue to service our customers in the event we are unable to maintain continuous manufacturing operations. Additionally, we have established Command as an alternate source of manufacturing as needed for continuity.

Proposed changes to the FDA 510(k) clearance pathway and post-market safety monitoring process could adversely affect our ability to offer our new and existing products.

As discussed above, the FDA's and other regulatory authorities' policies may change and additional government regulations may be enacted that could prevent, limit or delay regulatory approval of our product candidates. In addition, the FDA may change its clearance and approval policies, adopt additional regulations or revise existing regulations, or take other actions which may prevent or delay approval or clearance of our future products under development.

In fact, the FDA has announced its intention to pursue comprehensive reforms to its current 510(k) clearance pathway, which is used for clearance of low- to moderate-risk devices that are substantially equivalent to a device already on the market, and to its post-market safety monitoring process. In May 2019, the FDA solicited public feedback on its plans to develop proposals to drive manufacturers utilizing the 510(k) pathway toward the use of newer predicates, including whether the FDA should publish a list of devices that have been cleared on the basis of demonstrated substantial equivalence to predicate devices that are more than 10 years old. The FDA sought input on whether it should consider certain actions, such as whether to sunset certain older devices that were used as predicates under the 510(k)-clearance pathway. These proposals have not yet been finalized or adopted, and the FDA may work with Congress to implement such proposals through legislation. Accordingly, it is unclear the extent to which any proposals, if adopted, could impose additional regulatory requirements on us that could delay our ability to obtain new 510(k) clearances, increase the costs of compliance, or restrict our ability to maintain our current clearances, or otherwise create competition that may negatively affect our business.

In September 2019, the FDA finalized a guidance to describe an optional "safety and performance based" premarket review pathway for manufacturers of "certain, well-understood device types" to demonstrate substantial equivalence under the 510(k) clearance pathway, by demonstrating that such device meets objective safety and performance criteria established by the FDA, obviating the need for manufacturers to compare the safety and performance of their medical devices to specific predicate devices in the clearance process. The FDA intends to maintain a list of device types appropriate for the "safety and performance-based pathway" and develop product-specific guidance documents that identify the performance criteria for each such device type, as well as the testing methods recommended in the guidance, where feasible. The FDA may establish performance criteria for classes of devices for which we or our competitors seek or currently have received clearance. It is unclear the extent to which such performance standards, if established, could impact our ability to obtain new 510(k) clearances or otherwise create competition that may negatively affect our business.

These reforms could delay or prevent us from obtaining or maintaining 510(k) clearances or other premarket authorizations for our existing or new devices. Compliance with the new rules could require us to undertake significant additional costs prior to and following commercialization of our products, which may reduce the profitability of those products.

In addition, FDA regulations and guidance are often revised or reinterpreted by the FDA in ways that may significantly affect our business and our products. Any new statutes, regulations or revisions or reinterpretations of existing regulations may impose additional costs or lengthen review times of any future products or make it more difficult to obtain clearance or approval for, manufacture, market or distribute our products. We cannot determine what effect changes in regulations, statutes, legal interpretation or policies, when and if promulgated, enacted or adopted may have on our business in the future. Such changes could, among other things, require: additional testing prior to obtaining clearance or approval; changes to manufacturing methods; recall, replacement or discontinuance of our products; or additional record keeping.

Health care policy changes and industry cost-containment measures could result in downward pricing pressure for our products and limit our sales.

Most of our customers, and those to whom our customers supply medical devices, rely on third-party payers, including government programs and private health insurance plans, to reimburse some or all the cost of the medical devices we manufacture. The continuing efforts of governmental authorities, insurance companies and other payers of health care costs to contain or reduce these costs and, more generally, to reform the health care system, could limit the prices we are able to charge for our products or the amounts of reimbursement available for our products or the drugs that they administer, which would put pressure on us to reduce our prices for our products and/or limit our sales. The adoption of some or all of these proposals could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Issues with product quality could have an adverse effect upon our business, subject us to regulatory actions, cause a loss of customer confidence in us or our products, among other negative consequences.

Quality management plays an essential role in determining and meeting customer requirements, preventing defects, improving our products and services, and assuring the safety and efficacy of our products. Our future success depends on our ability to maintain and continuously improve our quality management program. While we have a quality system that covers the lifecycle of our products, quality and safety issues may occur with respect to any of our products. A quality or safety issue may result in adverse inspection reports, voluntary or official action indicated, warning letters, import bans, product recalls (either voluntary or required by the FDA or similar governmental authorities in other countries) or seizures, monetary sanctions, injunctions to halt manufacture and distribution of products, civil or criminal sanctions, costly litigation, refusal of a government to grant approvals and licenses, restrictions on operations or withdrawal of existing approvals and licenses. An inability to address a quality or safety issue in an effective and timely manner may also cause negative publicity, a loss of customer confidence in us or our current or future products, which may result in the loss of sales and difficulty in successfully launching new products.

Defects or quality issues associated with our products could adversely affect the results of our operations.

The design, manufacture and marketing of medical devices involve certain inherent risks. Manufacturing or design defects, component failures, unapproved or improper use of our products, or inadequate disclosure of risks or other information relating to the use of our products can lead to injury or other serious adverse events. We are subject to the FDA's medical device reporting regulations and similar foreign regulations, which require us to report to the FDA when we receive or become aware of information that reasonably suggests that one or more of our products may have caused or contributed to a death or serious injury or malfunctioned in a way that, if the malfunction were to recur, it could cause or contribute to a death or serious injury. The timing of our obligation to report is triggered by the date we become aware of the adverse event as well as the nature of the event. If we fail to comply with our reporting obligations, the FDA could take action, including warning letters, untitled letters, administrative actions, criminal prosecution, imposition of civil monetary penalties, revocation of our device clearances or approvals, seizure of our products, or delay in clearance or approval of future products.

These adverse events could also lead to safety alerts relating to our products or recalls (either voluntary or as required by the FDA or similar governmental authorities in other countries), and could result, in certain cases, in the removal of a product from the market. A recall could result in significant costs and lost sales and customers, enforcement actions and/or investigations by state and federal governments or other enforcement bodies, as well as negative publicity and damage to our reputation that could reduce future demand

for our products. Any corrective action, whether voluntary or involuntary, as well as defending ourselves in a lawsuit, will require the dedication of our time and capital, distract management from operating our business and may harm our reputation and financial results.

Personal injuries relating to the use of our products can also result in significant product liability claims being brought against us. A product liability claim, regardless of its merit or outcome, could not only result in significant legal defense costs, but also have a material adverse effect on our business and reputation and ability to attract and retain customers for our products. In some circumstances, adverse events could also cause delays in regulatory approval of new products or the imposition of post-market approval requirements.

We are subject to lawsuits.

We have been and may be party to lawsuits, settlement discussions, mediations, arbitrations and other disputes, including patent and product liability claims, whether brought by companies, individuals or governmental authorities. These matters may result in a loss of patent protection, reduced revenue, incurrence of significant liabilities and diversion of our management's time, attention and resources. Our insurance coverage may not provide adequate protection against actual losses. In addition, we are subject to the risk that one or more of our insurers may become insolvent and become unable to pay claims that may be made in the future. Even if we maintain adequate insurance, claims could have a material adverse effect on our financial condition, liquidity and results of operations and on our ability to obtain suitable, adequate or cost-effective insurance in the future. Litigation and other disputes, including any adverse outcomes, may have an adverse impact on our business, operations or financial condition. Even claims without merit could subject us to adverse publicity and require us to incur significant legal fees.

If we are unable to protect our patents or other proprietary rights, or if we infringe the patents or other proprietary rights of others, our competitiveness and business prospects may be materially damaged.

Patent and other proprietary rights are essential to our business. We own patents, trade secrets, trademarks and/or other intellectual property rights related to many of our products. Our success depends to a significant degree on our ability to obtain and enforce patents, both in the U.S. and in other countries. We can lose the protection afforded by these intellectual property assets through patent expirations, legal challenges or governmental action. Additionally, our intellectual property rights may be challenged or infringed upon by third parties, particularly in countries where property rights are not highly developed or protected, or we may be unable to enter into license agreements with third-party owners of intellectual property on reasonable terms. Unauthorized use of our intellectual property rights or inability to preserve existing intellectual property rights could adversely impact our competitive position and results of operations.

The patent position of a medical device company is often uncertain and involves complex legal and factual questions. Significant litigation concerning patents and products is pervasive in our industry. Patent claims include challenges to the coverage and validity of our patents on products or processes as well as allegations that our products infringe patents held by competitors or other third parties. A loss in any of these types of cases could result in a loss of patent protection or the ability to market products, which could lead to a significant loss of sales, or otherwise materially affect future results of operations. We also rely on trademarks, trade secrets and know-how to develop, maintain and strengthen our competitive positions. Third parties may know, discover or independently develop equivalent proprietary information or techniques, or they may gain access to our trade secrets or disclose our trade secrets to the public.

Although our employees, consultants, parties to collaboration agreements and other business partners are generally subject to confidentiality or similar agreements to protect our confidential and proprietary information, these agreements may be breached, and we may not have adequate remedies in the event of a breach of confidence. To the extent that our employees, consultants, parties to collaboration agreements and other business partners use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions.

Furthermore, our intellectual property, other proprietary technology and other sensitive company data is potentially vulnerable to loss, damage or misappropriation from system malfunction, computer viruses, unauthorized access to our data or misappropriation or misuse thereof by those with permitted access and other events. While we have invested to protect our intellectual property, confidential information and other data, and continue to work diligently in this area, there can be no assurance that our precautionary measures will prevent breakdowns, breaches, cyber incidents or other events. Such events could have a material adverse effect on our reputation, business, financial condition or results of operations.

Misappropriation or other loss of our intellectual property from any of the foregoing would have an adverse effect on our competitive position and may cause us to incur substantial litigation costs.

We need to attract and retain key employees to be competitive.

Our ability to compete effectively depends upon our ability to attract and retain executives and other key employees, including people in technical, marketing, sales, research and development, quality assurance and regulatory compliance positions. We depend on key management personnel and attracting and retaining other qualified personnel, and our business could be harmed if we lose key management personnel or cannot attract and retain other qualified personnel. We do not maintain any "key man" insurance policies on the lives of any of our employees.

In addition, if we expect to grow our operations, it will be necessary for us to attract and retain additional qualified personnel. In particular, we will need to find experienced key employees to lead our research and development and operations functions. The failure to attract, integrate, motivate, and retain additional skilled and qualified personnel could have a material adverse effect on our business. We compete for such personnel against numerous companies, including larger, more established companies with significantly greater financial resources than we possess. Our ability to recruit such talent will depend on a number of factors, including compensation and benefits, work location and work environment. There can be no assurance that we will be successful in

attracting or retaining such personnel and the failure to do so could have a material adverse effect on our business, financial condition and results of operations.

We sell a majority of our products through only a few distributors on whom we depend, and our financial results depend on their purchasing patterns.

Most of our customers prefer to purchase our products through distributors, rather than directly from us, because of "one-stop shopping" convenience and their ability to ship directly to patients. We sell most of our products through a small number of distributors, two in the U.S. and two outside the U.S. As of December 31, 2021, these four distributors comprised approximately 62% of our net revenues with one U.S. distributor contributing 41%. Purchasing patterns by these distributors cannot always be predicted and fluctuate from quarter to quarter and year to year based on, among other things, their expectations of customer demand. Any decline in business with the distributors outside the U.S. could have an adverse impact on our business. If we were unable to sell through the distributors outside the U.S., we would have to find other distributors or broaden our customer base and expand direct relationships with customers. Other distributors may not be available or may not agree to arrangements that are commercially reasonable. In the U.S. we could transition to direct customer purchase; however, customers may not want to purchase directly from us and may decide to purchase competitors' products through their distributors. Moreover, a transition from distributors to direct customer purchase would be time consuming and costly.

We and our customers are subject to extensive regulation by governments around the world, and if these regulations are not complied with, existing and future operations may be curtailed, and we could be subject to liability.

Our devices and our customers' drug-device combination products, and/or compatible products, that may utilize our device are subject to extensive regulation by governmental authorities in the United States, Europe and other countries, including the FDA. Not only do these regulations present challenges during the regulatory approval process, but after our devices or our customers' drug-device combination products, and/or compatible products, that may utilize our device are approved for new indications and placed in the market, numerous regulatory requirements will apply. These include, but are not limited to QSR, labeling regulations and FDA prohibitions against the promotion of products for uncleared, unapproved or "off label" uses, medical device reporting regulations and post-market surveillance regulations, and laws and regulations that govern the development, testing, manufacturing, advertising, marketing and distribution of medical devices, including our devices and our customers' drug-device combination products, and/or compatible products, that may utilize our device. The FDA has broad post-market and regulatory enforcement powers.

In the European Union ("EU"), we are required to comply with the new Medical Device Regulation ("MDR" or "EU MDR") effective May 2021, which will supersedes the prior Medical Device Directives. Medical devices which have a valid CE certificate to the current Medical Device Directives (issued before May 2021) can continue to be sold until May 2024 or until the CE certificate expires, whichever comes first, providing there are no significant changes as defined in Article 120 of EU MDR. The MDR was published in May 2017 with a 3-year transition period. That transition period was extended to May 2021 due to the COVID-19 pandemic. The CE mark required to sell medical devices in the EU is affixed following conformity assessment and either approval from an appointed independent notified body or through self-certification by the manufacturer. The selected pathway to CE marking is based on product risk classification. CE marking indicates conformity to the applicable essential requirements of the relevant Medical Device Directives and in the future to the general safety and performance requirements for the new MDR. The MDR will change multiple aspects of the existing regulatory framework for CE marking, such as increased clinical evidence requirements and other new requirements, including Unique Device Identification ("UDI") as well as many other post-market obligations. MDR also significantly modifies and increases the compliance requirements for the industry and will require significant investment in the near future to implement.

If our devices are commercialized as part of a drug-delivery combination product we, as the manufacturer of the device component of that combination product, we are subject to unannounced and preapproval inspections by the FDA of our manufacturing facility to determine our compliance with QSR and cGMP.

Failure to comply with applicable regulatory requirements can result in an enforcement action by the FDA or other regulatory authority, which may include any or all of the following sanctions: fines, injunctions, consent decrees and civil penalties, recall or seizure of our products or our customers' drug-device combination products, operating restrictions, partial suspensions or total shutdown of production, refusing our customers' requests for regulatory approvals of their drug-device combination products or new intended uses, as applicable, refusing our requests for regulatory approval of our devices, withdrawing our customers' or our regulatory approvals that may be granted and criminal prosecution.

The therapeutic efficacy of certain of our customers' drug-device combination products, and/or compatible products, that may utilize our device are either unproven in humans or has only been proven in limited circumstances, and we may not be able to successfully develop and sell our products in combination with our customers' drug-or-drug-device combination products.

While some of our customers use our products with established, approved drugs, in certain instances, the benefits of those drugs as injectable therapies are either unproven or have only been proven in limited circumstances. Our ability to generate revenue from our products will depend heavily on the successful development, commercialization and sales of our customers' drug products or drug-device combination products, which is subject to many potential risks. For example, data developed in clinical trials or following the commercialization of our customers' drugs or drug-device combination products may show that such therapies do not prove to be effective treatments for the targets they are being designed to act against (or as effective as other treatments available). In clinical trials or following commercialization, it may be shown that those drugs interact with human biological systems in unforeseen, ineffective or harmful ways. If those drugs are associated with undesirable side effects or have characteristics that are unexpected, the pharmaceutical companies that make those drugs may need to abandon clinical development or discontinue commercial sales or limit clinical development or sales to certain uses or subpopulations in which the undesirable side effects or other characteristics are less prevalent, less severe or more acceptable from a risk-benefit perspective. As a result of these and other risks described herein that are inherent in the development and sale of therapeutic agents, pharmaceutical companies may never successfully develop or successfully commercialize their drugs, or the commercialization of their drugs may be abandoned or severely limited, which may limit our profitability with respect to customers with drugs or drug-device combination products including those drugs and our device, and we may not be successful in achieving commercial scale production and sales of our injectable drug delivery systems in combination with certain drugs.

Certain of the injectable therapies being targeted for use with our products are not approved but are in various phases of clinical development. These injectable therapies may be independently terminated by their makers prior to submission of a regulatory filing or even after regulatory approval, resulting in the cessation of any revenue associated with that contract or program.

We work with pharmaceutical and biotechnology companies who are targeting the use of our products with a variety of injectable therapies. Certain of those injectable therapies are not FDA approved and are in various phases of clinical development. The clinical development of these pipeline therapies can be terminated by their developers at any stage. Furthermore, these pharmaceutical companies could obtain regulatory approval for their injectable therapies and decide for business reasons not to require or encourage utilization of our device. Prior investments we have made in manufacturing capacity or research and development will then not result in the generation of revenue that would have previously been anticipated.

Our commercial success depends upon the attainment of significant market acceptance of drug product candidates to be included in our customers' drug-device combination and/or compatible products, that may utilize our device, if approved, among physicians, patients, healthcare payers or the medical community.

Even if pharmaceutical companies obtain regulatory approval for their drug product candidates, their product candidates may not gain sufficient levels of market acceptance among physicians, healthcare payers, patients or the medical community to make them commercially feasible. Market acceptance of our customers' product candidates, if they receive approval, depends on a number of factors, including the:

- efficacy and safety of the product candidates;
- clinical indications for which the product candidates are approved;
- acceptance by physicians, patients and the medical community of the product candidates as a safe and effective treatment;
- potential and perceived advantages of the product candidates over alternative treatments;
- safety of the product candidates seen in a broader patient group;
- prevalence and severity of any side effects;
- product labeling or product insert requirements of the FDA or other regulatory authorities;
- timing of market introduction of the product candidates as well as competitive products;
- cost of treatment in relation to alternative treatments;
- availability of coverage and adequate reimbursement and pricing by third party payers and government authorities;
- relative convenience and ease of administration; and
- effectiveness of the pharmaceutical companies' sales and marketing efforts.

If pharmaceutical companies' candidates are approved but fail to achieve market acceptance among physicians, patients or healthcare payers, we may not be able to generate anticipated revenue. This may limit our ability to generate anticipated revenue from our prior investments. Moreover, even if we achieve commercial scale production and sales of our injectable drug delivery systems in combination with certain injectable therapies, the makers of such therapies may face indirect competition from companies who develop and market other brand name, biosimilar or generic injectable therapies as well as alternative treatments and delivery methods that compete with our customers' drug-device combination products, and/or compatible products, that may utilize our device, which may have a material adverse effect on our results of operations, our financial condition and/or cash flows.

Most brand name injectable therapies will face future competition from generic or biosimilar therapies, which could significantly reduce their commercial viability.

Brand name injectable therapies will usually become exposed to competition from generic or biosimilar rivals at some time after their regulatory approval and commercial launch. The average selling price and market share of brand name injectable therapies can be significantly diminished following the introduction of generic or biosimilar competition. These factors may result in our customers using our products with their brand name injectable therapies seeking to withdraw such injectable therapy from the market or change market tactics in a way that makes the use of our products cost prohibitive. This may result in reduction of revenues due to lower demand, termination of supply contracts, and other factors.

All of our components and raw materials are sourced from single suppliers. If we are unable to obtain sufficient components or raw materials on a timely basis or for a cost-effective price, or if we experience other supply difficulties, our business and results of operations may be adversely affected.

Our ability to meet customer demand depends, in part, on our ability to obtain timely and adequate delivery of raw materials and components for our products. All of the materials and components that go into the manufacturing of our products are single-sourced from third-party suppliers.

The price and supply of materials and components for our products may be impacted or disrupted for reasons beyond our control. While we work with suppliers to ensure continuity of supply, no assurance can be given that these efforts will be successful. Although we do carry strategic inventory and maintain insurance to help mitigate the potential risk related to any supply disruption, there can be no assurance that such measures will be sufficient or effective. The termination, reduction or interruption in supply of raw materials and components and an inability to quickly develop acceptable alternative sources for such supply, could adversely impact our ability to manufacture and sell our products in a timely or cost-effective manner.

We do not have long-term agreements in place with any of our suppliers, with the exception of a long-term agreement with our needle set subassembly supplier which we entered in 2020. Due to regulatory requirements relating to the qualification of suppliers, we are not likely to be able to establish additional or replacement sources on a timely basis or without excessive cost. We are in the process of establishing alternative sources of supply for our raw materials and components, but there can be no assurance we will be able to do so.

Additionally, Command manufactures and supplies the Company's subassemblies, needle sets and tubing products in Nicaragua. There could be a delay in providing the products timely due to their climate and international boundaries.

Additionally, volatility in our cost of energy, raw materials, components, subassemblies, transportation/freight, and manufacturing and distribution could adversely affect our results of operations. Climate change (including laws or regulations passed in response to it) could increase our costs, in particular our costs of supply, energy and transportation/freight. Material or sustained increases in the price of oil and natural gas could have an adverse impact on the cost of many of the plastic materials we use to make and package our products, as well as our transportation/freight costs. These outcomes may in turn result in customers transitioning to available competitive products, loss of market share, negative publicity, reputational damage, loss of customer confidence or other negative consequences (including a decline in stock price).

Our failure to comply with laws and regulations relating to reimbursement of health care products may subject us to penalties and adversely impact our reputation, business, results of operations, financial condition and cash flows.

Our devices are purchased principally by specialty pharmacies and ambulatory service providers or hospitals that typically bill various third-party payers, such as governmental programs (e.g., Medicare, Medicaid and comparable non-U.S. programs), private insurance plans and managed care plans, for the healthcare services provided to their patients. The ability of those customers to obtain appropriate reimbursement from third-party payers for our products and the drugs they administer is critical because it affects which products customers purchase and the prices they are willing to pay. As a result, our devices are subject to regulation regarding quality and cost by U.S. governmental agencies, including the Centers for Medicare & Medicaid Services ("CMS"), as well as comparable state and non-U.S. agencies responsible for reimbursement and regulation of health care goods and services, including laws and regulations related to kickbacks, false claims, self-referrals and health care fraud. Many states have similar laws that apply to reimbursement by state Medicaid and other funded programs, and in some cases to all payers. In certain circumstances, insurance companies can attempt to bring a private cause of action against a manufacturer for causing a false claim to be filed under the Federal Racketeer Influenced and Corrupt Organizations Act. In addition, as a manufacturer of FDA-approved devices reimbursable by federal healthcare programs, we are subject to the Physician Payments Sunshine Act, which requires us to annually report certain payments and other transfers of value we make to U.S.-licensed physicians or U.S. teaching hospitals. Any failure to comply with these laws and regulations could subject us or our officers and employees to criminal and civil financial penalties. Similar reporting requirements applicable to medical device manufacturers have also been implemented by some states. Failure to comply with these state requirements could result in civil monetary penalties being assessed against us.

These laws and regulations, among other things, constrain our business, marketing and other promotional activities by limiting the kinds of financial arrangements, including sales programs, we may have with hospitals, physicians or other potential purchasers of our products. Due to the breadth of these laws, the narrowness of statutory exceptions and regulatory safe harbors available, and the range of interpretations to which they are subject, it is possible that some of our current or future practices might be challenged under one or more of these laws.

To enforce compliance with the healthcare regulatory laws, certain enforcement bodies have recently increased their scrutiny of interactions between healthcare companies and healthcare providers, which has led to a number of investigations, prosecutions, convictions and settlements in the healthcare industry. Responding to investigations can be time-and resource-consuming and can divert management's attention from the business. Additionally, as a result of these investigations, healthcare providers and entities may have to agree to additional compliance and reporting requirements as part of a consent decree or corporate integrity agreement. Any such investigation or settlement could increase our costs or otherwise have an adverse effect on our business. Even an unsuccessful challenge or investigation into our practices could cause adverse publicity and be costly to respond to. If our operations are found to be in violation of any of the healthcare laws or regulations described above or any other healthcare regulations that apply to us, we may be subject to penalties, including administrative, civil and criminal penalties, damages, fines, exclusion from participation in government healthcare programs, such as Medicare and Medicaid, imprisonment, contractual damages, reputational harm, disgorgement and the curtailment or restructuring of our operations. In addition, we are subject to the U.S. Foreign Corrupt Practices Act and similar anti-corruption laws outside the U.S. Actual or alleged violation of these laws by our employees, consultants, sales agents or distributors could subject us to investigations by the U.S. or foreign governments, significant criminal or civil sanctions and other liabilities, and damage our reputation.

We may need additional funding in the future, and if we are unable to raise capital when needed, we may be forced to delay, reduce or eliminate our product development, commercial efforts, or sales efforts.

Producing and marketing our developed products is costly. Although we believe we currently have adequate capital to fulfill our near-term funding needs, we may need to raise additional capital in the future in order to execute our business plan and help us fund the development and commercialization of new products. We raised approximately $26.6 million from the equity offering in 2020.

We may finance future cash needs through public or private equity offerings and may also use debt financings or strategic collaboration and licensing arrangements. We may seek to access the public or private equity markets whenever conditions are favorable, even if we do not have an immediate need for additional capital. To the extent that we raise additional funds by issuing equity securities, our shareholders may experience additional dilution; any debt financing, if available, may involve restrictive covenants and could result in high interest expense. If we raise additional funds through collaboration and licensing arrangements, it may require us to relinquish certain enumerated rights to our product candidates, processes, technologies, or development projects, or to enter into licenses on terms that are not favorable to us. We cannot be certain that additional funding will be available on acceptable terms, or at all. If adequate funds are not available from the foregoing sources, we may consider additional strategic financing options, or we may be required to delay, reduce the scope of, or eliminate our research or development and/or some of our commercialization efforts.

We may experience difficulties resulting from our evolving management structure and executive team.

We have made a number of changes to our management structure throughout the organization since July 2018 and have filled a number of these positions while we are actively recruiting to fill others. Although, we believe the persons who currently and will serve in these positions are and will be qualified to do so, they may take time to integrate into the organization and with each other, if at all. Many of these persons have or will have had little to no experience with our company prior to joining us, which may result in delays in our ability to implement our business plans. If we are unable to integrate, motivate and retain the services of our new executives and other managers, or if integration takes longer than we expect, it may have an adverse effect on our business and financial condition.

Changes in tax or labor laws or exposure to additional income tax liabilities could increase our costs and reduce our margins.

Changes to the tax and labor laws in the U.S. or other countries in which we operate could have an adverse effect on our operating results. Certain changes in tax rates, deductibility of interest, deductibility of executive compensation expense, expensing of capital expenditures, the ability to use certain tax credits, taxation on earnings from international business operations, and the system of taxation (from worldwide to territorial) could adversely affect our financial condition and results of operations. Taxing authorities may audit us from time to time and disagree with certain positions we have taken in respect of our tax liabilities. We regularly assess the likely outcomes of these audits in order to determine the appropriateness of our tax provision. However, we may not accurately predict the outcome of these audits, and as a result the actual outcome of these audits may have an adverse impact on our financial results.

Prior to the U.S. presidential election, President Biden proposed an increase in the U.S. corporate income tax rate from 21% to 28%, the creation of a 10% penalty on certain imports and a 15% minimum tax on worldwide book income.

Our manufacturing operations depend on low-cost labor. Recent increases in U.S. minimum wage requirements, as well as those imposed by the state of New York and New Jersey will increase our costs for employees to support those operations, reduce our margins and negatively impact our profit.

A downturn in global economic conditions could adversely affect our operations.

Deterioration in the global economic environment, particularly in countries with government-sponsored healthcare systems, may cause decreased demand for our products and increased competition, which could result in lower sales volume and downward pressure on the prices for our products, longer sales cycles, and slower adoption of new technologies. A weakening of economic conditions in the U.S. and/or abroad may also adversely affect our suppliers, which could result in interruptions in supply.

We are subject to foreign currency exchange risk.

A portion of our revenues is currently, and we expect in the future to be, derived from international operations. Our revenues from sales outside the U.S. may be adversely affected by fluctuations in foreign currency exchange rates. We cannot predict with any certainty changes in foreign currency exchange rates or our ability to mitigate these risks. We may experience additional volatility as a result of inflationary pressures and other macroeconomic factors. If we cannot adequately mitigate foreign currency exchange rates, our revenues and profit may suffer.

Our distribution network and other operations outside the U.S. subject us to certain risks.

Approximately 17% of our net revenues in the year ended December 31, 2021, came from our operations outside the U.S., and we intend to continue to pursue growth opportunities in foreign markets. Our foreign operations subject us to certain risks, including, among others, the effects of fluctuations in foreign currency exchange, uncertainties with respect to local economic and political conditions, competition from local companies, trade protectionism and restrictions on the transfer of goods across borders, U.S. diplomatic and trade relations with the governments of the foreign countries in which we operate, foreign regulatory requirements or changes in such requirements, local product preferences and product requirements, longer payment terms for accounts receivable than we experience in the U.S., difficulty in establishing, staffing and managing foreign operations, changes to international trade agreements and treaties, changes in tax laws, weakening or loss of the protection of intellectual property rights in some countries, and import or export licensing requirements.

Brexit may impact our business in the United Kingdom.

One of our two most significant international distributors is located in the United Kingdom (“UK”), and the other is in Finland, a member of the European Union (“EU”). The June 2016 referendum result in the UK to exit the EU (commonly known as “Brexit”), and the subsequent commencement of the official withdrawal process by the UK government in March 2017, has created uncertainties affecting business operations in the UK and the EU. On January 31, 2020, the UK withdrew from the EU. Under the withdrawal agreement agreed between the UK and the EU, the UK was subject to a transition period until December 31, 2020 (the “Transition Period”) during which EU rules continued to apply. During the Transition Period, negotiations between the UK and the EU continued in relation to the future customs and trading relationship between the UK and the EU following the expiration of the Transition Period. Due to the current COVID-19 global pandemic, negotiations between the UK and the EU scheduled have either been postponed or occurred in a reduced forum via video conference. However, on December 24, 2020, the negotiators from the EU and UK reached an agreement on a new partnership. This agreement sets out the rules that apply between the EU and the UK as of January 1, 2021. New regulations require medical device registration with the Medicines and Healthcare Products Regulatory Agency (“MHRA") before being placed on the Great Britain market (England, Wales, and Scotland). Additionally, all medical devices will require a UK Conformity Assessed mark (“UKCA”) by July 1, 2023. CE marks issued by Notified Bodies will remain valid until this time. Therefore, we must be compliant with applicable legislation in order to identify our devices with the UKCA mark and continue to market and sell our devices in Great Britain beyond July 1, 2023.

We are dependent on information technology systems and subject to privacy and security laws, and our systems and infrastructure face certain risks, including from cyber security breaches and data leakage.

Despite the implementation of security measures, our internal computer systems, and those of third parties on which we rely, are vulnerable to damage from computer viruses, malware, natural disasters, terrorism, war, telecommunication and electrical failures, cyber-attacks or cyber-intrusions over the Internet, attachments to emails, persons inside our organization, or persons with access to systems inside our organization. While we do not believe that we have experienced any such system failure, accident, or security breach to date, if such an event were to occur and cause interruptions in our systems, it could result in a material disruption of our operations. To the extent that any disruption or security breach results in a loss of or damage to our data or applications or other data

or applications relating to our technology, or inappropriate disclosure of confidential or proprietary information, we could incur liabilities, damage to our reputation, and the further development of our product candidates could be delayed. Additionally, such disruptions and security breaches, when there is a risk of patient harm, may require devices changes to fix vulnerabilities and strengthen cybersecurity. Such changes could, in some cases, require reporting to and approval by the FDA prior to implementation, which could cause a delay in the continued marketing of the underlying product that will result in a loss of revenues to us. Furthermore, failure to adhere to good cybersecurity practices with regards to medical devices could result in enforcement action by the FDA including warning letters or other forms of enforcement.

We cannot guarantee that any of our strategic acquisitions, investments or alliances will be successful.

We may seek to supplement our internal growth through strategic acquisitions, investments and alliances. Such transactions are inherently risky, and the integration of any newly acquired business requires significant effort and management attention. The success of any acquisition, investment or alliance may be affected by a number of factors, including our ability to properly assess and value the potential business opportunity or to successfully integrate any business we may acquire into our existing business. There can be no assurance that any past or future transaction will be successful.

Our operating results and financial condition may fluctuate.

Our operating results and financial condition may fluctuate from quarter to quarter and year to year for a number of reasons. Events such as a delay in product development, increases in litigation expenses, changes to our expectations or strategy or even a relatively small revenue shortfall may cause financial results for a period to be below our expectations or projections. As a result, we believe that period-to-period comparisons of our results of operations should not be relied upon as an indication of future performance. Our operating results and financial condition are also subject to fluctuation from all of the risks described throughout this section. These fluctuations may adversely affect our results of operations and financial conditions and our stock price.

Future material impairments in the value of our long-lived assets could negatively affect our operating results.

We review our long-lived assets, including identifiable intangible assets and property, plant and equipment, for impairment. Long-lived assets are reviewed when there is an indication or triggering event that impairment may have occurred. Changes in market conditions or other changes in the future outlook of value may lead to impairment charges in the future. In addition, we may from time to time sell assets that we determine are not critical to our strategy. Future events or decisions may lead to asset impairments and/or related charges. Certain non-cash impairments may result from a change in our strategic goals, business direction or other factors relating to the overall business environment. Material impairment charges could negatively affect our results of operations.

Actions of activist stockholders could have an adverse effect on our business.

From time to time, we may be subject to proposals by stockholders urging us to take certain corporate actions. If activist stockholder activities ensue, our business could be adversely affected because responding to proxy contests and reacting to other actions by activist stockholders can be costly and time-consuming, disrupt our operations and divert the attention of management and our employees. For example, we may be required to retain the services of various professionals to advise us on activist stockholder matters, including legal, financial and communications advisors, the costs of which may negatively impact our future financial results. In addition, perceived uncertainties as to our future direction, strategy or leadership created as a consequence of activist stockholder initiatives may result in the loss of potential business opportunities, harm our ability to attract new investors, customers, employees, and joint venture partners, and cause our stock price to experience periods of volatility or stagnation.

Natural disasters, war and other events could adversely affect our suppliers and customers.

Natural disasters (including pandemics), war, terrorism, labor disruptions and international conflicts, and actions taken by the U.S. and other governments or by our customers or suppliers in response to such events, could cause significant economic disruption and political and social instability in the U.S. and areas outside of the U.S. in which we operate. Most of our products are assembled and packaged in Nicaragua, where there is currently civil unrest whose outcome cannot be predicted. This and similar events could increase the costs for or cause interruptions in the supply of materials, result in decreased demand for our products or adversely affect our manufacturing and distribution capabilities.

Our insurance coverage may be inadequate to cover all the liabilities we may incur.

We face the risk of exposure to liability claims if any product that we develop causes injury. Although we carry insurance at levels customary for companies in our industry, such coverage may become unavailable or be inadequate to cover all liabilities we may incur. There can be no assurance that we will be able to continue to maintain such insurance, or obtain comparable insurance at a reasonable cost, if at all. If we are unable to obtain sufficient insurance coverage at an acceptable cost or otherwise, or if the amount of any claim against us exceeds the coverage under our policies, we may face significant expenses.

Risks Related to Ownership of Our Common Stock

There may be circumstances in which the interests of our significant stockholders could be in conflict with your interests as a stockholder.

Two stockholders, together with their respective affiliates, beneficially own approximately 24% and 13% of our outstanding common stock, respectively. An affiliate of Horton Freedom, L.P. currently serves on our Board of Directors. Circumstances may arise in which these stockholders may have an interest in exerting influence to pursue or prevent acquisitions, divestitures or other transactions, including the issuance of additional shares or debt, that, in their judgment, could enhance their investment in us or another company in which they invest. Such transactions might adversely affect us or other holders of our common stock. Furthermore, our significant concentration of share ownership may adversely affect the trading price of our common stock because investors may perceive disadvantages in owning shares in companies with significant stockholders.

We do not currently intend to pay dividends on our common stock.

We have never paid dividends on our common stock, and we do not intend to pay any dividends to holders of our common stock for the foreseeable future. We currently intend to invest our future earnings, if any, to fund our growth. Therefore, you are not likely to receive any dividends on your common stock for the foreseeable future.

Future sales and issuances of shares of our common stock or rights to purchase our common stock, including pursuant to our equity compensation plans, could result in additional dilution of the percentage ownership of our stockholders.

We may need additional capital in the future to continue our planned operations. To the extent we raise additional capital by issuing equity and/or convertible securities, our stockholders may experience substantial dilution. We may sell our common stock, convertible securities or other equity securities in one or more transactions at prices and in a manner, we determine from time to time. If we sell our common stock, convertible securities or other equity securities, investors may be materially diluted. These sales may also result in material dilution to our existing stockholders, and new investors could gain rights superior to our existing stockholders.

We provide and intend to continue to provide additional equity-based compensation to our employees, directors and consultants. We have two equity compensation plans, under which a total of 7,000,000 shares of our common stock have been reserved for issuance to our employees, including officers, consultants and directors, which number may be increased with the approval of our stockholders. We may issue equity-based compensation outside of our equity compensation plans as inducement for new employees. If our Board elects to issue additional stock options or other equity-based compensation, our stockholders may experience additional dilution, which could cause our stock price to decline. Because stock options granted under our equity compensation plans will generally only be exercised when the exercise price for such option is below the then market value of the common stock, the exercise of such options or the issuance of shares will cause dilution to the book value per share of our common stock and to existing and new investors.

There has been volatility in the price of shares of our common stock.

Since our common stock was listed on the Nasdaq Capital Market on October 17, 2019, it has traded between $2.30 per share to $12.84 per share. Our stock price is subject to wide fluctuations in response to a variety of factors, including:

- quarterly variations in operating results;
- announcement of new products or customers by our competitors;
- changes in financial estimates by securities analysts;
- trading volume on the Nasdaq Capital Market;
- announcements related to litigation;
- general economic conditions; or
- other events or factors that are beyond our control.

In addition, the stock market has experienced significant price and volume fluctuations that have particularly affected the trading prices of equity securities of many biotechnology companies. These fluctuations have often been unrelated or disproportionate to the operating performance of these companies. Any negative change in the public's perception of the prospects of medical device companies could further depress our stock price regardless of our results. Sales of substantial amounts of our common stock, particularly by our two most significant stockholders, or the perception that such sales might occur, could adversely affect prevailing market prices of our common stock and our stock price may decline substantially in a short time and our stockholders could suffer losses or be unable to liquidate their holdings.

If we do not maintain compliance with the listing standards of the Nasdaq Capital Market, Nasdaq may delist our common stock from trading on its exchange.

The Nasdaq Capital Market on which our common stock trades has continued listing standards that we must maintain on an ongoing basis in order to continue the listing of our common stock. If we fail to meet these continued listing requirements, our common stock may be subject to delisting. If our common stock is delisted and we are not able to list our common stock on another national securities exchange, we expect our securities would be quoted on an over-the-counter market. If this were to occur, our stockholders could face significant material adverse consequences, including limited availability of market quotations for our common stock and reduced liquidity for the trading of our common stock. In addition, we could experience a decreased ability to issue additional securities and obtain additional financing in the future, if or when needed.

We are a smaller reporting company and non-accelerated filer, and we cannot be certain if the reduced disclosure requirements applicable to us will make our common stock less attractive to investors.

We are currently a "smaller reporting company" and a "non-accelerated filer", as those terms are defined in the Securities Act. Accordingly, we take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "smaller reporting companies" and "non-accelerated filers," including, but not limited to, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the provisions of Section 404(b) of the Sarbanes-Oxley Act of 2002 requiring that independent registered public accounting firms provide an attestation report on the effectiveness of internal control over financial reporting. Decreased disclosures in our SEC filings due to our status as a "smaller reporting company" and "non-accelerated filer" may make it harder for investors to analyze our results of operations and financial prospects.

We cannot predict if investors will find our common stock less attractive if we rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our share price may be more volatile.

Our significant shareholders, officers and directors can sell their stock, which may have a negative effect on our stock price and ability to raise additional capital, and may make it difficult for investors to sell their stock at any price.

10% and 7% of our outstanding common stock held by two stockholders, respectively, are freely tradeable in the market pursuant to a resale registration statement. These stockholders purchased those shares at prices significantly lower than the price at which our common stock is currently trading. In the event either of these significant stockholders choose to sell a substantial portion of their holdings, the price of our common stock may decline suddenly and sharply. This may make it difficult or impossible for other investors to sell their stock at any price.

Our officers and directors beneficially own approximately 34% of our outstanding common stock as of December 31, 2021. Each individual officer and director may be able to sell up to 1% of our outstanding common stock every ninety (90) days in the open market pursuant to Rule 144, which may have a negative effect on our stock price. In addition, if our officers and directors are selling their stock into the open market, it may make it difficult or impossible for investors to sell their stock at any price.

The price of our common stock may be adversely affected by the future issuance and sale of shares of our common stock or other equity securities.

We cannot predict the size of future issuances or sales of our common stock or other equity securities future acquisitions or capital raising activities, or the effect, if any, that such issuances or sales may have on the market price of our common stock. The issuance and sale of substantial amounts of common stock or other equity securities or announcement that such issuances and sales may occur, could adversely affect the market price of our common stock. Any decline in the price of our common stock may encourage short sales, which could place further downward pressure on the price of our common stock and may impair our ability to raise additional capital through the sale of equity securities.

You may find it difficult to sell our common stock.

Only recently has there been any active trading market in our common stock. We cannot assure you that such an active trading market for our common stock will be sustained. Regardless of whether an active and liquid public market exists, negative fluctuations in our actual or anticipated operating results will likely cause the market price of our common stock to fall, making it more difficult for you to sell our common stock at a favorable price, or at all.

If we fail to continue to meet the listing standards of the Nasdaq Stock Market LLC ("Nasdaq"), our common stock may be delisted, which could have a material adverse effect on the liquidity of our common stock.

Our common stock is currently listed on the Nasdaq Capital Market. Nasdaq has requirements that a company must meet in order to remain listed on Nasdaq. There can be no assurance that we will continue to meet all of these requirements, or any other requirement in the future. If we fail to meet the requirements, including maintaining minimum price, levels of stockholders' equity or market values of our common stock, our common stock could be delisted. If our common stock were to be delisted, the liquidity of our common stock would be adversely affected and the market price of our common stock could decrease.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

We currently rent a building located at 24 Carpenter Road, Chester, New York. This facility is used as our headquarters and for our general operations. We expect to move in June 2022 from this building into 43,975 square feet of a building located at 100 Corporate Drive, Mahwah, New Jersey. The Company's existing lease expires December 31, 2022, and the new lease commences March 1, 2022 and expires August 31, 2032.

ITEM 3. LEGAL PROCEEDINGS

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Market Information

Our common stock is traded on the Nasdaq Capital Market under the symbol "KRMD." We have not paid any cash dividends on our common stock and do not plan to pay any such dividends in the foreseeable future. We currently intend to use all available funds for our business operations.

We are authorized to issue 77,000,000 shares of capital stock, of which 75,000,000 are designated common stock, $0.01 par value per share, and 2,000,000 are designated preferred stock. As of February 28, 2022, 44,671,160 shares of our common stock were issued and outstanding held by approximately 552 stockholders of record. There were no shares of preferred stock issued and outstanding.

Unregistered Sales of Equity Securities

The Company issued an aggregate of 49,998 shares of common stock to its non-employee directors during the three months ended December 31, 2021 under its 2021 Omnibus Equity Incentive Plan.

The Company issued options to purchase 350,000 shares of common stock at a weighted average exercise price of $3.13 to three new employees during the three months ended December 31, 2021 under its 2015 Stock Option Plan.

All of the securities issued by the Company as described in this Item were issued in reliance on the exemption from registration under Section 4(2) under the Securities Act of 1933, as amended.

Issuer Purchases of Equity Securities

On November 16, 2020, the Company announced that its Board of Directors had authorized a stock repurchase program under which the Company may purchase up to $10.0 million of its outstanding common stock through December 31, 2021. As of December 31, 2020, the Company had purchased 683,271 shares for an aggregate $3,499,358 pursuant to this program. No purchases have been made since that time.

ITEM 6. SELECTED FINANCIAL DATA

Not applicable.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read together with our consolidated financial statements and related notes included under ITEM 8 of this Annual Report on Form 10-K. This discussion contains forward-looking statements about our business and operations. Our actual results may differ materially from those we currently anticipate as a result of many factors, including those described under Part I – FORWARD LOOKING STATEMENTS and elsewhere in this Annual Report.

OVERVIEW

The Company designs, manufactures and markets proprietary portable and innovative medical devices primarily for the ambulatory infusion market as governed by the United States Food and Drug Administration (the "FDA") quality and regulatory system and international standards for quality system management.

KORU Medical continues to monitor its operations and government recommendations as they relate to the COVID-19 pandemic. We cannot predict the effects the pandemic may have on our business, in particular with respect to demand for our products, our strategy, and our prospects, the effects on our customers, or the impact on our financial results. For example, our future net revenue growth may continue to be impacted due to fewer new prescriptions for individuals with Primary Immune Deficiency Disease ("PIDD") and Chronic Inflammatory Demyelinating Polyneuropathy ("CIDP") as a result of patients not seeking care during the pandemic. We believe that the pandemic has precipitated limited availability and rising costs of raw materials and labor. We have accounted for these costs of which we are aware, but we may see a future impact on our financial results if current trends continue.

On March 15, 2021, the Company entered into an employment agreement with its President and Chief Executive Officer, Linda Tharby. Ms. Tharby has over 25 years of executive leadership experience building and leading strong performing global organizations, developing and commercializing products and service innovations, and delivering solutions to patients in the home setting.

The Company began its implementation of secondary sourcing of our needle and tubing sets to Command at the beginning of 2021 and is expected to complete the implementation by the second half of 2022. The Company has entered into a lease commencing March 1, 2022 for a new manufacturing facility and corporate headquarters, into which the Company expects to move in June 2022.

Our revenues derive from three business sources: (i) domestic core, (ii) international core, and (iii) novel therapies. Our core domestic and international revenues consist of sales of our products for the delivery of subcutaneous drugs that are FDA cleared for use with the KORU Medical infusion system, with the primary delivery today for immunoglobulin to treat PIDD and CIDP. Novel therapies consist of product revenues of our infusion system (syringe drivers, tubing and needles) for feasibility/clinical trials (pre-clinical studies, Phase I, Phase II, Phase III) of biopharmaceutical companies in the drug development process as well as non-recurring engineering services revenues received from biopharmaceutical companies to ready or customize the FREEDOM System for clinical and commercial use.

The Company achieved four quarters of sequential quarterly growth in 2021, ending the year with net revenues of $23.5 million, or 2.8% below 2020, with the shortfall driven by novel therapies where we had a large clinical trial order in 2020. Our domestic core net revenues for 2021 were 0.8% higher than last year mostly due to price in the second half of the year, and our international core net revenues were up 14.5% compared to last year driven by growth in key customers.

Our gross margin, which is our gross profit stated as a percentage of net revenues, for 2021 was 58.6%, a decline from prior year of 61.8%. The majority of the decline was driven by delays in the transition to our secondary manufacturing source. We expect this transition to be completed in the second half of 2022.

Operating expenses in 2021 increased by 28.9%, or $4.6 million compared to last year, mostly driven by costs associated with building out our executive team, regulatory efforts in support of 510(k) approvals and research and development spend in support of our innovation efforts.

RESULTS OF OPERATIONS

Year Ended December 31, 2021 compared to Year Ended December 31, 2020

Net Revenues

The following table summarizes our net revenues for the years ended December 31, 2021 and 2020:

	Years Ended December 31,		Change from Prior Year		% of Net Sales	
	2021	2020	$	%	2021	2020
Net Revenues						
Domestic Core	$ 19,045,512	$ 18,895,923	$ 149,589	0.8%	81.1%	78.2%
Novel Therapies	443,173	1,782,530	(1,339,357)	(75.1%)	1.9%	7.3%
Total Domestic	19,488,685	20,678,453	(1,189,768)	(5.8%)	83.0%	85.5%
International Core	3,856,972	3,368,519	488,453	14.5%	16.4%	13.9%
Novel Therapies	144,518	129,476	15,042	11.6%	0.6%	0.6%
Total International	4,001,490	3,497,995	503,495	14.4%	17.0%	14.5%
Total	$ 23,490,175	$ 24,176,448	$ (686,273)	(2.8%)		

Total net revenues decreased $0.7 million or 2.8% for the year ended December 31, 2021, as compared to the prior year period, driven by lower novel therapies revenue due to a large clinical trial in 2020. Domestic core revenue grew 0.8% mostly due to price in the second half of the year and international core grew 14.5%, driven by growth in key customers.

Gross Profit

Our gross profit for the years ended December 31, 2021, and 2020 is as follows:

	Years Ended December 31,		Change from Prior Year	
	2021	2020	$	%
Gross Profit	$ 13,769,578	$ 14,936,086	$ (1,166,508)	(7.8%)
Stated as a Percentage of Net Revenues	58.6%	61.8%		

Gross profit decreased $1.2 million or 7.8% for the year ended December 31, 2021, as compared to the same period in 2020.

Gross profit, stated as a percentage of net revenues, which is referred to as gross margin, declined to 58.6% for the year ended December 31, 2021, compared to 61.8% for the same period last year. The majority of the decline was driven by unfavorable product mix and a delay in the transition to our secondary manufacturing source. This was partially offset by price favorability due to a price increase in the second half of 2021.

Selling, general and administrative, Litigation, and Research and development

Our selling, general and administrative, litigation and research and development costs for the years ended December 31, 2021, and 2020 are as follows:

	Years Ended December 31,		Change from Prior Year	
	2021	2020	$	%
Selling, general and administrative	$ 17,862,314	$ 12,028,309	$ 5,834,005	48.5%
Litigation	—	2,447,213	(2,447,213)	(100.0%)
Research and development	2,473,669	1,296,754	1,176,915	90.8%
	$ 20,335,983	$ 15,772,276	$ 4,563,707	28.9%
Stated as a Percentage of Net Revenues	86.6%	65.2%		

Selling, general and administrative expenses increased $5.8 million, or 48.5%, for the year ended December 31, 2021 compared to the same period last year, due to higher salary, benefits and recruiting fees of $2.4 million related to new hires to support expansion of our quality and regulatory, commercial and business development teams. Further contributing to the increase was $1.6 million in costs associated with the departure and replacement of the former chief executive officer and the recruitment of two new Board members, which includes non-cash equity expense of $0.4 million. Market research, testing and consulting fees to support commercialization and regulatory filings of $1.1 million and higher director fees and director and officer liability insurance of $0.8 million also contributed.

Litigation fees decreased $2.4 million compared to the same period last year due to the settlement agreement reached with EMED Technologies Corporation (“EMED”) in the prior year.

Research and development expenses increased $1.2 million for the year ended December 31, 2021, compared with the same period last year mostly due to fees related to personnel to support product development.

Depreciation and amortization

For the year ended December 31, 2021, depreciation and amortization expense increased $44,535, or 10.6%, compared with the same period last year. We continued to invest in capital assets, mostly related to manufacturing and computer equipment.

Net Loss

	Years Ended December 31,		Change from Prior Year	
	2021	2020	$	%
Net Loss	$ (4,562,823)	$ (1,212,063)	$ (3,350,760)	(276.5%)
Stated as a Percentage of Net Revenues	(19.4%)	(5.0%)		

Our net loss for the year ended December 31, 2021, was $4.6 million, as compared to net loss of $1.2 million for the year ended December 31, 2020, driven by higher selling, general and administrative expenses and research and development costs, partially offset by lower litigation costs, all as described above. Further offsetting the loss was a tax benefit of $0.3 million resulting from book to tax differences related to stock option expense and the tax benefit for the net operating losses of approximately $1.5 million.

LIQUIDITY AND CAPITAL RESOURCES

Our principal source of liquidity is our cash of $25.3 million as of December 31, 2021, and $3.5 million of funds available under our revolving credit facility. Our principal source of operating cash inflows is from sales of our products to customers. Our principal cash outflows relate to the purchase and production of inventory and related costs, selling, general and administrative expenses and research and development costs.

To develop new products, support future growth, achieve operating efficiencies, and maintain product quality, we must continue to invest in manufacturing technologies, facilities and equipment, and research and development. We estimate expenses to be between $27.0 million and $28.0 million in 2022. We expect our 2022 capital investments for manufacturing and leasehold improvements for our new facility to be in aggregate between $1.5 million and $2.0 million, net of financing arrangements.

Our inventory position was $6.1 million at December 31, 2021. We expect these levels to rise as we build to ensure timely order fulfillment as we complete the transition of the manufacturing of our needle sets and tubing products to our secondary source and for supply continuity as we move our manufacturing facility to our new location in 2022. As the relocation and transition to our secondary source are completed, this inventory is expected to convert to a source of cash in the future.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) was signed into law. The CARES Act contains a provision known as the Employee Retention Credit (“ERC”), a refundable payroll tax credit for qualified wages paid to retained full-time employees between March 13, 2020, and December 31, 2020. The Consolidations Appropriations Act (CAA), signed into law on December 27, 2020, significantly modified and expanded the provisions of the ERC to include wages paid in 2021. For 2021, the ERC provides employers a refundable federal tax credit equal to 70% of the first $10,000 of qualified wages and benefits paid to retained employees between January 1, 2021, and December 31, 2021. Credits may be claimed immediately by reducing payroll taxes sent to the Internal Revenue Service. To the extent that the credit exceeds employment withholdings, the employer may request a refund of prior taxes paid. The Company has determined that it has qualified for this credit and anticipates utilizing benefits under this act to aid its liquidity position and as a result has recorded a receivable of $0.7 million as of December 31, 2021.

In 2020, the Company purchased 683,271 shares of its common stock outstanding for $3.5 million under its stock repurchase program, which expired on December 31, 2021. No repurchases under the program were made in 2021.

Cash Flows

The following table summarizes our cash flows:

	Year Ended December 31, 2021	Year Ended December 31, 2020
Net cash used in operating activities	$ (4,319,510)	$ (743,323)
Net cash used in investing activities	$ (366,169)	$ (1,036,152)
Net cash provided by financing activities	$ 2,705,282	$ 23,223,832

Operating Activities

Operating cash outflows were $4.3 million for the year ended December 31, 2021 and was mostly attributable to net loss adjusted for non-cash charges of $3.2 million, an increase in accounts receivable of $1.0 million due to higher sales in the fourth quarter of this year compared with last year, an increase in other receivables of $0.7 million for the ERC refund, an increase in prepaids of $0.8 million related to raw materials in transit, all partially offset by a decrease in inventory of $0.7 million, and an increase in accounts payable of $0.6 million.

Net cash used in operating activities of $0.7 million for the year ended December 31, 2020, was mostly attributable to non-cash charges for stock-based compensation and litigation settlement expense of $2.9 million, and an increase in accrued expenses and accrued payroll of $1.4 million, driven by the litigation settlement with EMED and customer rebates. Further adding to the increase was an increase in depreciation and amortization of $0.4 million and a decrease in accounts receivable of $0.7 million due to timing of collections. Offsetting these were primarily working capital changes which include an increase in inventory of $4.4 million as we built inventory to keep pace with sales growth and to ensure timely order fulfillment during the transition to our secondary manufacturing source, an increase in prepaid expenses and other assets of $0.4 million relating to increased insurance premiums, and a decrease in accrued tax liability of $0.2 million resulting from book to tax differences related to stock option expense.

Investing Activities

Our net cash used in investing activities of $0.4 million for the year ended December 31, 2021, was primarily for capital expenditures for manufacturing equipment and computers for new hires and replacement of retired computers.

Our net cash used in investing activities of $1.0 million for the year ended December 31, 2020, was primarily for capital expenditures for research and development and strategic initiatives.

Financing Activities

The $2.7 million provided by financing activities for the year ended December 31, 2021 is attributed to cash received for options exercised of $1.3 million, the issuance of common stock as settlement for litigation of $0.9 million, and $0.5 million on borrowings from indebtedness.

The $23.2 million provided by financing activities for the year ended December 31, 2020 is from the $26.6 million capital raise, net of expenses, and $0.1 million from options exercised, offset against the repurchase of the Company's common stock outstanding of $3.5 million.

We expect that our cash on hand, cash flows from operations, and our fully available credit facility will be sufficient to meet our requirements at least through the next 12 months and thereafter for the foreseeable future.

See "NOTE 10 — DEBT OBLIGATIONS" for further detail regarding the promissory note and loan agreement, and "NOTE 11 — EQUITY" regarding the equity offering in the accompanying "Notes to Financial Statements" appearing in this Annual Report on Form 10-K. Also, see "NOTE 4 — STOCK-BASED COMPENSATION" for further detail regarding the EMED settlement.

Debt and Borrowing Capacity

Refer to "NOTE 10 — DEBT OBLIGATIONS" in the accompanying "Notes to Financial Statements" appearing in this Annual Report on Form 10-K for further details regarding debt.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

Lease Commitments

We currently rent a building located at 24 Carpenter Road, Chester, New York. This facility is used as our headquarters and for our general operations. We expect to move in June 2022 from this building into 43,975 square feet of a building located at 100 Corporate Drive, Mahwah, New Jersey. The Company's existing lease expires December 31, 2022, and the new lease commences March 1, 2022, and expires August 31, 2032.

Refer to "NOTE 5 – LEASES" in the accompanying "Notes to Financial Statements" appearing in this Annual Report on Form 10-K for further details regarding our operating and finance leases.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles of the United States ("GAAP") requires estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent liabilities in the financial statements and accompanying notes. The SEC has defined a company's critical accounting policies as the ones that are most important to the portrayal of the company's financial condition and results of operations, and which require the company to make its most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Based on this definition, we have identified some of our more critical accounting estimates below. We also have other key accounting policies, which involve the use of estimates, judgments, and assumptions that are significant to understanding our results. For additional information, see "NOTE 1 — NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES" in the accompanying "Notes to Financial Statements" appearing in this Annual Report on Form 10-K. Although we believe that our estimates, assumptions, and judgments are reasonable, they are based upon information presently available. Actual results may differ significantly from these estimates under different assumptions, judgments, or conditions.

Revenue Recognition

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*, which provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. We adopted this ASU effective January 1, 2018, on a full retrospective basis. Adoption of this standard did not result in significant changes to our accounting policies, business processes, systems or controls, or have a material impact on our financial position, results of operations and cash flows or related disclosures. As such, prior period financial statements were not recast.

The Company's revenues result from the sale of assembled products. We recognize revenues when shipment occurs, and at which point the customer obtains control and ownership of the goods. Shipping costs generally are billed to customers and are included in sales.

The Company generally does not accept return of goods shipped unless it is a Company error. The only credits provided to customers are for defective merchandise. The Company warrants the syringe driver from defects in materials and workmanship under normal use and the warranty does not include a performance obligation. The costs under the warranty are expensed as incurred.

Provisions for distributor pricing and annual customer growth rebates are variable consideration and are recorded as a reduction of revenue in the same period the related sales are recorded or when it is probable the annual growth target will be achieved. Rebates are provided to distributors for the difference in selling price to distributor and pricing specified to select customers.

The Company established an allowance for charging off uncollectible trade accounts receivable that have both of the following characteristics: (a) They have a contractual maturity of one year or less, (b) They arose from the sale of goods or services.

Inventory

Inventories of raw materials are stated at the lower of standard cost, which approximates average cost, or market value including allocable overhead. Work-in-process and finished goods are stated at the lower of standard cost or market value and include direct labor and allocable overhead.

We maintain reserves for excess and obsolete inventory resulting from the potential inability to sell certain products at prices in excess of current carrying costs. We make estimates regarding the future recoverability of the costs of these products and record provisions based on historical experience, expiration of sterilization dates and expected future trends. If actual product life cycles, product demand or acceptance of new product introductions are less favorable than projected by management, additional inventory write downs may be required, which could unfavorably affect future operating results.

ACCOUNTING PRONOUNCEMENTS RECENTLY ADOPTED

Refer to "NOTE 1 — NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES" in the accompanying "Notes to Financial Statements" appearing in this Annual Report on Form 10-K.

ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

Refer to "NOTE 1 — NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES" in the accompanying "Notes to Financial Statements" appearing in this Annual Report on Form 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPRO MED SYSTEMS, INC.
INDEX TO FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Repro Med Systems, Inc.
Chester, New York

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Repro Med Systems, Inc. (the Company) as of December 31, 2021 and 2020, the related statements of operations, stockholders' equity and cash flows for the years then ended, and the related notes to the financial statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used

and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Grant of Stock Options

Description of the Matter:

As discussed in Note 4 to the financial statements, the Company granted 2,000,000 options to purchase shares of its common stock with 10-year terms and a grant-date fair value of $5,699,986 to employees, directors and consultants during the year ended December 31, 2021. Management is required to analyze the fair value of each option granted and amortize it over its vesting period.

We identified the grant of the stock options as a critical audit matter. Management's estimates regarding the fair value of options result in the application of a high degree of auditor judgment.

How We Addressed the Matter in Our Audit:

We obtained an understanding of the Company's processes and controls in place for determining the fair value of each granted option. We evaluated the option price model management selected to determine the fair value, and analyzed the underlying data used to estimate the fair value of the awards. We also recalculated the fair value of each option granted during the year.

/s/ McGrail Merkel Quinn & Associates, P.C.

We have served as the Company's auditor since 2014.

Scranton, Pennsylvania
March 2, 2022

REPRO MED SYSTEMS, INC.
BALANCE SHEETS

	December 31, 2021	December 31, 2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 25,334,889	$ 27,315,286
Accounts receivable less allowance for doubtful accounts of $24,271 and $24,469 for December 31, 2021, and December 31, 2020, respectively	3,592,886	2,572,954
Inventory	6,106,338	6,829,772
Other receivables	718,220	—
Prepaid expenses and other	1,568,821	807,780
TOTAL CURRENT ASSETS	37,321,154	37,525,792
Property and equipment, net	1,106,445	1,167,623
Intangible assets, net of accumulated amortization of $263,729 and $199,899 at December 31, 2021 and December 31, 2020, respectively	808,813	843,587
Operating lease right-of-use assets	95,553	236,846
Deferred income tax assets, net	1,941,254	125,274
Other assets	19,812	19,812
TOTAL ASSETS	$ 41,293,031	$ 39,918,934
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 1,227,533	$ 624,920
Accrued expenses	2,709,704	2,610,413
Note Payable	508,583	—
Deferred Revenue	90,000	—
Accrued payroll and related taxes	160,603	287,130
Finance lease liability – current	—	2,646
Operating lease liability – current	95,553	141,293
TOTAL CURRENT LIABILITIES	4,791,976	3,666,402
Operating lease liability, net of current portion	—	95,553

TOTAL LIABILITIES	4,791,976	3,761,955
Commitments and contingencies (Refer to Note 8)		
STOCKHOLDERS' EQUITY		
Common stock, $0.01 par value, 75,000,000 shares authorized, 48,044,162 and 46,680,119 shares issued; 44,623,660 and 43,259,617 shares outstanding at December 31, 2021, and December 31, 2020, respectively	480,441	466,801
Additional paid-in capital	40,774,245	35,880,986
Treasury stock, 3,420,502 shares at December 31, 2021 and December 31, 2020, at cost	(3,843,562)	(3,843,562)
Retained (deficit)/earnings	(910,069)	3,652,754
TOTAL STOCKHOLDERS' EQUITY	36,501,055	36,156,979
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 41,293,031	$ 39,918,934

See accompanying Notes to Financial Statements.

REPRO MED SYSTEMS, INC.
STATEMENTS OF OPERATIONS

	For the Years Ended December 31,	
	2021	**2020**
NET REVENUES	$ 23,490,175	$ 24,176,448
Cost of goods sold	9,720,597	9,240,362
Gross Profit	13,769,578	14,936,086
OPERATING EXPENSES		
Selling, general and administrative	17,862,314	12,028,309
Litigation	—	2,447,213
Research and development	2,473,669	1,296,754
Depreciation and amortization	463,130	418,595
Total Operating Expenses	20,799,113	16,190,871
Net Operating Loss	(7,029,535)	(1,254,785)
Non-Operating Income		
Gain/(Loss) on foreign currency exchange	(28,905)	1,536
Gain on disposal of fixed assets	1,009	16,591
Other Income	679,907	—
Interest income, net	13,083	42,395
TOTAL OTHER INCOME	665,094	60,522
LOSS BEFORE TAXES	(6,364,441)	(1,194,263)
Income tax benefit/(expense)	1,801,618	(17,800)
NET LOSS	$ (4,562,823)	$ (1,212,063)
NET LOSS PER SHARE		
Basic	$ (0.10)	$ (0.03)
Diluted	$ (0.10)	$ (0.03)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING		
Basic	44,385,032	41,929,736
Diluted	44,385,032	41,929,736

See accompanying Notes to Financial Statements.

REPRO MED SYSTEMS, INC.
STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock		Additional Paid-in	Retained Earnings	Treasury	Total Stockholders'
	Shares	**Amount**	**Capital**	**/(Deficit)**	**Stock**	**Equity**
BALANCE, DECEMBER 31, 2019	42,239,788	$ 422,398	$ 6,293,069	$ 4,864,817	$ (344,204)	$ 11,236,080
Issuance of stock-based compensation	32,181	322	240,638	—	—	240,960
Compensation expense related to stock	—	—	1,377,772	—	—	1,377,772

options						
Litigation settlement options	—	—	347,008	—	—	347,008
Litigation settlement share issuance	95,238	952	937,142	—	—	938,094
Repurchases of shares	—	—	—	—	(3,499,358)	(3,499,358)
Issuance upon options exercised	719,162	7,191	88,689	—	—	95,880
Capital raise	3,593,750	35,938	26,596,668	—	—	26,632,606
Net loss	—	—	—	(1,212,063)	—	(1,212,063)
BALANCE, DECEMBER 31, 2020	46,680,119	$ 466,801	$ 35,880,986	$ 3,652,754	$ (3,843,562)	$ 36,156,979
Issuance of stock-based compensation	95,725	958	432,696	—	—	433,654
Compensation expense related to stock options	—	—	2,049,041	—	—	2,049,041
Issuance of Restricted Stock	—	—	224,859	—	—	224,859
Litigation settlement share issuance	95,238	952	937,142	—	—	938,094
Issuance upon options exercised	1,173,080	11,730	1,249,521	—	—	1,261,251
Net loss	—	—	—	(4,562,823)	—	(4,562,823)
BALANCE, DECEMBER 31, 2021	48,044,162	$ 480,441	$ 40,774,245	$ (910,069)	$ (3,843,562)	$ 36,501,055

See accompanying Notes to Financial Statements.

REPRO MED SYSTEMS, INC.
STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,	
	2021	**2020**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	$ (4,562,823)	$ (1,212,063)
Adjustments to reconcile net (loss) to net cash used in operating activities:		
Stock-based compensation expense	2,707,554	1,618,732
Stock-based litigation settlement expense	—	1,285,102
Depreciation and amortization	463,130	418,595
Gain on disposal of fixed assets	(1,009)	(16,591)
Deferred income taxes	(1,815,980)	62,967
Provision for doubtful accounts	—	(8,176)
Abandonment of intangible assets	—	41,919
Changes in operating assets and liabilities:		
(Increase)/Decrease in accounts receivable	(1,019,932)	669,743
Decrease/(Increase) in inventory	723,434	(4,441,295)
Increase in other receivables	(718,220)	—
Increase in prepaid expenses and other assets	(761,041)	(420,614)
Increase in accounts payable	602,613	52,264
(Decrease)/Increase in accrued payroll and related taxes	(126,527)	96,865
Increase in deferred revenue	90,000	—
Increase in accrued expenses	99,291	1,313,801
Decrease in accrued tax liability	—	(204,572)
NET CASH USED IN OPERATING ACTIVITIES	(4,319,510)	(743,323)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(346,178)	(920,604)
Purchases of intangible assets	(29,056)	(140,548)
Proceeds from disposal of property and equipment	9,065	25,000
NET CASH USED IN INVESTING ACTIVITIES	(366,169)	(1,036,152)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of equity	1,261,251	26,728,486
Common stock issuance settlement of litigation	938,094	—
Purchase of treasury stock	—	(3,499,358)
Borrowings from indebtedness	924,389	4,976,508
Payments on indebtedness	(415,806)	(4,976,508)
Payments on finance lease liability	(2,646)	(5,296)
NET CASH PROVIDED BY FINANCING ACTIVITIES	2,705,282	23,223,832
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(1,980,397)	21,444,357
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	27,315,286	5,870,929
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 25,334,889	$ 27,315,286
Supplemental Information		
Cash paid during the years 5for:		
Interest	$ 13,241	$ 27,736
Income taxes	$ 1,903	$ 321,983
Schedule of Non-Cash Operating, Investing and Financing Activities:		
Issuance of common stock as compensation	$ 433,654	$ 240,960

Issuance of common stock as settlement for litigation	$ 938,094	$ 938,094

See accompanying Notes to Financial Statements.

REPRO MED SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 — NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

REPRO MED SYSTEMS, INC. (the "Company," "KORU Medical," "KORU," "we," "us" or "our") designs, manufactures and markets proprietary portable and innovative medical devices primarily for the ambulatory infusion market as governed by the United States Food and Drug Administration (the "FDA") quality and regulatory system and international standards for quality system management. The Company operates as one segment.

BASIS OF PRESENTATION

We prepare our financial statements and accompanying notes in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Certain prior year amounts have been reclassified to conform to the current year presentation in our Financial Statements.

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. The Company holds cash in excess of $250,000 at its depository, which exceeds the FDIC insurance limits and is, therefore, uninsured.

INVENTORY

Inventories of raw materials are stated at the lower of standard cost, which approximates average cost, or market value including allocable overhead. Work-in-process and finished goods are stated at the lower of standard cost or market value and include direct labor and allocable overhead.

We maintain reserves for excess and obsolete inventory resulting from the potential inability to sell certain products at prices in excess of current carrying costs. We make estimates regarding the future recoverability of the costs of these products and record provisions based on historical experience, expiration of sterilization dates and expected future trends. If actual product life cycles, product demand or acceptance of new product introductions are less favorable than projected by management, additional inventory write downs may be required, which could unfavorably affect future operating results.

INTANGIBLE ASSETS

Certain of our identifiable intangible assets, including patents and trademarks, are amortized using the straight-line method over their estimated useful lives which range from 6 to 20 years. All of our intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Our management is responsible for determining if impairment exists and considers various factors when making these determinations. Amortization expense related to intangible assets for the years ended December 31, 2021 and 2020 was $63,830 and $62,177, respectively.

The estimated amortization expense for the succeeding years for the intangible assets is approximately:

Year Ending December 31,	
2022	$ 60,617
2023	59,842
2024	59,842
2025	59,842
2026	59,842
Thereafter	508,828
Total amortization expense	$ 808,813

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.

The Company believes that it has no uncertain tax positions requiring disclosure or adjustment.

PROPERTY AND EQUIPMENT

Property and equipment are stated at original acquisition cost less accumulated depreciation. Additions and improvements are capitalized which increase the value or extend the life of an asset, while maintenance and repair costs are expensed as incurred. When

assets are retired or otherwise disposed, the cost and related accumulated depreciation or amortization is removed from the respective accounts and any resulting gain or loss is included in income. Depreciation and amortization are calculated on the straight-line basis over the estimated useful lives of the assets which generally range from 3-10 years for furniture and office equipment, 3-12 years for manufacturing equipment and tooling and shorter of the lease term or their estimated useful lives for leasehold improvements. Depreciation and amortization expense related to property and equipment for the years ended December 31, 2021 and 2020 was $399,300 and $356,418, respectively.

STOCK-BASED COMPENSATION

The Company maintains a stock option plan under which it grants stock options to certain executives, key employees and consultants. The fair value of each option grant is estimated on the date of the grant using the Black-Scholes option-pricing model. All options are charged against income at their fair value. The entire compensation expense of the award is recognized over the vesting period. Shares of stock granted for director fees are recorded at the fair value of the shares at the grant date.

The Company also maintains an omnibus equity incentive plan. To date the Company has only granted shares of stock for director fees under this plan and those shares of stock granted are recorded at the fair value of the shares at the grant date.

The Company issues restricted stock awards. Restricted stock awards are equity classified and measured at the fair market value of the underlying stock at the grant date. The fair value of restricted stock awards vesting at certain market capitalization thresholds were estimated on the date of grant using the Brownian Motion Monte Carlo lattice model. The fair value of restricted stock awards with time-based vesting were estimated on the date of grant at the current stock price. We recognize restricted stock expense using the straight-line attribution method over the requisite service period and account for forfeitures as they occur.

NET LOSS PER COMMON SHARE

Basic earnings per share are computed on the weighted average of common shares outstanding during each year. Diluted earnings per share includes only an increase in the weighted average shares by the common shares issuable upon exercise of stock options. See “NOTE 4 — STOCK-BASED COMPENSATION” for further detail.

	Years Ended	
	December 31, 2021	**December 31, 2020**
Net loss	$ (4,562,823)	$ (1,212,063)
Weighted Average Outstanding Shares:		
Outstanding shares	44,385,032	41,929,736
Option shares includable	—(a)	—(a)
	44,385,032	41,929,736
Net loss per share		
Basic	$ (0.10)	$ (0.03)
Diluted	$ (0.10)	$ (0.03)

(a) Option shares of 273,110 and 239,935 for 2021 and 2020, respectively were not included as the impact is anti-dilutive.

USE OF ESTIMATES IN THE FINANCIAL STATEMENTS

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the 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 valuation, and accruals.

REVENUE RECOGNITION

The Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers*, which provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. We adopted this ASU effective January 1, 2018, on a full retrospective basis. Adoption of this standard did not result in significant changes to our accounting policies, business processes, systems or controls, or have a material impact on our financial position, results of operations and cash flows or related disclosures. As such, prior period financial statements were not recast.

The Company’s revenues result from the sale of assembled products. We recognize revenues when shipment occurs, and at which point the customer obtains control and ownership of the goods. Shipping costs generally are billed to customers and are included in sales.

The Company generally does not accept return of goods shipped unless it is a Company error. The only credits provided to customers are for defective merchandise. The Company warrants the syringe driver from defects in materials and workmanship under normal use and the warranty does not include a performance obligation. The costs under the warranty are expensed as incurred.

Provisions for distributor pricing and annual customer growth rebates are variable consideration and are recorded as a reduction of revenue in the same period the related sales are recorded or when it is probable the annual growth target will be achieved. Rebates are provided to distributors for the difference in selling price to distributor and pricing specified to select customers.

The Company established an allowance for charging off uncollectible trade accounts receivable that have both of the following characteristics: (a) They have a contractual maturity of one year or less, (b) They arose from the sale of goods or services.

The following table summarizes net revenues by geography for the years ended December 31, 2021 and 2020:

	Years Ended December 31,	
	2021	2020
Net Revenues		
Domestic	$ 19,488,685	$ 20,678,453
International	4,001,490	3,497,995
Total	$ 23,490,175	$ 24,176,448

LEASES

In February 2016, the FASB issued a standard related to leases to increase transparency and comparability among organizations by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by the Company for those leases classified as operating leases under current GAAP, while our accounting for capital leases remains substantially unchanged. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The standard became effective for us on January 1, 2019. The standard had a material impact on our balance sheets but did not have a material impact on our statements of operations. See "NOTE 5 — LEASES" for further detail.

ACCOUNTING PRONOUNCEMENTS RECENTLY ADOPTED

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. The amendments in this ASU simplify the accounting for income taxes by removing several exceptions including the exception to the general methodology for calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year. The amendments also improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. The amendments in this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The Company adopted this standard on January 1, 2021, and it had no impact on our financial statement disclosures.

ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which amends guidance on reporting credit losses for assets held at amortized cost basis and available for sale debt securities. For assets held at amortized cost basis, Topic 326 eliminates the probable initial recognition threshold in current GAAP and, instead, requires an entity to reflect its current estimate of all expected credit losses. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial assets to present the net amount expected to be collected. For available for sale debt securities, credit losses should be measured in a manner similar to current GAAP, however Topic 326 will require that credit losses be presented as an allowance rather than as a write-down. This ASU affects entities holding financial assets and net investment in leases that are not accounted for at fair value through net income. The amendments affect loans, debt securities, trade receivables, net investments in leases, off balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The amendments in this update are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company is assessing the impact of the adoption of the ASU on its financial statements, disclosure requirements and methods of adoption.

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848)*, which provided elective amendments for entities that have contracts, hedging relationships and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The amendments may be applied to impacted contracts and hedges prospectively through December 31, 2022. The Company is currently evaluating the impact this guidance will have on its financial statements.

The Company considers the applicability and impact of all recently issued accounting pronouncements. Recent accounting pronouncements not specifically identified in our disclosures are either not applicable to the Company or are not expected to have a material effect on our financial condition or results of operations.

FAIR VALUE MEASUREMENTS

Fair value is the exit price that would be received to sell an asset or paid to transfer a liability. Fair value is a market-based measurement that should be determined using assumptions that market participants would use in pricing an asset or liability. Valuation techniques used to measure fair value should maximize the use of observable inputs and minimize the use of unobservable inputs. To measure fair value, the Company uses the following fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data by correlation or other means.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Value is determined using pricing models, discounted cash flow methodologies, or similar techniques and includes instruments for which the determination of fair value requires significant judgment or estimation.

The carrying amounts of cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable and accrued expenses are considered to be representative of their fair values because of the short-term nature of those instruments. There were no transfers

between levels in the fair value hierarchy during the year ended December 31, 2021.

IMPAIRMENT OF LONG-LIVED ASSETS

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. An impairment loss would be recognized when estimated undiscounted future cash flows expected to result from the use of the asset and its eventual disposition are less than the carrying amount. The impairment loss, if recognized, would be based on the excess of the carrying value of the impaired asset over its respective fair value. No impairment losses have been recorded through December 31, 2021.

NOTE 2 — INVENTORY

Inventory consists of:

	December 31, 2021	December 31, 2020
Raw materials and work-in-process	$ 2,997,807	$ 2,279,054
Finished goods	3,176,836	4,562,315
Total	6,174,643	6,841,369
Less: reserve for obsolete inventory	(68,305)	(11,597)
Inventory, net	$ 6,106,338	$ 6,829,772

NOTE 3 — PROPERTY AND EQUIPMENT

Property and equipment consists of the following at:

	December 31, 2021	December 31, 2020
Furniture and office equipment	$ 818,897	$ 753,536
Leasehold improvements	556,907	542,796
Manufacturing equipment and tooling	2,042,675	1,856,909
Total property and equipment	3,418,479	3,153,241
Less: accumulated depreciation and amortization	(2,312,034)	(1,985,618)
Property and equipment, net	$ 1,106,445	$ 1,167,623

NOTE 4 — STOCK-BASED COMPENSATION

The Company has two equity incentive plans: the 2015 Stock Option Plan, as amended (the "2015 Plan") and the 2021 Omnibus Equity Incentive Plan (the "2021 Plan"). As of December 31, 2021, there were options to purchase 3,672,500 shares of the Company's common stock outstanding to certain executives, key employees and consultants under the 2015 Plan, of which 2,000,000 were issued during the twelve months ended December 31, 2021. Additional options may be issued under the 2015 Plan as outstanding options are forfeited, subject to a maximum 6,000,000 available for issuance under the 2015 Plan. The 2021 Plan provides for the grant of up to 1,000,000 incentive stock options, nonqualified stock options, stock awards, restricted stock awards, restricted stock units and/or stock appreciation rights to employees, consultants and directors. As of December 31, 2021, there had been issued 59,658 shares of common stock as directors fees under the 2021 Plan.

Prior to January 1, 2021, each non-employee director of the Company was eligible to receive $50,000 annually (effective January 1, 2019), plus $10,000 for chairing a Board committee (effective February 20, 2019), all to be paid quarterly half in cash and half in common stock. The Chairman of the Board was eligible to receive an additional $50,000 annually (effective October 1, 2019), all to be paid in common stock.

Effective January 1, 2021, each non-employee director of the Company (other than the Chairman of the Board) and Board advisor were eligible to receive of $75,000 annually, to be paid quarterly $12,500 in cash and $6,250 in common stock. The Chairman of the Board is eligible to receive $100,000 annually, to be paid quarterly $12,500 in cash and $12,500 in common stock. Effective May 18, 2021, each non-employee director of the Company (other than the Chairman of the Board) and Board advisor are eligible to receive of $110,000 annually, to be paid quarterly $12,500 in cash and $15,000 in common stock. The Chairman of the Board is eligible to receive $140,000 annually, to be paid quarterly $12,500 in cash and $22,500 in common stock. All payments were and are pro-rated for partial service.

On May 20, 2020, the Company entered into a Settlement Agreement with EMED Technologies Corporation ("EMED") to settle all claims in connection with all pending litigation matters between them. Pursuant to the Settlement Agreement, the Company issued to EMED (i) 95,238 restricted stock units, which vested on May 21, 2020, and 95,238 restricted stock units, which vested on January 1, 2021, and (ii) an option to purchase up to 400,000 shares of the Company's common stock at an exercise price of $11.21 per share prior to February 1, 2021, which was not exercised.

On April 12, 2021, pursuant to an employment agreement entered into on March 15, 2021, with Linda Tharby, the Company's President and Chief Executive Officer, the Company issued three restricted stock awards for an aggregate 1,000,000 shares of common stock for an aggregate stock price of $3,310,000 and each vesting subject to employment on the respective vesting date. These awards were issued as an inducement employment.

2015 STOCK OPTION PLAN, as amended

Time-Based Stock Options

The per share weighted average fair value of stock options granted during the years ended December 31, 2021, and December 31, 2020 was $2.85 and $6.53, respectively. The fair value of each award is estimated on the grant date using the Black-Scholes option pricing model with the following weighted average assumptions used for grants in the years ended December 31, 2021, and December 31, 2020. Historical information was the primary basis for the selection of the expected volatility, expected dividend yield and the expected lives of the options. The risk-free interest rate was selected based upon yields of the U.S. Treasury issues with a term equal to the expected life of the option being valued. The following table summarizes the assumptions used in determining fair value. These assumptions are subjective and generally require significant analysis and judgment to develop. We have recognized tax benefits associated with stock-based compensation of $175,257 and $62,393 for the years ended December 31, 2021 and 2020, respectively.

	December 31, 2021	December 31, 2020
Dividend yield	0.00%	0.00%
Expected volatility	74.01 – 77.91%	62.11 - 62.18%
Weighted-average volatility	—	—
Expected dividends	—	—
Expected term (in years)	10 Years	10 Years
Risk-free rate	1.20-1.62%	0.63 - 0.64%

The following table summarizes the status of the Company's stock option plan:

	December 31, 2021		December 31, 2020	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at January 1	2,922,494	$ 2.46	3,647,000	$ 1.32
Granted	2,000,000	$ 3.64	360,000	$ 9.54
Exercised	1,062,500	$ 1.19	884,506	$ 0.71
Forfeited	187,494	$ 3.36	200,000	$ 2.09
Outstanding at year end	3,672,500	$ 3.42	2,922,494	$ 2.46
Options exercisable	983,750	$ 2.73	906,244	$ 1.40
Weighted average fair value of options granted during the period	—	$ 2.85	—	$ 6.53
Stock-based compensation expense	—	$ 2,457,788	—	$ 874,869

Total stock-based compensation expense, net of forfeitures, for stock option awards totaled $2,457,788 and $874,869 for the years ended December 31, 2021, and 2020, respectively. Cash received from option exercises for the years ended December 31, 2021, and 2020 was $1,261,251 and $95,880, respectively. We have recognized tax benefits associated with options exercised of $665,700 and zero for the years ended December 31, 2021 and 2020, respectively.

The weighted-average grant-date fair value of options granted during the years ended December 31, 2021, and 2020, was $5,699,986 and $2,350,264, respectively. The total intrinsic value of options exercised during the years ended December 31, 2021, and 2020, was $697,920 and $397,962, respectively.

The following table presents information pertaining to options outstanding as of December 31, 2021:

Range of Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$1.57 - $9.76	3,672,500	8.5 years	$ 3.42	983,750	$ 2.73

As of December 31, 2021, there was $6,158,501 of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the 2015 Plan. That cost is expected to be recognized over a weighted-average period of 46 months. The total fair value of shares vested was $1,923,179 and $803,171 at December 31, 2021, and December 31, 2020, respectively.

Performance-Based Stock Options

There were no performance-based stock options granted during the twelve months ended December 31, 2021, and 2020.

The following table summarizes the status of the 2015 Plan with respect to performance-based stock options as of December 31, 2021:

	December 31, 2021		December 31, 2020	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price

Outstanding at January 1	1,000,000	$	1.70	1,000,000	$	1.70
Granted	—	$	—	—	$	—
Exercised	—	$	—	—	$	—
Forfeited	1,000,000	$	1.70	—	$	—
Outstanding at year end	—	$	—	1,000,000	$	1.70
Options exercisable	—	$	—	333,333	$	1.70
Weighted average fair value of options granted during the period	—	$	—	—	$	—
Stock-based compensation expense	—	$	(408,747)	—	$	502,904

Total performance stock-based compensation expense totaled $(408,747) and $502,904 for the years ended December 2021 and 2020, respectively. All performance-based stock options were forfeited as of December31, 2021, and there was no unrecognized compensation cost remaining.

RESTRICTED STOCK AWARDS

On April 12, 2021, pursuant to an employment agreement entered into on March 15, 2021, with Linda Tharby, the Company's President and Chief Executive Officer and as an inducement to her employment, the Company issued three restricted stock awards for an aggregate 1,000,000 shares of common stock for an aggregate stock price of $3,310,000 and each vesting subject to employment on the respective vesting date. The following table summarizes the activities for our unvested restricted stock awards for the twelve months ended December 31, 2021, and 2020.

	Twelve Months Ended December 31,			
	2021		2020	
	Shares	Weighted Average Grant-Date Fair Value	Shares	Weighted Average Grant-Date Fair Value
Unvested at January 1	—	$ —	—	$ —
Granted	1,000,000	$ 3.01	—	$ —
Vested	—	$ —	—	$ —
Forfeited/canceled	—	$ —	—	$ —
Unvested at December 31	1,000,000	$ 3.01	—	$ —

As of December 31, 2021, there was $2,299,726 of unrecognized compensation cost related to unvested employee restricted shares. This amount is expected to be recognized over a weighted-average period of 39 months. We have recognized tax benefits associated with restricted stock award compensation of $47,220 and zero for the twelve months ended December 31, 2021 and 2020, respectively.

NOTE 5 — LEASES

We have finance and operating leases for our corporate office and certain office and computer equipment. Our leases have remaining lease terms of 0.6 years, some of which include options to extend the leases annually and some with options to terminate the leases within 1 year.

At contract inception, we evaluate whether an arrangement is or contains a lease for which we are the lessee (that is, arrangements which provide us with the right to control a physical asset for a period of time). Operating leases are accounted for on the balance sheets with ROU assets being recognized in "Operating lease right-of-use assets" and lease liabilities recognized in "Operating lease liability – current" and "Operating lease liability, net of current portion." Finance leases are accounted for on the balance sheets recognized in "Property and equipment, net" and lease liabilities recognized in "Finance lease liability – current" and "Finance lease liability, net of current portion."

Operating lease expenses are recognized on a straight-line basis over the lease term. With respect to finance leases, amortization of the ROU asset is presented separately from interest expense related to the finance lease liability.

We have elected to combine lease and non-lease components for all lease contracts where we are the lessee. Additionally, for arrangements with lease terms of 12 months or less, we do not recognize ROU assets and lease liabilities and lease payments are recognized on a straight-line basis over the lease term with variable lease payments recognized in the period in which the obligation is incurred. ROU assets are measured for impairment when a triggering event occurs.

The components of lease expense were as follows:

	Years Ended December 31,	
	2021	2020
Operating lease cost	$ 149,476	$ 151,686
Short-term lease cost	146,604	65,227
Total lease cost	$ 296,080	$ 216,913
Finance lease cost:		
Amortization of right-of-use assets	$ 2,586	$ 5,302
Interest on lease liabilities	60	237
Total finance lease cost	$ 2,646	$ 5,539

Supplemental cash flow information related to leases was as follows:

	Years Ended December 31,	
	2021	2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 141,293	$ 136,888
Financing cash flows from finance leases	$ 2,646	$ 5,296

Supplemental balance sheet information related to leases was as follows:

	December 31, 2021	December 31, 2020
Operating Leases		
Operating lease right-of-use assets	$ 95,553	$ 236,846
Operating lease liability - current	95,553	141,293
Operating lease liability, net of current portion	—	95,553
Total operating lease liabilities	$ 95,553	$ 236,846
Finance Leases		
Property and equipment, at cost	$ 12,725	$ 12,725
Accumulated depreciation	(12,725)	(10,139)
Property and equipment, net	$ —	$ 2,586
Finance lease liability – current	—	2,646
Finance lease liability, net of current portion	—	—
Total finance lease liabilities	$ —	$ 2,646

	December 31, 2021	December 31, 2020
Weighted Average Remaining Lease Term		
Operating leases	0.6 Years	1.4 Years
Finance leases	0 Years	0.7 Years
Weighted Average Discount Rate		
Operating leases	4.75%	4.75%
Finance leases	4.75%	4.75%

Maturities of lease liabilities are as follows:

Year Ending December 31,	Operating Leases	Finance Leases
2022	97,256	—
2023	—	—
2024	—	—
2025	—	—
Thereafter	—	—
Total undiscounted lease payments	97,256	
Less: imputed interest	(1,703)	—
Total lease liabilities	$ 95,553	$ —

NOTE 6 — FEDERAL AND STATE INCOME TAXES

Income tax expense consisted of the following:

	Year Ended December 31, 2021	Year Ended December 31, 2020
State income tax:		
Current, net of refund	$ (12,800)	$ (17,800)
Federal income tax:		
Deferred	1,814,418	(62,967)
Current	—	62,967
Income tax benefit/(expense)	$ 1,801,618	$ (17,800)

The reconciliation of income taxes shown in the financial statements and amounts computed by applying the Federal expected tax rate of 21% for year 2021 and 2020 is as follows:

	Year Ended December 31, 2021	Year Ended December 31, 2020
Loss before taxes	$ (6,364,441)	$ (1,194,263)
Income taxes computed at the federal statutory rate	$ 1,336,533	$ 250,795
State income and franchise tax	(12,800)	(17,800)
Permanent differences and other	477,885	(250,795)
Income tax benefit/(expense)	$ 1,801,618	$ (17,800)

The significant components of deferred income tax assets, net are as follows:

	December 31, 2021	December 31, 2020
Deferred compensation cost	$ 389,981	$ 239,036
Depreciation and amortization	(116,911)	(135,092)
R&D credit	142,538	
NOL	1,507,982	
Allowance for bad debts and other	17,664	21,330
Deferred income tax assets, net	$ 1,941,254	$ 125,274

Our U.S. federal and state income tax returns remain open to examination for the tax years 2018 through 2021.

NOTE 7 — MAJOR CUSTOMERS

For the years ended December 31, 2021 and December 31, 2020, approximately 41% and 51%, respectively, of the Company's net product revenues were derived from one major customer. As of December 31, 2021 and December 31, 2020, accounts receivable due from this customer was $1.4 million for each period.

The largest customer in both years is a domestic medical products and supplies distributor. Although, a number of larger infusion customers have elected to consolidate their purchases through one or more distributors in recent years, we continue to maintain strong direct relationships with them. We do not believe that their continued purchase of FREEDOM System products and related supplies is contingent upon the distributor.

NOTE 8 — COMMITMENTS AND CONTINGENCIES

LEGAL PROCEEDINGS

The Company has been and may again become involved in legal proceedings, claims and litigation arising in the ordinary course of business. Except as described below, KORU Medical is not presently a party to any litigation or other legal proceeding that is believed to be material to its financial condition.

Litigation

From 2013 until May 2020, we were involved in several lawsuits with our principal competitor, EMED. EMED alleged that our needle sets infringed various patents controlled by EMED. Certain of these lawsuits also alleged antitrust violations, unfair business practices, and various other business tort claims. On May 26, 2020, the parties announced the settlement of all of the litigation between KORU Medical and EMED. The settlement agreement provides KORU Medical with freedom to operate under EMED's existing patent portfolio, dismissal of all litigation with prejudice (including the claims against Andrew Sealfon, our former President and Chief Executive Officer), and an equity payment by KORU Medical to EMED.

Refer to our Form 10-Q for the quarterly period ended June 30, 2020 regarding the dismissed case with our principal competitor, EMED.

OTHER

On November 11, 2020, the Company entered into a Manufacturing and Supply Agreement with Command Medical Products, Inc. ("Command"), pursuant to which Command has agreed to manufacture and supply the Company's subassemblies, needle sets and tubing products pursuant to the Company's specifications and purchase orders. The first binding purchase order pursuant to the Manufacturing and Supply Agreement was made on November 17, 2020 (the "Effective Date").

The Manufacturing and Supply Agreement provides for a term of five years from the Effective Date. Either party may terminate the Manufacturing and Supply Agreement upon a material breach by the other Party that has not been cured within 90 days, upon the bankruptcy or insolvency of the other Party or as expressly set forth elsewhere in the Agreement. If the Company terminates the Manufacturing and Supply Agreement other than for those reasons within the first three years from the Effective Date, the Company is obligated to pay an early termination fee to Command.

The Manufacturing and Supply Agreement also includes customary provisions relating to, among other things, delivery, inspection procedures, warranties, quality management, business continuity plans, handling and transport, intellectual property, confidentiality and indemnification.

NOTE 9 — EMPLOYEE BENEFITS

We provide a safe harbor 401(k) plan for our employees that allows for employee elective contributions, Company matching contributions and discretionary profit-sharing contributions. Employee elective contributions are funded through voluntary payroll deductions. The Company makes safe harbor matching contributions in an amount equal to 100% of the employee's contribution, not to exceed 3% of employee's compensation plus 50% of employee's pay contributed between 3% and 5% of employee's compensation. Company matching expense for the years ended December 31, 2021 and December 31, 2020 was $166,014 and $156,789, respectively. The Company has not provided for a discretionary profit-sharing contribution.

NOTE 10 — DEBT OBLIGATIONS

On July 26, 2021, the Company entered into a commercial insurance premium finance and security agreement with AON Premium Finance, LLC in the aggregate principal amount of $0.9 million bearing an annual percentage rate of 4.17%, to finance its insurance premiums. Monthly payments are due on the first of each month beginning August 1, 2021 through June 1, 2022.

On April 14, 2020, the Company issued a promissory note to KeyBank in the aggregate principal amount of $3.5 million (the "Note") as an extension of its line of credit, replacing its then current line of credit agreement. The $3.5 million Note is in the form of a variable rate non-disclosable revolving line of credit with an interest rate of Prime Rate announced by the Bank minus 0.75%. The Note was renewed on June 24, 2021, in the same form with an interest rate of Prime Rate announced by the Bank minus 1.50%. Interest is due monthly, and all principal and unpaid interest is due on June 1, 2022. The $3.5 million Note may be prepaid at any time prior to maturity with no prepayment penalties. The $3.5 million Note contains events of default and other provisions customary for a loan of this type.

In connection with the Note, the Company entered into a Commercial Security Agreement with the Bank dated April 14, 2020 (the "Security Agreement"), pursuant to which the Company granted a security interest in substantially all assets of the Company to secure the obligations of the Company under the Note. The Security Agreement contains terms and conditions typical for the granting of security interests of this kind.

The Company had no amount outstanding against the line of credit as of December 31, 2021.

On April 27, 2020, the Company entered into a Progress Payment Loan and Security Agreement ("PPLSA") and a Master Security Agreement (the "MSA"), each dated as of April 20, 2020, with Key Equipment Finance, a division of the Bank ("KEF"), to provide up to $2.5 million in financing for equipment purchases from third party vendors. The PPLSA allows the Company to make draws with KEF to make certain payments to the equipment suppliers prior to the commencement of periodic payments under a term loan. Each draw under the PPLSA will bear interest at a variable rate equal to the then-current Prime Rate and will be secured by the financed equipment under the MSA. At the end of each calendar quarter or year, the advances made under the PPLSA will be converted to term loans, subject to KEF's approval of the equipment and certain other closing conditions being met. Once the draws under the PPLSA are converted into a term loan, each promissory note will bear interest at a fixed rate of 4.07% per annum, subject to adjustment based on KEF's cost of funds, with principal and interest payable in 84 equal consecutive monthly installments. Each fixed rate installment promissory note may be prepaid, subject to a penalty if prepaid before the fifth anniversary of its issuance. As of December 31, 2021, the Company had no amount outstanding against the PPLSA. This PPLSA expires on June 1, 2022.

NOTE 11 — EQUITY

On June 18, 2020, the Company entered into a Purchase Agreement with Piper Sandler & Co. and Canaccord Genuity LLC, as representatives of the several underwriters named therein (the "Underwriters"), pursuant to which the Company agreed to issue and sell 3,125,000 shares of its common stock. Under the terms of the Purchase Agreement, the Company granted to the Underwriters an option, exercisable for a period of 30 days, to purchase up to an additional 468,750 shares of the Company's common stock, which the Underwriters exercised in full on June 19, 2020. The Underwriters purchased the shares pursuant to the Purchase Agreement, including the shares subject to the option, at a price of $7.52 per share. Proceeds to the Company, net of discounts, commissions, fees and expenses, were $26.6 million.

On November 16, 2020, the Company announced that its Board of Directors had authorized a stock repurchase program under which the Company may purchase up to $10.0 million of its outstanding common stock through December 31, 2021. As of December 31, 2020, the Company had purchased 683,271shares since inception of this plan. No purchases were made under the plan in 2021.

NOTE 12 — SUBSEQUENT EVENT

We have entered into a lease for a new facility located at 100 Corporate Drive, Mahwah, New Jersey to serve as our headquarters and for our general operations. We expect to move out of our current building into this 43,975 square foot facility in June 2022. The new lease term commences March 1, 2022 and expires August 31, 2032. Our monthly base rent is approximately $38,000 in the first year commencing March 1, 2022, with annual increases up to approximately $50,000 in the last year.

On February 16, 2022, we extended our current facility lease at 24 Carpenter Road, Chester, New York, which expires on August 31, 2022, to December 31, 2022 to ensure continuity as we transition to our new location in Mahwah, New Jersey.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

An evaluation was performed under the supervision and with the participation of our management, including our principal executive officer or CEO, and principal financial officer or CFO, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of December 31, 2021. Based on that evaluation, our management, including our CEO and CFO, concluded that as of December 31, 2021, our disclosure controls and

procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and is accumulated and communicated to our management, including our CEO and CFO, to allow timely decisions regarding required disclosure.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of the Company's principal executive officer and principal financial officer, and implemented in conjunction with management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with generally accepted accounting principles.

There are inherent limitations in the effectiveness of any internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective internal control can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal control may vary over time.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2021. This assessment was based on criteria for effective internal control over financial reporting described in "Internal Control - Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management determined that, as of December 31, 2021, the Company maintained effective internal control over financial reporting.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There has been no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the year ended December 31, 2021, that has materially affected, or that is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

Information regarding our executive officers required by Item 10 of Part III is set forth in Item 1 of Part I "Business — Executive Officers." Information required by Item 10 of Part III regarding our directors and any material changes to the process by which security holders may recommend nominees to the Board of Directors is included in our Proxy Statement relating to our 2022 Annual Meeting of Shareholders, and is incorporated herein by reference. Information relating to our Code of Ethics and to compliance with Section 16(a) of the 1934 Act is set forth in our Proxy Statement relating to our 2022 Annual Meeting of Shareholders and is incorporated herein by reference. We intend to disclose amendments to our Code of Ethics, as well as waivers of the provisions thereof, on our website under the heading "Investors - Governance" at www.korumedical.com.

ITEM 11. EXECUTIVE COMPENSATION

Information required by Item 11 of Part III is included in our Proxy Statement relating to our 2022 Annual Meeting of Shareholders and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by Item 12 of Part III is included in our Proxy Statement relating to our 2022 Annual Meeting of Shareholders and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by Item 13 of Part III is included in our Proxy Statement relating to our 2022 Annual Meeting of Shareholders and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by Item 14 of Part III is included in our Proxy Statement relating to our 2022 Annual Meeting of Shareholders and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

All financial statement schedules have been omitted because they are not required, not applicable, not present in amounts sufficient to require submission of the schedule, or the required information is otherwise included.

The following exhibits are filed herewith or incorporated by reference as part of this Annual Report.

Exhibit No.	Description
3.1(i)	Restated Certificate of Incorporation effective March 1, 2019 (incorporated by reference to our Form 10-K filed with the SEC on March 5, 2019).
3.1(ii)	Amended and Restated By-Laws dated December 5, 2018 (incorporated by reference to our Form 8-K filed with the SEC on December 7, 2018).
4.1	Description of Securities (incorporated by reference to the Company's Form 10-K filed with the SEC on March 23, 2021).
10.1	Amended and Restated Employment Agreement made as of January 1, 2020 between Repro Med Systems, Inc. and Karen Fisher (incorporated by reference to the Company's Form 8-K filed with the SEC on January 24, 2020).*
10.2	Employment Agreement made as of October 10, 2017 between Repro Med Systems, Inc. and Manuel Marques (incorporated by reference to the Company's Form 10-K filed with the SEC on March 4, 2020).*
10.3	Lease Extension Agreement dated February 16, 2022 (filed herewith).
10.4	2015 Stock Option Plan, as amended (incorporated by reference to the Company's Proxy Statement on Schedule 14A filed with the SEC on July 28, 2016).
10.5	2021 Omnibus Equity Incentive Plan (incorporated by reference to the Company's Proxy Statement on Schedule 14A filed with the SEC on April 5, 2021).
10.6	Form of Non-Qualified Stock Option (incorporated by reference to the Company's Form 10-K filed with the SEC on March 23, 2021).
10.7	Form of Incentive Stock Option (incorporated by reference to the Company's Form 10-K filed with the SEC on March 23, 2021).
10.7	Management Incentive Compensation Plan (incorporated by reference to the Company's Form 8-K filed with the SEC on April 14, 2020).
10.8	Manufacturing and Supply Agreement dated as of November 11, 2020 between Repro Med Systems, Inc. and Command Medical Products (incorporated by reference to the Company's Form 10-Q filed with the SEC on November 12, 2020). Certain information has been excluded from this exhibit because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.
10.9	Separation Agreement and General Release dated January 24, 2021 between the Company and Donald B. Pettigrew (incorporated by reference to the Company's Form 10-K filed with the SEC on March 23, 2021).+
10.10	Promissory Note in the aggregate principal amount of $3.5 million dated April 14, 2020 issued by the Company to KeyBank National Association (incorporated by reference to the Company's Form 8-K filed with the SEC on April 30, 2020).
10.11	Commercial Security Agreement dated April 14, 2020 between the Company and KeyBank National Association (incorporated by reference to the Company's Form 8-K filed with the SEC on April 30, 2020).

continued

Exhibit No.	Description
10.12	Loan Agreement dated April 20, 2020 between the Company and KeyBank National Association (incorporated by reference to the Company's Form 8-K filed with the SEC on April 30, 2020).
10.13	Progress Payment Loan and Security Agreement dated as of April 20, 2020 between the Company and Key Equipment Finance, a Division of KeyBank National Association (incorporated by reference to the Company's Form 8-K filed with the SEC on April 30, 2020).
10.14	Master Security Agreement dated as of April 20, 2020 between the Company and Key Equipment Finance, a Division of KeyBank National Association (incorporated by reference to the Company's Form 8-K filed with the SEC on April 30, 2020).
10.15	Employment Agreement effective as of March 15, 2021 between Repro Med Systems, Inc. and Linda Tharby (incorporated by reference to the Company's Form 10-K filed with the SEC on March 23, 2021).* ^
10.16	Lease dated as of January 21, 2022 between the Company and Breit Industrial Canyon NJ1W05 LLC (filed herewith).
23.1	Consent of Independent Auditors (filed herewith).
31.1	Certification of the Principal Executive Officer of registrant required under Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).

31.2	Certification of the Principal Financial Officer of registrant required under Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification of the Principal Executive Officer of registrant required under Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.2	Certification of the Principal Financial Officer of registrant required under Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
101.INS	Inline XBRL Instance Document - the XBRL Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

_____

+ Certain schedules, appendices and/or exhibits to this agreement have been omitted in accordance with Item 601 of Regulation S-K. A copy of any omitted schedule and/or exhibit will be furnished supplementally to the Securities and Exchange Commission staff upon request.

* Denotes management compensatory agreement or arrangement.

^ Certain information has been omitted from this exhibit because it is not material and would be competitively harmful if publicly disclosed.

ITEM 16. FORM 10-K SUMMARY

None.

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 on March 2, 2022.

REPRO MED SYSTEMS, INC.

/s/ Linda Tharby
Linda Tharby, President and Chief Executive Officer

/s/ Karen Fisher
Karen Fisher, Chief Financial Officer and Treasurer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on March 2, 2022.

/s/ R. John Fletcher
R. John Fletcher, Chairman of the Board

/s/ James M. Beck
James M. Beck, Director

/s/ Robert T. Allen
Robert T. Allen, Director

/s/ David Anderson
David Anderson, Director

/s/ Kathy S. Frommer
Kathy S. Frommer, Director

/s/ Daniel S. Goldberger
Daniel S. Goldberger, Director

/s/ Joseph M. Manko, Jr.
Joseph M. Manko, Jr., Director

/s/ Shahriar Matin

Shariar Matin, Director

/s/ Donna French
Donna French, Director

EXHIBIT 10.3

LEASE EXTENSION AGREEMENT

THIS LEASE EXTENSION AGREEMENT dated the 16th day of February, 2022 by and between **CASPER CREEK, LLC,** a New York limited liability company, with an address at c/o Eagle-Riverview Group Inc., 1 Civic Center Plaza, Suite 500, Poughkeepsie, New York 12601 (the "Landlord") and **REPRO MED SYSTEMS, INC. d/b/a KORU MEDICAL SYSTEMS**, (the "Tenant") regarding the premises located as follows: situated in the Village and Town of Chester, County of Orange, New York, as Section 110, Block 3, Lot 1 and known as 24 Carpenter Road, Chester, New York, deleting therefrom only the portion of the premises leased to Key Bank of New York as Tenant (the "Premises");

The Landlord and Tenant hereby agree to the following:

1. Original Lease. Tenant entered into a certain lease agreement with Landlord, Casper Creek, LLC dated November 14, 2017, for the Premises which began on March 1, 2019 and expires on August 31, 2022 with tenant having exercised six (6) six (6) month renewal options (the "Original Lease").

2. Renewal Term. The Landlord and Tenant hereby agree to extend the Original Lease for a further term of four (4) months. The renewed lease will begin on *September 1, 2022* and end on *December 31, 2022* (the "Renewal Term"). The renewal rent shall be *$12,088.00* per month.

3. Landlord's Right to Show Premises: Notwithstanding language to the contrary contained elsewhere in the Original Lease or any amendment thereof, Landlord shall have the right to show the Premise to prospective tenants upon reasonable advance notice (verbal, email or otherwise) to Tenant. Landlord shall use reasonable efforts to minimize disruption of tenant's business, and Tenant shall assist and cooperate with Landlord in respect thereof.

4. Terms and Conditions: All terms and conditions of the Original Lease shall remain in full effect during the Renewal Term except as otherwise modified herein.

Landlord:
CASPER CREEK LLC

/s/ Lisa Bacchus-Aronson — Feb. 16, 2022
By: Lisa Bacchus-Aronson — Date
Trustee

Tenant:
REPRO MED SYSTEMS, INC.
d/b/a KORU MEDICAL SYSTEMS

/s/ Karen Fisher — February 16, 2022
By: — Date

EXHIBIT 10.16

LEASE

This Lease (this "**Lease**") is made and entered into as of January 21st, 2022, by and between BREIT INDUSTRIAL CANYON NJ1W05 LLC, a Delaware limited liability company ("**Landlord**"), and REPRO MED SYSTEMS, INC., a New York corporation dba Koru Medical Systems ("**Tenant**").

1. **BASIC TERMS AND DEFINITIONS.**

(a) **Definitions**: The capitalized terms below have the corresponding definitions. In addition, other capitalized terms used in this Lease have the meanings set forth in **Exhibit A**.

(b) **"Premises"**: the approximately 43,975 rentable square feet leased to Tenant under this Lease, as shown and described in **Exhibit B**.

(c) **"Building"**: the building where the Premises are located consisting of approximately 102,269 rentable square feet, with an address of: 100 Corporate Drive, Mahwah, New Jersey 07430.

(d) **"Project"**: Consisting of the Premises, the Land, the Common Areas, the Building and any other improvements on or appurtenances to the Land.

(e) **"Lease Commencement Date"**: March 1, 2022

(f) **"Lease Expiration Date"**: August 31, 2032 or such earlier date as this Lease terminates in accordance with its terms.

(g) **"Estimated Expenses"**: initially $11,799.96 per month for the first complete month, as further described in this Lease.

(h) **"Tenant's Share"**: 43.21% of the Building, based on the rentable square feet of the Premises relative to the rentable square feet of the Building, as further described in this Lease.

(i) **"Permitted Use"**: For warehouse and distribution of medical devices with ancillary office uses.

(j) **"Security Deposit"**: $62,280.14.

(k) **"Notice Addresses"**:

Landlord

BREIT Industrial Canyon NJ1W05, LLC
c/o Link Logistics Real Estate Management LLC
90 Park Avenue 32nd Floor
New York, New York 10016
Attention: General Counsel

and

BREIT Industrial Canyon NJ1W05, LLC
c/o Link Logistics Real Estate Management LLC
602 West Office Center Drive, Suite 200
Fort Washington, Pennsylvania 19034
Attention: Lease Administration
Email: leaseadministration@linklogistics.com

With a copy, with respect to certificates of insurance, to TenantCOI@linklogistics.com

Tenant:

Prior to the Lease Commencement Date:

Koru Medical Systems
24 Carpenter Road
Chester, NY 10918
Attn: Karen Fisher

From and after the Lease Commencement Date:

Koru Medical Systems
100 Corporate Drive
Mahwah, New Jersey
Attn: Karen Fisher

2. **LEASED PREMISES**. Landlord, in consideration of the payment of Rent and the performance by Tenant of all other terms, covenants and conditions of this Lease (subject to notice and cure provisions set forth herein, if applicable), leases to Tenant, together with the right in common with others to the Common Areas as described in **Exhibit B**, the Premises located in the Building. Tenant accepts the Premises, the Building and the Common Areas "AS-IS", without any representation or warranty of any kind, express or implied, by Landlord, other than as expressly set forth in this Lease. Landlord has

exclusive control of all Common Areas, subject to Tenant's use and access rights, if any, described in **Exhibit B**. Landlord and Tenant stipulate and agree to the rentable square footages set forth in the "Basic Terms and Definitions" Section, without regard to actual measurements. Notwithstanding the foregoing, in the case of a change to the Project, Landlord may in its sole discretion measure the rentable square footages of the Building or the Project (based on the appropriate BOMA standard) and update Tenant's Share by delivery of written notice to Tenant and documentation evidencing the calculation of such changes.

3. **USE**. Tenant agrees to use the Premises for the Permitted Use, and for no other use or purpose. Tenant must comply with the Rules and Regulations, a copy of which is attached as **Exhibit C**. Tenant will, at its sole cost, comply with, and cause Tenant's Parties to comply with, all Applicable Laws pertaining to the Premises or Tenant's use or occupancy of the Premises, and obtain any permits, approvals, or licenses required for such use and occupancy (other than those Landlord has expressly agreed to obtain as part of Landlord Work, if applicable). Tenant shall not use the Premises in any manner that would cause the Premises or the Project to be considered a "place of public accommodation" under the ADA. If an Alteration to the Premises or the Project becomes required under any Applicable Law, or requested in a citation issued by a governmental authority, as a result of (i) Tenant's particular use of the Premises (as opposed to warehouse and distribution with ancillary office uses in general), or (ii) any Alterations performed by or at the request of Tenant, then Tenant shall upon Landlord's demand, at Tenant's election make such required Alteration at Tenant's sole cost or pay Landlord the documented third party costs reasonably incurred by Landlord for the Alteration.

Tenant acknowledges that the Premises is not currently separately demised from the remaining 11,834 square feet of office space on the first floor of the Building (such vacant space, the "**Vacant Area**"). Tenant shall not use or occupy any portion of the Vacant Area, except for gaining access to the elevator and stairwell as necessary to access the Premises. Tenant acknowledges that the utilities for the Premises and the Vacant Area are not separately metered between the Premises and the Vacant Area, and Tenant shall be responsible for payment of the actual costs of all utilities to the Vacant Area, in accordance with the terms of paragraph 8 below, so long as the Vacant Area is not separately metered or used or occupied by a third party tenant. During the Term, so long as the Vacant Area is not demised from the Premises, or used or occupied by a third party tenant, for purposes of determining Landlord's and Tenant's respective liabilities for acts or omissions occurring within the Vacant Area, the Vacant Area shall be considered a part of the Premises. Tenant agrees that Landlord may, at any time during the Term, demise the Vacant Area from the Premises, and Tenant agrees that Landlord may have access to the Premises as may be reasonably necessary in connection therewith. Landlord shall demise the Vacant

Area from the Premises prior to granting any occupancy rights in the Vacant Area (or any portion thereof) to a third party, provided that Landlord will demise the Vacant Area from the Premises in a manner as to continue to allow Tenant access to the elevator and stairwell as necessary to access the Premises.

4. **LEASE TERM**. In the event Landlord is delayed in delivering possession of the Premises due to the holdover of any existing tenant or other circumstances outside of Landlord's control, then (a) Landlord shall not be liable for any loss or damage to Tenant resulting from any such delay, (b) the Lease Commencement Date for the Premises shall be postponed until the date Landlord delivers possession of such space to Tenant, and (c) the Lease Expiration Date will be extended so that the length of the Term remains unaffected by such delay. Following the full execution and delivery of this Lease, Tenant's payment of the Security Deposit and prepaid Rent payable upon the execution of this Lease, and Tenant's compliance with the insurance requirements set forth in Section 11 below, Tenant may enter the Premises prior to the Lease Commencement Date for the purpose of performing any Landlord-approved improvements therein or installing furniture, equipment or other personal property of Tenant, provided such occupancy does not unreasonably interfere with the performance of the Landlord Work. Such early occupancy shall be subject to all the terms and conditions of this Lease as if the Term commenced on the date of first entry, except for any obligation to pay Rent with respect to the period prior to the Lease Commencement Date (other than utilities and the cost of services supplied to the Premises, which Landlord can charge from time of entry).

5. **RENT**. During the Term, Tenant must pay Landlord in advance, on the first day of each calendar month, the monthly Base Rent and monthly Estimated Expenses, without notice, demand, abatement, offset or deduction. Base Rent and Estimated Expenses shall be appropriately prorated by Landlord on a per diem basis for any partial month during the Term. Base Rent payable for the period from September 1, 2022, through September 30, 2022, and the first month of Estimated Expenses shall be paid by Tenant on or prior to the Lease Commencement Date. Any other Additional Rent shall be due and payable by Tenant on or before 10 days after billing by Landlord. Attached hereto as **Exhibit D** are instructions for all payments by Tenant to Landlord, which may be updated from time to time by written notice delivered by Landlord to Tenant. Tenant's payment obligations under this Lease are absolute and unconditional and independent covenants from Landlord's covenants under this Lease. If Tenant is delinquent in the payment of any Rent for more than 5 business days, Tenant shall pay to Landlord a late charge equal to 5% of such delinquent sum and, if such delinquency continues for 30 days, interest on the late fee and unpaid Rent from the date such amount was due until paid in full at the Applicable Interest Rate. Said late charge shall be in addition to any other rights and remedies available to Landlord under this Lease, at law,

or in equity, and shall not be construed as a penalty. Tenant shall also pay Landlord any cost incurred by Landlord in connection with a check presented by Tenant that is declined due to insufficient funds.

6. **BASE RENT**. Base Rent is as follows:

Period	Monthly Base Rent
3/1/22 – 2/28/23	$37,561.98
3/1/23 – 2/29/24	$38,688.84
3/1/24 – 2/28/25	$39,849.51
3/1/25 – 2/28/26	$41,045.00
3/1/26 – 2/28/27	$42,276.35
3/1/27 – 2/29/28	$43,544.64
3/1/28 – 2/28/29	$44,850.98
3/1/29 – 2/28/30	$46,196.51
3/1/30 – 2/28/31	$47,582.41
3/1/31 – 2/29/32	$49,009.88
3/1/32 – 8/31/32	$50,480.18

Notwithstanding the foregoing, Base Rent is abated during the period from March 1, 2022, through August 31, 2022, after which Tenant must pay Base Rent as set forth above. Tenant nonetheless owes Additional Rent during the abatement period, and Landlord can charge its management fee as though Base Rent were not abated. In the case of an Event of Default, Base Rent abated pursuant to this Section shall immediately become due and payable in full.

7. **SECURITY DEPOSIT**. Upon the execution of this Lease, Tenant shall deposit with Landlord the Security Deposit, to be held by Landlord as security for the full and faithful performance of each provision of this Lease to be performed by Tenant. The Security Deposit is not an advance rental deposit or a measure of Landlord's damages in the case of a breach or default by Tenant. If Tenant breaches any monetary provision of this Lease and such breach continues beyond any applicable notice and cure period, or otherwise there is an Event of Default under this Lease, Landlord may, without limiting its remedies and without additional notice to Tenant, apply all or part of the Security Deposit to cure such monetary breach or Event of Default and compensate Landlord for any loss or damage caused by such monetary breach or Event of Default. Tenant shall pay Landlord within 3 business days of demand the amount that will restore the Security Deposit to its original amount. No interest shall accrue on the Security Deposit, and Landlord is not required to keep the Security Deposit separate from Landlord's own funds. The Security Deposit shall be the property of Landlord but shall be paid to Tenant within a reasonable period of time (not exceeding 30 days) after the Termination Date and the fulfillment of all of Tenant's obligations under this Lease. Landlord shall be released from any obligation with respect to the Security Deposit upon transfer of this Lease and the Premises to a person or entity assuming Landlord's obligations under this Section.

8. **UTILITIES**. Tenant shall timely pay the cost (including related taxes and charges) of all utility services (including without limitation water, gas, propane, diesel, electricity, sewer, waste, telecommunications and data) used on or provided to the Premises and (so long as the Vacant Area is not separately metered or used or occupied by a third party tenant) the Vacant Area, and Tenant's Share of the cost of such utility services used on or provided to the Common Areas, which if not charged directly to Tenant or paid by Tenant will be included in Operating Expenses. Tenant shall obtain utility services for the Premises in Tenant's own name and timely pay for the costs therefor directly to the respective utility provider, except to the extent Landlord elects to obtain any such utility service in Landlord's own name and charge to Tenant directly with no markup by Landlord. Notwithstanding the foregoing, Tenant may select its own telecommunications or data service and will pay the cost therefor, and Landlord will not be responsible for providing any such service connections to the Building. Landlord can procure utility services for multiple tenants and charge to them without markup by Landlord based on Landlord's reasonable estimates of usage or square footage leased. Landlord may elect to install one or more sub-meters for one or more premises (which, if installed at the Premises, shall be at Tenant's expense) in which event Landlord will bill each tenant whose premises is sub-metered according to that tenant's actual usage. Landlord shall not be responsible or liable for any interruption in utilities or services, or for any injury to property caused thereby, nor shall such interruption affect the continuation or validity of this Lease, constitute an eviction, give rise to an abatement or relieve Tenant from full performance of Tenant's obligations under this Lease. Notwithstanding the foregoing, in the event that any interruption or discontinuance of utilities which was directly caused by the sole negligence or willful misconduct of Landlord or its employees continues beyond 5 consecutive business days and materially and adversely affects Tenant's ability to conduct business in the Premises, and on account of such interruption or discontinuance, Tenant ceases doing business in the Premises (or a material portion thereof), Rent shall abate thereafter (as to the Premises or as to such material portion thereof, as the case may be) and for the duration of such interruption or discontinuance. Landlord shall have the exclusive right to select, and to change, the companies providing such utilities or services to the Project, Building or the Premises. Upon

written request no more often than once a quarter, Tenant shall provide to Landlord reasonable utility consumption data and other related information (or, at Landlord's option, execute and deliver to Landlord an instrument enabling Landlord to obtain the same from the applicable provider). Tenant shall cooperate with Landlord to conduct ASHRAE energy audits of the Building and Project.

9. **EXPENSES**. On the Lease Commencement Date and the first day of each calendar month thereafter during the Term (including during the period from March 1, 2022, through August 31, 2022), Tenant shall pay to Landlord an amount equal to 1/12 of the annual cost, as reasonably estimated by Landlord, of Tenant's Share of Taxes and Operating Expenses ("**Estimated Expenses**"). Estimated Expenses shall be appropriately prorated by Landlord on a per diem basis for any partial month during the Term.

a. **ESTIMATED EXPENSES NOTICE**. Landlord can from time to time provide Tenant with written notice (an "**Estimated Expenses Notice**") of the monthly Estimated Expenses due and payable by Tenant with respect to the period covered by the notice. (The initial monthly Estimated Expenses is set forth in the "Basic Terms and Definitions" Section above.) The Estimated Expense amounts set forth in an Estimated Expenses Notice shall be based upon Landlord's estimate of Operating Expenses and Taxes to be incurred with respect to the period covered by the notice. Landlord may invoice Tenant separately from time to time for any extraordinary or unanticipated Estimated Expenses.

b. **EXPENSE RECONCILIATION**. Promptly after the end of each calendar year during the Term and the Lease Expiration Date, and at any other time in Landlord's discretion, Landlord shall make an accounting of actual Taxes and Operating Expenses for the preceding calendar year and provide Tenant with a statement of Tenant's Share of such Taxes and Operating Expenses (a "**Reconciliation Statement**"). Within 20 days after delivery of a Reconciliation Statement to Tenant, Tenant shall pay to Landlord the amount by which actual Taxes and Operating Expenses exceeded Estimated Expenses paid during the covered period (and if the actual expenses were less than Estimated Expenses paid, Landlord shall at its option either credit Tenant's account or reimburse Tenant for any overpayment by Tenant). In the case of any expenses the actual amount of which is not known at time of delivery of a Reconciliation Statement, Landlord may rely on its estimates of such expenses to generate the Reconciliation Statement and perform another accounting once actual amounts are known and deliver an additional Reconciliation Statement. Landlord's and Tenant's obligations to pay any overpayment or deficiency due the other pursuant to this Section shall survive the Lease Expiration Date. During the ninety (90) day period following the delivery of a Reconciliation Statement, Tenant shall have the right to inspect, at reasonable times, in a reasonable manner and with at least ten (10) days prior written notice to Landlord, such of Landlord's books of account and records as pertain to and contain information concerning such costs and expenses in order to verify the amounts thereof. Tenant agrees that any information obtained during an inspection by Tenant of Landlord's books of account and records shall be kept in confidence by Tenant and its agents and employees and shall not be disclosed to any other parties, except to Tenant's attorneys, accountants and other consultants. Any parties retained by Tenant to inspect Landlord's books of account and records shall not be compensated on a contingency fee basis. If Landlord and Tenant determine that Operating Expenses for the year in question are less than reported, Landlord shall refund such excess to Tenant within thirty (30) days after such determination, after first deducting any amounts then due and payable by Tenant hereunder. Likewise, if Landlord and Tenant determine that Operating Expenses for the year in question are greater than reported, Tenant shall pay Landlord the amount of any underpayment within thirty (30) days. If Tenant fails to dispute any item or items included in the determination of Operating Expenses for a particular calendar year by delivering a written notice to Landlord generally describing in reasonable detail the basis of such dispute within ninety (90) days after delivery of a Reconciliation Statement for such year, Tenant shall be deemed to have approved such statement. During the pendency of any dispute over Operating Expenses, Tenant shall pay, under protest and without prejudice, Tenant's Share of Operating Expenses as calculated by Landlord.

c. **TENANT'S EXPENSES**. Prior to delinquency, Tenant shall pay (and, upon request, provide Landlord with evidence of payment of) all taxes and assessments, together with any interest, charges, fees and penalties in connection therewith, levied upon or arising from (a) Tenant's Property, (b) the conduct of Tenant's business, or (c) Tenant's leasehold estate.

10. **INDEMNITY AND WAIVER OF CLAIMS**.

a. **INDEMNITY**. Tenant shall indemnify, protect, defend (by counsel reasonably acceptable to Landlord) and hold harmless Landlord and the Indemnitees from and against Losses, which may be imposed upon, incurred or suffered by or asserted against Landlord or any of the Indemnitees at any time prior to, during or after the Term arising out of or in connection with Tenant's occupancy or use of the Premises, any negligent acts or omissions of Tenant or any Tenant Party, or the conduct of Tenant's business, or otherwise in, upon or about the Premises, except to the extent caused by Landlord's gross negligence or willful misconduct. Landlord shall indemnify, protect, defend (by counsel reasonably acceptable to Tenant) and hold harmless Tenant and any Tenant Party from and against Losses, which may be imposed upon, incurred or suffered by or asserted against Tenant or any Tenant Party at any time prior to, during or after the Term arising out of or in connection with Tenant's occupancy or use of the

Premises to the extent caused by negligence of Landlord or any Landlord Indemnitees. The obligations of Tenant and Landlord under this Section shall survive the Lease Expiration Date.

b. **WAIVER OF CLAIMS**. Tenant, as a material part of the consideration to Landlord, hereby assumes all loss due to business interruption and all risk of illness or injury to persons in, upon or about the Premises and/or the Project arising from any cause other than the gross negligence or willful misconduct of Landlord and all risk of damage to property including, but not limited to, Tenant's Property and all Tenant's Parties and all Alterations, and Tenant hereby expressly releases Landlord and the Indemnities and waives all claims in respect thereof against Landlord and the Indemnitees.

11. **INSURANCE**.

a. **LANDLORD**. Landlord shall maintain insurance policies insuring the Project against fire and extended coverage (including "special cause of loss form" coverage, and if Landlord elects, earthquake/volcanic action, flood and/or surface water insurance) for the full replacement cost of the Building (including coverage of any Alteration made by Landlord, but excluding coverage of Tenant's Property and any Alterations made by Tenant or a Tenant Party), with deductibles in the form and endorsements of such coverage as selected by Landlord. Landlord can obtain its insurance through a blanket policy or captive insurance program. Landlord may also in its discretion obtain other coverage for the Project.

b. **TENANT**. Tenant shall, at Tenant's sole expense, obtain and keep in force at all times the following insurance in the following coverage amounts, which coverage amounts Landlord may reasonably increase from time to time upon reasonable advance written notice to Tenant in the event Tenant's operations change or Landlord otherwise reasonably determines that such coverage amounts are inadequate under the circumstances:

i. **Commercial General Liability Insurance (Occurrence Form)**. Commercial General Liability Insurance ("**CGL Policy**") covering claims of bodily injury, personal injury and property damage arising out of Tenant's operations and contractual liability as required in written contract, on an occurrence basis, with limits of $1,000,000 each occurrence and $2,000,000.00 annual aggregate;

ii. **Automobile Liability Insurance**. Business automobile liability insurance having a combined single limit of $1,000,000.00 per occurrence and including owned, hired or non-owned automobiles;

iii. **Workers' Compensation and Employer's Liability Insurance**. Workers' compensation insurance having limits not less than those required by applicable state and federal statute, and covering all persons employed by Tenant, including volunteers, in the conduct of its operations on the Premises, together with employer's liability insurance coverage in the amount of at least $500,000.00;

iv. **Property Insurance**. "Special cause of loss form" property insurance including coverage for vandalism, malicious mischief, sprinkler leakage and, if applicable, boiler and machinery comprehensive form, on a replacement cost basis, insuring (a) all Tenant's Property, and (b) all Alterations made by Tenant or a Tenant Party, in each case, in an amount equal to the then applicable full replacement cost thereof. In the event property of Tenant's invitees or customers are kept in the Premises or Project, Tenant shall maintain insurance for the full value of the property of such invitees or customers as determined by the contract between Tenant and its customer;

v. Intentionally omitted; and

vi. **Umbrella/Excess Insurance**. An umbrella liability policy or excess liability policy having a limit of $5,000,000.00, which policy shall be in "following form" and shall provide that if the underlying aggregate is exhausted, the excess coverage will drop down as primary insurance. Such umbrella liability policy or excess liability policy shall include coverage for additional insureds as required by written contract.

vii. **General**. Tenant's insurance company shall be authorized to do business in the state in which the Premises is located and be rated at least "A VIII" as determined by A.M. Best Company. Tenant shall deliver to Landlord certificates of insurance for all insurance required to be maintained by Tenant in the form of ACORD 28 and ACORD 25, on or before the Lease Commencement Date or any earlier date on which Tenant or any Tenant Party accesses the Premises and, at least 10 days after the expiration of any required coverage. Landlord, Landlord's Mortgagee, if any, and any other party designated by Landlord, as their interests may appear, shall be included as additional insureds ("**Additional Insureds**") under all of the policies required in this "Insurance" Section, except Worker's Compensation and Employer's Liability, which policies shall provide for severability of interest and shall be primary as respects the Additional Insureds, and any insurance maintained by the Additional Insureds shall be excess and non-contributing. The limits and types of insurance maintained by Tenant shall not limit Tenant's liability under this Lease. Tenant shall notify Landlord within 48 hours after the occurrence of any accidents or incidents in the Premises or the Project which could give rise to a claim under any of

the insurance policies required under this "Insurance" Section. Tenant shall not be permitted to satisfy any of its insurance obligations set forth in this Lease with deductible amounts, or through any self-insurance or self-insured retention, in excess of $50,000.00, without Landlord's consent, subject to such additional conditions as Landlord may impose, in Landlord's sole discretion.

c. **MUTUAL WAIVER OF SUBROGATION**. Each party waives, and shall cause its insurance carrier to waive, any right of recovery against the other for any loss of or damage to property which loss or damage is (or, if the insurance required hereunder had been carried, would have been) covered under the terms of any policy of property insurance, to the extent such releases or waivers are permitted under applicable law; provided, however, such waiver by Landlord shall not be effective with

respect to Tenant's liability described in the "Environmental Matters" Section below. The failure of a party to insure its property shall not void this waiver. For purposes of this subsection, (but subject to the terms of the Tenant's Obligations subsection below), any deductible with respect to a party's insurance shall be deemed covered by, and recoverable by such party under, valid and collectible policies of insurance.

12. **REPAIRS AND MAINTENANCE**.

a. **Tenant Obligations**. Except as otherwise expressly provided in the "Landlord Obligations" Section below or otherwise expressly set forth herein, Tenant, at Tenant's sole cost and expense, shall Maintain the Premises in good, clean and safe condition, including, without limitation, the following: (a) the Systems exclusively serving the Premises (including, without limitation, exterior lighting and supplemental life safety systems relating to Tenant's use of the Premises, specialty sprinkler systems and fire suppression systems); (b) all fixtures and equipment in the Premises (including, without limitation, the floor/concrete slab, subfloors and floor coverings, all interior and exterior doors and windows, all dock equipment (including dock doors, levelers, bumpers, dock shelters, ramps and dock lights) and all telephone, telecommunications, data and other communication lines and equipment); (c) any fencing exclusively serving the Premises; and (d) the demarcation point or any other point of utility hook up or connection, in each case, relating to utilities used by Tenant. In addition to the foregoing, Tenant, at its sole cost, shall be responsible for the following to the extent located within or exclusively serving the Premises: security; interior pest control; interior window cleaning; janitorial; trash and recyclables collection services (including dumpsters); office/warehouse lighting (including all bulbs and ballasts); and ceiling tiles. Tenant Maintenance work shall be subject to the applicable provisions of the "Alterations; Liens" Section of this Lease below. Unless otherwise directed by Landlord, Tenant, at Tenant's sole cost, shall enter into a regularly scheduled preventive maintenance/service contract ("**Service Contract**") with a maintenance contractor reasonably acceptable to Landlord for servicing (a) HVAC System in compliance with **Exhibit E** attached hereto, and (b) all dock equipment exclusively serving the Premises. Tenant shall deliver full and complete copies of the Service Contract (and any other service contracts entered into by Tenant) to Landlord at the commencement of each Lease Year and upon demand from Landlord. All Maintenance by Tenant shall utilize materials and equipment that meet or exceed the quality originally used in constructing the Building and Premises. In the event Tenant fails, in the reasonable judgment of Landlord, to Maintain the Premises to Landlord's reasonable satisfaction, which failure continues at the end of 15 days following delivery of notice by Landlord to Tenant describing such failure, or in the case of an emergency immediately without prior notice, Landlord shall have the right to enter the Premises and perform such Maintenance at Tenant's sole cost and expense (including a sum for overhead to Landlord equal to 10% of the costs of maintenance, repairs or refurbishing). Tenant shall maintain written records of Maintenance and deliver copies thereof to Landlord upon request. Notwithstanding anything contained in this Lease to the contrary, Tenant shall be solely responsible for all costs and expenses incurred by Landlord for any Alterations, or other Maintenance made necessary because of the acts or omissions of Tenant or any Tenant Party (including, without limitation, Tenant Alterations and/or Tenant Maintenance work, Tenant's special or particular use of the Premises and Tenant voiding a warranty that would otherwise have covered a cost), in each case, to the extent not covered by applicable insurance proceeds paid to Landlord (Tenant being responsible for Landlord's commercially reasonable deductible notwithstanding the waiver of claims set forth in the "Mutual Waiver of Subrogation" subsection above).

Provided that Tenant maintains the required Service Contract for the HVAC Systems serving the Premises as required herein, and except for any replacements necessitated by any negligent action or inaction of Tenant or Tenant Party, Landlord and Tenant agree that, following the expiration of the HVAC Warranty Period (as defined in **Exhibit H**), if a HVAC unit serving the Premises requires

replacement during the initial Term, as reasonably determined by Landlord, Landlord shall perform such replacement; provided, however, Tenant shall reimburse Landlord for Tenant's Portion (as hereinafter defined) of such replacement costs (the "**Replacement Cost**"). "**Tenant's Portion**" shall be calculated by multiplying the Replacement Cost by a fraction, the numerator of which shall be the number of months left in the Term at the time such HVAC unit is replaced, and the denominator of which shall be the number of months constituting the useful life of the new equipment as determined on a commercially

reasonable basis (i.e., if Landlord replaces an existing HVAC unit with a unit having a useful life of 120 months, and there are 36 months left in the Term, Tenant shall reimburse Landlord for 30% of the cost of the new unit). Tenant's Portion of the Replacement Costs shall be paid by Tenant as Additional Rent in equal monthly installments over the remaining Term, commencing on the first day of the calendar month following such replacement, contemporaneously with Tenant's payment of the monthly installment of Base Rent. If Tenant fails to maintain the required Service Contract in effect at any time during the Term, Landlord's obligation to pay for any replacement of any HVAC unit shall terminate and be of no force or effect. If the Term is subsequently extended after the initial calculation of Tenant's Portion, a separate calculation of Tenant's Portion shall be made with respect to the Replacement Cost payable by Tenant during such extended term.

b. **Landlord Obligations**. Landlord shall: (a) at Landlord's sole expense, without reimbursement from Tenant, (i) Maintain the Building footings, foundations, structural steel columns and girders, and (ii) replace, to the extent necessary and appropriate (as reasonably determined by Landlord), the (1) structural portions of the roof (i.e., joists and decking), and (2) structural portion of exterior walls; and (b) as an Operating Expense, Maintain (i) the non-structural portions of the Building exterior walls (including, without limitation, exterior façade painting and caulk repair) and roof (including, without limitation, insulation, flashings and membrane); (ii) the life safety systems (including, but not limited to, fire sprinkler systems, fire pumps and fire alarm panels and devices); (iii) the main utility lines to the point of connection into the Building (e.g., main electricity and water/sewer service to the Building); (iv) any Systems not exclusively serving the Premises or the leased premises of another tenant; (v) the irrigation systems, storm water facilities and detention ponds; (vi) the Common Areas (including, without limitation, any fencing (other than fencing exclusively serving the Premises), exterior landscaping, asphalt/concrete, sidewalks, parking areas, loading areas and driveways); and (vii) the elevator(s) serving the Premises. In addition to the foregoing, Landlord shall, as an Operating Expense, be responsible for the following: snow and ice removal; exterior pest control; exterior window cleaning; exterior stair systems; and sanitary lift stations. Notwithstanding the foregoing, Landlord shall not be required to make any repairs resulting from fire or other casualty or a Taking, except as provided in "Damage and Destruction" and "Condemnation" Sections below. Landlord may change the shape and size of the Common Areas, including the addition of, elimination of or change to any improvements located in the Common Areas, so long as such change does not materially adversely affect Tenant's ability to use the Premises for the Permitted Use. Tenant shall promptly notify Landlord in writing if Tenant becomes aware of (a) any areas of water intrusion or mold in or about the Premises, or (b) any condition that is Landlord's responsibility to Maintain.

13. **ALTERATIONS; LIENS**.

a. **Alterations**. Tenant, at its sole cost, may install necessary trade fixtures, equipment and furniture in the Premises (it being agreed that such installation shall not be deemed an Alteration), provided that the installation and removal of them will not affect any structural portion of the Project, any System or any other equipment or facilities serving the Project or any occupant. Except for any Alterations or Tenant Maintenance work that, in either instance, (a) does not exceed $10,000.00 in the aggregate, (b) is not visible from the exterior of the Premises, (c) does not affect any System or any structural components of the Project, and (d) does not require penetrations into, or work within, the floor, ceiling or walls, Tenant shall not construct, nor allow to be constructed, any Alterations or Tenant

Maintenance work in the Premises or on the Project without obtaining the prior written consent of Landlord, which consent shall not be unreasonably withheld. With respect to any Alterations or Tenant Maintenance work made by or on behalf of Tenant (whether or not it requires Landlord's consent): (a) not less than 10 days prior to commencing any Alteration or Tenant Maintenance work, Tenant shall deliver to Landlord the plans, specifications and necessary permits for the Alteration or Tenant Maintenance work, together with certificates evidencing that Tenant's contractors and subcontractors have insurance coverage to Landlord's reasonable satisfaction; (b) Tenant shall obtain Landlord's prior written approval of any contractor or subcontractor, such approval not to be unreasonably withheld, delayed or conditioned; (c) the Alteration or Tenant Maintenance work shall be constructed with new materials, in a good and workmanlike manner, and in compliance with all Applicable Laws and the plans and specifications delivered to and approved by Landlord, such approval not to be unreasonably withheld, delayed or conditioned; (d) the Alteration or Tenant Maintenance work shall be completed promptly after the commencement thereof and performed in accordance with Landlord's reasonable requirements relating to sustainability and energy efficiency; (e) Tenant shall pay Landlord all reasonable costs and expenses in connection with Landlord's review of Tenant's plans and specifications, and of any supervision or inspection of the construction Landlord deems necessary; and (f) upon Landlord's request Tenant shall, prior to commencing any Alteration or Tenant Maintenance work, provide Landlord reasonable security against liens arising out of such construction. Upon completion, Tenant shall furnish Landlord with (i) "as-built" plans (in CAD format, if reasonably requested by Landlord) for Alterations, completion affidavits and full and final waivers of lien, and (ii) the warranties from Tenant's contractor(s), which shall be for the benefit of Landlord as well as Tenant. Any Alteration by Tenant shall be the property of Tenant until the Lease Expiration Date; at that time Tenant, at its sole cost, shall remove any Alteration(s) and repair all damage caused by the installation or removal thereof and will restore the Premises or the Project to the condition existing prior to Tenant's Alteration; provided, however, at the Lease Expiration Date, and at Landlord's sole option, without payment by Landlord, Landlord may

require Tenant to leave any Alteration(s) at the Premises, in which event they shall become the property of Landlord. Notwithstanding the foregoing, Landlord shall not be entitled to require Tenant to remove any Alteration that was approved by Landlord if Landlord notified Tenant in writing at the time of such approval that Landlord would not require the same to be removed upon the expiration or termination of this Lease.

b. **Liens**. Tenant, at its sole cost, shall promptly pay and discharge all claims for labor performed, supplies furnished and services rendered at the request of Tenant and shall keep the Premises free of all mechanics' and materialmen's liens. Tenant, at its sole cost, shall remove any such lien within 20 days after notice from Landlord. If Tenant fails to do so, an Event of Default by Tenant shall have occurred, and Landlord may bond, insure over or pay the amount necessary to cause such removal, whether or not such lien is valid, and charge the Tenant such amount, together with reasonable attorneys' fees and expenses, in addition to all other remedies Landlord has under this Lease, at law or in equity.

14. **LANDLORD'S RIGHT OF ENTRY**. Landlord reserves the right to enter the Premises upon reasonable notice to Tenant (including by telephone or email) and without notice in case of an emergency, and to undertake the following: (i) to inspect, monitor, investigate, test or Maintain the Premises and/or the Project; (ii) to verify Tenant is complying with its obligations hereunder; (iii) to perform Landlord's obligations hereunder; (iv) to make permitted, or inspect Tenant's, Alterations; (v) to install, use, Maintain, alter or relocate any pipes, ducts, conduits, wires, equipment and other facilities in the Common Areas or at the Project; (vi) to install, Maintain and operate conduit cabling within the utility and/or conduit ducts and risers at the Project; or (vii) to show the Premises for the purpose of sale, insurance or financing, and, during the last 12 months of the Term (or following any Event of Default), leasing the Premises to another tenant. If reasonably necessary, Landlord may temporarily close all or a portion of the Premises to perform repairs, alterations and additions. However, except in emergencies, Landlord will not close the Premises if the work can reasonably be completed on weekends and after normal business hours.

Landlord will make commercially reasonable efforts not to inconvenience Tenant in exercising such rights. The entry and authority granted to Landlord under this Section shall not constitute a constructive eviction or entitle Tenant to an abatement or reduction of Rent.

15. **ENVIRONMENTAL MATTERS**. Tenant shall not cause nor permit, nor allow any of Tenant's Parties to cause or permit, any Hazardous Materials to be brought upon, stored, manufactured, generated, blended, handled, recycled, treated, disposed or used on, in, under or about the Premises or the Project, except for routine office and janitorial supplies in usual and customary quantities stored, used and disposed of in accordance with all applicable Environmental Laws. Tenant shall not install, operate or maintain any above or below grade tank, sump, pit, pond, lagoon or other storage or treatment vessel or device at the Project without Landlord's prior written consent which may be withheld in Landlord's sole discretion. Tenant shall neither create nor suffer to exist, nor permit any Tenant Party to create or suffer to exist, any environmental lien, security interest or other charge or encumbrance of any kind with respect to the Project, including without limitation, any lien imposed pursuant to Section 107(f) of the Superfund Amendments and Reauthorization Act of 1986 (42 U.S.C. Section 9607(1)) or any similar state statute. As defined in Environmental Laws, Tenant is and shall be deemed to be the "operator" of Tenant's "facility" and the "owner" of all Hazardous Materials brought on the Premises by Tenant, its agents, employees, contractors or invitees, and the wastes, by-products, or residues generated, resulting, or produced therefrom. Tenant and Tenant's Parties shall promptly notify Landlord and the respective property manager in writing of the known violation of any Environmental Law or known presence or suspected presence of any Hazardous Materials (other than office and janitorial supplies as permitted above) in, on, under or about the Premises or the improvements or the soil or groundwater thereunder. Landlord shall have the right to enter upon and inspect the Premises and to conduct tests, monitoring and investigations. Within 10 days following receipt by Tenant of a written request therefor from Landlord (which request shall not be made more often than annually), Tenant shall disclose to Landlord in writing the names and amounts of all Hazardous Materials, or any combination thereof, which were stored, generated, used or disposed of on, in, under or about the Premises for the 12-month period prior to and after each such request, or which Tenant intends to store, generate, use or dispose of on, in, under or about the Premises. Similarly, within 10 days of written request from Landlord, Tenant will complete a certification as to its compliance with this Section. Landlord may conduct environmental testing, including "Phase I", around the Lease Expiration Date and treat as an Operating Expense. Tenant shall indemnify, protect, defend (by counsel acceptable to Landlord) and hold harmless the Indemnitees from and against any and all Losses of or in connection with (a) Tenant and/or any Tenant Party's breach of this Section, or (b) the presence of Hazardous Materials on, in, under or about the Premises, the Land, the Project or other property as a direct result of Tenant's and/or any Tenant Party's activities, or failure to act, in connection with the Premises, the Project or this Lease. This indemnity shall include, without limitation, any Losses arising from or in connection with (i) the effects of any contamination or injury to person, property or the environment created or suffered by Tenant or a Tenant Party, (ii) the cost of any required or necessary repair, cleanup or detoxification, and the preparation and implementation of any closure, monitoring or other required plans, whether such action is required or necessary prior to or following the termination of this Lease, (iii) interest, penalties and damages arising from claims brought by or on behalf of employees of Tenant (with respect to which Tenant waives any right to raise as a defense against Landlord any immunity to which it may be entitled under any industrial or worker's compensation laws), and (iv) fees, costs or expenses incurred for the services of attorneys, consultants, contractors, experts, laboratories, and

all other costs incurred in connection with the investigation, monitoring or remediation of such Hazardous Materials or violation of such Environmental Laws. Landlord shall have the right to direct any and all remediation activities, all of which shall be performed at Tenant's sole cost. Neither the written consent by Landlord to the presence of Hazardous Materials on, in, under or about the Premises, nor the strict compliance by Tenant with all Environmental Laws, shall excuse Tenant from Tenant's obligation of indemnification pursuant hereto. Tenant's obligations pursuant to the foregoing indemnity shall survive the Lease Expiration Date. Notwithstanding anything to the

contrary set forth above, Tenant shall have no liability for any Hazardous Materials located on the Project which existed in Project on the date of Tenant's first entry into the Premises unless the same were introduced by Tenant or a Tenant Party. Landlord shall be responsible for removing, at no cost to Tenant, any Hazardous Materials located on or in the Project in violation of Environmental Law on the date of Tenant's first entry thereon, unless the same were introduced by Tenant or a Tenant Party.

16. **DAMAGE AND DESTRUCTION**. If at any time during the Term all or a portion of the Premises are damaged by a fire or other casualty, then Tenant shall promptly notify Landlord. Within 60 days after Landlord becomes aware of such damage, Landlord shall inform Tenant (the "**Repair Estimate**") of the amount of time Landlord reasonably estimates to restore the Premises (including the restoration of any Alteration made by Landlord), except for modifications required by Applicable Laws, and excluding the repair, restoration or replacement of the fixtures, equipment, or Alterations made by Tenant or a Tenant Party. If the restoration time is estimated to exceed 9 months from the date of such damage, then either Tenant or Landlord may elect to terminate this Lease effective as of the date of fire or other casualty by giving notice to the other within 15 days after Landlord's notice, and Tenant shall promptly remove any salvageable personal property it seeks to retain from the Premises if Landlord deems the Premises safe for entry. In addition, Landlord shall have the right to terminate this Lease, if the loss is not covered by insurance, within 30 days of receiving notice of this fact. If this Lease is not, or cannot be, terminated in accordance with the foregoing, then, subject to receipt of sufficient insurance proceeds and delays due to Force Majeure, Landlord shall commence to restore the Premises (including any Alterations made by Landlord) to substantially the same condition that existed immediately prior to the fire or other casualty, except for modifications required by Applicable Laws, and excluding the repair, restoration or replacement of the fixtures, equipment, or Alterations made by Tenant or a Tenant Party. If neither party elects to terminate this Lease, but Landlord does not substantially complete the required repair and restoration within 60 days after the expiration of the estimated period of time set forth in the Repair Estimate, which period shall be extended to the extent of any Reconstruction Delays (hereinafter defined), then Tenant may terminate this Lease by written notice to Landlord within 10 days after the expiration of such 60 day period, as the same may be extended, but in any event prior to Landlord's substantial completion of the required repair and restoration. For purposes of this Lease, the term "**Reconstruction Delays**" shall mean any delays caused by Tenant or events of Force Majeure. Notwithstanding the foregoing, each of Tenant (unless the damage was caused by Tenant's negligence or intentional act) and Landlord may terminate this Lease if the Premises are damaged by a fire or other casualty during the last year of the Term and Landlord reasonably estimates that it will take more than 3 months to repair such damage. Rent shall be abated from the time of a fire or other casualty until Landlord's repair and restoration obligations are completed by the percentage equal to the area of the Premises that is untenantable, if any, divided by the total area of the Premises. Such abatement shall be the sole remedy of Tenant, and except as provided in this Section, Tenant waives any right to terminate this Lease by reason of damage or casualty loss. Landlord shall not be liable for any inconvenience to Tenant, or injury to Tenant's business resulting in any way from a fire or other casualty or the repair thereof. Tenant shall not interfere with or delay, and instead cooperate with Landlord, in Landlord's completion of Landlord's repair and restoration obligations. Tenant agrees that the terms of this Section shall govern any damage or destruction and shall accordingly supersede any contrary statute or rule of law.

17. **CONDEMNATION**. If all of the Premises is Taken, then this Lease shall terminate. If any part of the Premises is Taken and (i) Landlord determines the Taking would materially interfere with or impair its ownership or operation of the Project, (ii) Landlord determines the portion not Taken is insufficient in Landlord's discretion for the reasonable operation of Tenant's business, or (iii) in Landlord's opinion it would be impractical or the condemnation proceeds insufficient to restore the remainder, then, in each case, upon written notice by Landlord, this Lease shall terminate. In the event this Lease is terminated in accordance with either of the foregoing sentences, then this Lease shall terminate as of the date the

condemning authority takes possession and Rent shall be apportioned as of said date. If this Lease is not terminated after a Taking, then, subject to any delays due to Force Majeure, Landlord shall restore the Premises (including any Alterations made by Landlord) to a condition as near as reasonably possible to the condition prior to the Taking (except for modifications required by Applicable Laws, and excluding the repair, restoration or replacement of the fixtures, equipment, or Alterations made by Tenant or a Tenant Party), and the Rent payable hereunder during the unexpired Term shall be reduced to reflect the Taking as reasonably determined by Landlord. In the event of any such Taking, Landlord shall be entitled to receive the entire price or award from any such Taking without any payment to Tenant, and Tenant

hereby assigns to Landlord Tenant's interest, if any, in such award. Tenant shall have the right, to the extent the same shall not diminish Landlord's award, to make a separate claim against the condemning authority (but not Landlord) for compensation for moving expenses and damage to Tenant's trade fixtures, if a separate award for such items can be made to Tenant. Tenant agrees that the terms of this Section shall govern any Taking and shall accordingly supersede any contrary statute or rule of law.

18. **DEFAULT**.

a. **Event of Default**. The occurrence of any of the following events shall, at Landlord's option, constitute an "**Event of Default**":

i. Tenant fails to pay in full any and all Rent when due and, if written notice to the Tenant of such failure is required under this Lease, the failure continues for a period of 3 business days after written notice to Tenant.

ii. Tenant or any guarantor of Tenant's obligations hereunder (a) makes a general assignment for the benefit of creditors, (b) commences any Proceeding for Debt Relief, (c) becomes the subject of any Proceeding for Debt Relief that is not dismissed within 60 days of its filing or entry, or (d) dies or suffers a legal disability (if Tenant or Guarantor is an individual) or is dissolved or fails to maintain its legal existence (if Tenant or Guarantor is a corporation, partnership or other entity).

iii. Tenant enters into or permits any Transfer in violation of the "Assignment and Subletting" Section below.

iv. Tenant fails to maintain insurance as required by the "Insurance" Section above.

v. Tenant fails to observe or comply with any provision of this Lease and, if written notice to the Tenant of such failure is required under this Lease, the failure continues for a period of 30 days after written notice to Tenant (extended to 45 days if the default cannot reasonably be cured within such 30 days, and Tenant has begun to cure the default).

b. **Landlord's Remedies**. Upon any Event of Default, Landlord shall have the right to pursue any of the following remedies, without notice or demand, in addition to any other remedies available to Landlord under this Lease, at law or in equity, all of which shall be cumulative and nonexclusive:

i. Landlord may terminate this Lease, in which event Tenant shall immediately surrender the Premises to Landlord, and if Tenant fails to do so, Landlord may enter and take possession of the Premises and remove Tenant and any other person occupying the Premises or any part thereof, without being liable for prosecution or any claim of damages therefor; and Landlord may recover from Tenant the following: (a) all accrued and unpaid Rent accrued through the date of termination; (ii) the cost to Landlord, not yet amortized through the date of termination in accordance with generally accepted

accounting principles, of the Alterations paid for and installed by Landlord pursuant to this Lease; (iii) the Costs of Reletting; (iv) the positive difference, if any, of the present value of the Rent, less the present value of the then fair market rental value for the Premises, for the remainder of the Term had this Lease not been terminated, such present value computed in each case using a discount rate of 9% per annum; (v) any damages in addition thereto, including reasonable attorneys' fees, court costs, and collection services, and costs to remove and store Tenant's Property, which Landlord sustains by reason of the breach of any of the terms, conditions and covenants of this Lease; and (vi) such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by law.

ii. Landlord may enter the Premises without terminating this Lease, and in its discretion remove any property from the Premises, and relet the Premises or any part thereof for the account of Tenant, upon such terms as Landlord in Landlord's sole discretion shall determine. Landlord shall not be required to accept any tenant offered by Tenant or to observe any instructions given by Tenant relative to such reletting. In connection with such reletting, Landlord may make repairs, alterations, and additions to the Premises to the extent deemed reasonably necessary by Landlord, and Tenant shall upon demand pay the cost thereof. Landlord may collect the rents from any such reletting and apply the same first to the payment of the repairs, alterations, additions, expenses of re-entry, attorney's fees, court costs, collection services, and leasing commissions and second to the payment of Rent to be paid by Tenant, and any excess or residue shall operate only as an offsetting credit against the amount of Rent as the same thereafter becomes due and payable hereunder. No such re-entry or repossession, repairs, alterations and additions or reletting shall be construed as an eviction or ouster of Tenant or as an election by Landlord to terminate this Lease unless written notice thereof is delivered by Landlord to Tenant, nor shall the same operate to release the Tenant in whole or in part from any of the Tenant's obligations hereunder. Landlord may at any time sue and recover judgment for any damages remaining after the application of proceeds from any such reletting. In the event of reletting without termination of this Lease, Landlord may at any time thereafter elect to terminate this Lease for such previous breach.

iii. Landlord may, without any obligation to do so, cure the default on behalf of Tenant, in which case Landlord may enter the Premises without being deemed in any manner guilty of trespass, eviction or forcible entry and detainer and without incurring any liability for any damage or interruption of Tenant's business resulting therefrom. Tenant agrees to pay Landlord an amount equal to 110% of any expenses that Landlord may incur in curing the default, including without limitation, attorney's fees, together with interest thereon at the Applicable Interest Rate from the date of expenditure.

c. **Notice**. Notice periods provided for in this Lease shall run concurrently with any statutory notice periods, and any notice given hereunder may be given simultaneously with or incorporated into a statutory notice. Notwithstanding any provision to the contrary in this Lease, (a) Landlord shall not be required to give Tenant any notice or opportunity to cure any specific monetary or non-monetary default that occurs more than twice in any consecutive 12-month period, and thereafter Landlord may declare an Event of Default without affording Tenant any notice or cure rights provided under this Lease, and (b) Landlord shall not be required to give any notice or cure period as descried in the "Events of Default" subsection above for a breach of the "Memorandum of Lease" subsection or any other covenant by Tenant that has a separate notice and/or cure period (e.g., Tenant's failure to provide an estoppel on 10 days' notice as described in the "Estoppel; Financials" subsection below shall be an Event of Default without the requirement to provide additional notice), or in an emergency.

d. **General**. Tenant waives, for itself and all those claiming by, through or under Tenant, by order or judgment of any court or any legal process or writ, this Lease and Tenant's right of occupancy of the Premises after any termination. Exercise by Landlord of any right or remedy shall not be deemed to be an acceptance of surrender of the Premises, a termination of this Lease by Landlord or a release of Tenant

from any of its obligations hereunder. No waiver by Landlord of any breach by Tenant shall be a waiver of any subsequent breach, nor shall any forbearance by Landlord to seek a remedy for any breach by Tenant be a waiver by Landlord of any rights or remedies with respect to any breach. Efforts by Landlord to mitigate the damages caused by Tenant's default shall not constitute a waiver of Landlord's right to recover damages hereunder. No right or remedy conferred upon Landlord is intended to be exclusive of any other right or remedy provided herein or at law or in equity, and each right or remedy shall be cumulative and nonexclusive and in addition to every other right or remedy given herein or at law or in equity. No payment by Tenant or acceptance by Landlord of a lesser amount than the total amount due Landlord under this Lease shall be deemed to be a waiver of Landlord's right to recover the balance due, which is expressly reserved, nor shall any endorsement or statement on any check or payment be deemed an accord and satisfaction. Landlord shall not be liable, nor shall Tenant's obligations hereunder be diminished, because of Landlord's failure to relet the Premises or collect rent due in respect of such reletting. If either party commences an action against the other party arising out of or in connection with this Lease, then the prevailing party shall be entitled to have and recover from the other party attorneys' fees, costs of suit, investigation expenses and discovery and other litigation costs, including costs of appeal. LANDLORD AND TENANT WAIVE THE RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED UPON OR RELATED TO THE SUBJECT MATTER OF THIS LEASE.

e. **Mitigation**. In the event of a default under this Lease, Landlord and Tenant shall each use commercially reasonable efforts to mitigate any damages resulting from a default of the other party under this Lease.

i. Landlord's obligation to mitigate damages after a default by Tenant shall be satisfied in full if Landlord undertakes to lease the Premises to another tenant (a "**Substitute Tenant**") in accordance with the following criteria:

1. Landlord shall have no obligation to solicit or entertain negotiations with any other prospective tenant for the Premises until Landlord obtains full and complete possession of the Premises including, without limitation, the final and unappealable legal right to relet the Premises free of any claim of Tenant.

2. Landlord shall not be obligated to offer the Premises to a Substitute Tenant when other premises in the Building or other buildings owned by Landlord or an affiliate of Landlord suitable for that prospective tenant's use are (or soon will be) available.

3. Landlord shall not be obligated to lease the Premises to a Substitute Tenant for a rental less than the current fair market rental then prevailing for similar space, nor shall Landlord be obligated to enter into a new lease under other terms and conditions that are unacceptable to Landlord under Landlord's then current leasing policies for comparable space.

4. Landlord shall not be obligated to enter into a lease with any proposed tenant whose use would: (a) disrupt the tenant mix or balance of the Building; (b) violate any restriction, covenant, or requirement contained in the lease of another tenant of the Building; (c) adversely affect the

reputation of the Building; or (d) be incompatible with the operation of the Building.

5. Landlord shall not be obligated to enter into a lease with any proposed Substitute Tenant (a "**Substitute Lease**") which does not have, in Landlord's reasonable opinion, sufficient financial resources or operating experience to operate the Premises in a first-class manner.

6. Landlord shall not be required to expend any amount of money to alter, remodel, or otherwise make the Premises suitable for use by a proposed Substitute Tenant unless: (a) Tenant pays any such sum to Landlord in advance of Landlord's execution of a Substitute Lease with such Substitute Tenant (which payment shall not be in lieu of any damages or other sums to which Landlord may be entitled as a result of Tenant's default under this Lease); or (b) Landlord, in Landlord's sole and absolute discretion, determines that any such expenditure is financially justified in connection with entering into any such Substitute Lease.

ii. Upon compliance with the above criteria regarding the releasing of the Premises after a default by Tenant, Landlord shall be deemed to have fully satisfied Landlord's obligation to mitigate damages under this Lease and under any law or judicial ruling in effect on the date of this Lease or at the time of Tenant's default, and Tenant waives and releases, to the fullest extent legally permissible, any right to assert in any action by Landlord to enforce the terms of this Lease, any defense, counterclaim, or rights of setoff or recoupment respecting the mitigation of damages by Landlord, unless and to the extent Landlord maliciously or in bad faith fails to act in accordance with the requirements of this Section.

iii. Tenant's right to seek damages from Landlord as a result of a default by Landlord under this Lease shall be conditioned on Tenant taking all actions reasonably required, under the circumstances, to minimize any loss or damage to Tenant's property or business, or to any of Tenant's Parties, or other third parties that may be caused by any such default of Landlord.

19. **ASSIGNMENT AND SUBLETTING**.

Except as provided below with respect to Landlord's recapture rights, Tenant shall not enter into nor permit any Transfer, whether voluntarily or involuntarily or by operation of law, without Landlord's prior written approval in a consent agreement or other writing, which approval shall not be unreasonably withheld. Without limitation, Tenant agrees that Landlord's consent shall not be considered unreasonably withheld if (a) the proposed transferee is an existing tenant or affiliate of an existing tenant of Landlord, or Landlord is in discussions with such proposed transferee for space that is available at the Project, (b) the business, business reputation or creditworthiness of the proposed transferee or business use is unacceptable to Landlord in its reasonable discretion, (c) the proposed transferee is any entity or person that would be deemed a "related party tenant" of Landlord or any entity controlling, controlled by, or under common control with, Landlord, or (d) Tenant is in default under this Lease beyond the expiration of any applicable notice and cure period. Notwithstanding the foregoing, Landlord's consent shall not be required in the event of any Transfer by Tenant to any of its Affiliates, provided the Affiliate has a tangible net worth at least equal to that of Tenant as of the date of this Lease, and Tenant and the transferee otherwise comply with the terms and conditions of this Section. If Tenant desires to undertake a Transfer, then Tenant shall deliver to Landlord (a) written notice at least 15 days prior thereto, which includes current financial statements of the proposed transferee certified by an officer of the transferee, complete copies of the proposed Transfer documents and any other information Landlord reasonably

requests, and (b) on or before the effective date of the Transfer, an assumption agreement or sublease, as applicable, reasonably acceptable to Landlord (executed by Tenant and the transferee), together with a certificate of insurance evidencing the transferee's compliance with the insurance requirements of Tenant hereunder. Whether or not a Transfer is consummated or approval, if required, is granted, Tenant shall pay Landlord (i) an administrative fee in the amount of $2,500.00, and (ii) reasonable attorneys' and financial consultant's fees incurred in the review of such proposed Transfer. This Lease may not be assigned by operation of law. A consent to one Transfer shall not be deemed to be a consent to any subsequent Transfer. In no event shall any Transfer relieve Tenant from any obligation under this Lease. Landlord's acceptance of Rent from any person shall not be deemed to be a waiver by Landlord of any provision of this Lease or to be a consent to any Transfer. Any Transfer not in conformity with this Section shall be void at the option of Landlord. Tenant shall not collaterally assign, mortgage, pledge, hypothecate or otherwise encumber this Lease or any of Tenant's rights hereunder.

In the event of (a) an assignment of this Lease to a party other than Tenant's Affiliate, or (b) subletting of all or substantially all the Premises for all or substantially all the remaining Term (excluding unexercised options), Landlord shall have the right to recapture the entire Premises. If Landlord exercises its right to recapture, then this Lease shall automatically be terminated effective on the proposed effective date of the Transfer, although Landlord may require Tenant to execute a reasonable document reflecting such termination. Notwithstanding the foregoing, Tenant shall have the right, exercisable within 10 days after receipt of Landlord's intent to terminate this Lease pursuant to this paragraph, to withdraw its request for consent to the proposed transfer, in which case Landlord's notice of termination shall be null and void and this Lease shall continue in full force and effect. If Tenant receives rent or other consideration for any such Transfer in excess of the Rent, or in the case of a sublease of a portion of the Premises, in excess of such Rent that is fairly allocable to such portion, after appropriate adjustments to assure that all other payments required hereunder are appropriately taken into account, then Tenant shall pay Landlord 50% of the amount by which such payment of rent or other consideration exceeds the Rent required hereunder, after Tenant's recovery of its actual and reasonable attorney's fees, brokerage commissions and improvement allowances or improvement costs incurred directly in connection with such assignment or subletting, determined on a straight-line basis. Tenant shall continue to be liable as a principal and not as a guarantor or surety to the same extent as though no assignment had been made.

Notwithstanding anything to the contrary contained in this Lease, if either Tenant or any other person having a right to Use the Premises shall enter into any lease, sublease, license, concession or other agreement for Use of all or any portion of the Premises (i) with any entity or person that would be deemed a "related party tenant" of Landlord or any entity controlling, controlled by, or under common control with, Landlord, or (ii) which provides for rental or other payment for such Use based, in whole or in part, on the net income or profits derived by any person that leases, possesses, uses, or occupies all or any portion of the Premises (other than an amount based on a fixed percentage or percentages of receipts or sales), then any such purported lease, sublease, license, concession or other agreement shall be null and void and ineffective as a Transfer of any right or interest in the Use of all or any part of the Premises.

20. **ESTOPPEL, FINANCIALS; SUBORDINATION, ATTORNMENT**.

a. **Estoppel; Financials**. Tenant shall, within 20 days after delivery of written notice by Landlord from time to time: (a) execute and deliver to Landlord a commercially reasonable estoppel certificate to those parties as are reasonably requested by Landlord (including a Mortgagee or prospective purchaser) (it being agreed that, without limitation, such estoppel certificate may include a certification as to the status of this Lease, the existence of any Events of Default and the amount of Rent that is due and payable); and (b) provide to Landlord, any existing or prospective Mortgagee and/or any prospective purchaser reasonably requested Financials.

b. **Subordination; Attornment**. This Lease shall unconditionally be and at all times remain subject and subordinate to any Mortgage now or in the future affecting the Premises, all without the necessity of Tenant executing further instruments to effect such subordination. This clause shall be self-operative, but Tenant shall execute and deliver to Landlord, within 20 days after Landlord's request, any further instruments confirming the subordination of this Lease and any further instruments of attornment that a Mortgagee may reasonably request, including an SNDA in the form reasonably required by the applicable Mortgagee. Notwithstanding anything to the contrary contained in this Section, the holder of any such Mortgage may at any time subordinate its Mortgage to this Lease, without Tenant's consent, by notice in writing to Tenant, and thereupon this Lease shall be deemed prior to such Mortgage without regard to their respective dates of execution, delivery or recording and in the event such Mortgagee shall have the same rights with respect to this Lease as though this Lease has been executed prior to the execution, delivery and recording of such Mortgage. No Mortgagee shall: (a) be obligated to cure any default of Landlord; (b) be bound by (i) any payment of Base Rent for more than 1 month in advance, (ii) the obligation for any broker commission(s), or (iii) any amendment or modification of this Lease made without the express written consent of such Mortgagee; and (c) be liable for, nor subject to, (i) any offsets or defenses which Tenant may have by reason of any act or omission of Landlord under this Lease (except to the extent Tenant has provided Mortgagee with written notice of any such offsets or defenses), or (ii) for the return of any sums which Tenant may have paid to Landlord under this Lease as and for security deposits, advance rentals or otherwise, except to the extent that such sums are actually delivered by Landlord to Mortgagee. The provisions of the "Damage and Destruction" and "Condemnation" Sections above notwithstanding, Landlord's obligation to restore the Premises after a casualty or condemnation shall be subject to the consent and prior rights of any Mortgagee. If any Mortgagee refuses to allow Landlord to restore the Premises for any reason and such Mortgagee's refusal prevents Landlord from fulfilling its obligations under the "Damage and Destruction" and "Condemnation" Sections above, then Tenant shall have as its sole remedy with respect to such failure by Landlord to fulfill these obligations the right to terminate this Lease. Tenant agrees to give any Mortgagee a written copy of any notice of default served upon the Landlord by Tenant concurrently with delivery to Landlord, provided that, prior to such notice, Tenant has been notified in writing of the address of such Mortgagee.

21. **LIMITATION OF LIABILITY**. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS LEASE, THE LIABILITY OF LANDLORD (AND OF ANY SUCCESSOR LANDLORD) SHALL BE LIMITED TO THE INTEREST OF LANDLORD IN THE PROJECT. TENANT SHALL LOOK SOLELY TO LANDLORD'S PREVIOUSLY DEFINED INTEREST IN THE

PROJECT AND ANY PROCEEDS THEREOF FOR THE RECOVERY OF ANY JUDGMENT OR AWARD AGAINST LANDLORD OR ANY LANDLORD INDEMNITEES. NEITHER LANDLORD NOR ANY LANDLORD INDEMNITEES SHALL BE PERSONALLY LIABLE FOR ANY JUDGMENT OR DEFICIENCY, AND IN NO EVENT SHALL LANDLORD OR ANY LANDLORD INDEMNITEES OR MORTGAGEES BE LIABLE TO TENANT FOR LOST PROFIT, DAMAGE TO OR LOSS OF BUSINESS OR ANY FORM OF PUNITIVE, SPECIAL, INDIRECT OR CONSEQUENTIAL DAMAGE. LANDLORD SHALL NOT BE LIABLE FOR ANY BREACH UNLESS TENANT PROVIDES NOTICE SPECIFYING THE BREACH AND LANDLORD FAILS TO CURE THE BREACH WITHIN A REASONABLE PERIOD OF TIME AFTER DELIVERY OF THE NOTICE. WHENEVER LANDLORD TRANSFERS ITS INTEREST, LANDLORD SHALL BE AUTOMATICALLY RELEASED FROM FURTHER PERFORMANCE UNDER THIS LEASE FROM AND AFTER THE DATE OF TRANSFER AND THE TRANSFEREE OF LANDLORD'S INTEREST SHALL ASSUME ALL LIABILITIES AND OBLIGATIONS OF LANDLORD HEREUNDER ARISING FROM THE DATE OF SUCH TRANSFER.

22. **RELOCATION**. Intentionally omitted.

23. **HOLDING OVER**. If Tenant remains in possession of all or any part of the Premises after the Lease Expiration Date, then such holding over shall be a tenancy at sufferance, for the entire Premises, subject to the terms and conditions of this Lease, except that Tenant shall pay monthly installments of Rent (determined on a per month basis without reduction for partial months during the holdover) equal to 150% of the monthly installment of Rent in effect immediately prior to such holding over. This Section shall not be construed as Landlord's permission for Tenant to holdover. Acceptance of Rent by Landlord following expiration or termination shall not constitute an extension of the Term or prevent Landlord from immediate recovery of possession of the Premises by summary proceedings or otherwise. Notwithstanding any provision in this Lease to the contrary, any holdover by Tenant shall constitute an Event of Default on the part of Tenant under this Lease entitling Landlord to exercise, without obligation to provide Tenant any notice or cure period, all of the remedies available to Landlord in the case of an Event of Default by Tenant. If Tenant remains in possession of all or any part of the Premises after the Lease Expiration Date, then Tenant shall indemnify and hold Landlord harmless from and against all Losses (including, without limitation, consequential damages) resulting from or arising out of Tenant's failure to surrender the Premises, including, but not limited to, any amounts required to be paid to any tenant or prospective tenant who was to have occupied the Premises after the Lease Expiration Date and any related attorneys' fees and brokerage commissions.

24. **NOTICES**. Unless otherwise specifically set forth in this Lease, all notices shall be in writing and delivered by hand or sent by registered, express, or certified mail, with return receipt requested or with delivery confirmation requested from the U.S. postal service, or sent by overnight or same day courier service to the party's respective Notice Address(es) set forth above; provided notices sent by Landlord regarding general property operational matters may be sent via e-mail to the e-mail address provided by Tenant to Landlord for such purpose; provided further, notices may be sent by Landlord to Tenant pursuant to the Tenant Portal as described in **Exhibit D**. In addition, if the Building is closed (whether due to emergency, governmental order or any other reason), then any notice address at the Building shall not be deemed a required notice address during such closure, and, unless Tenant has provided an alternative valid notice address to Landlord for use during such closure, any notices sent during such closure may be sent via e-mail or in any other practical manner reasonably designed to ensure receipt by the intended recipient. Each notice shall be deemed to have been received on the earlier to occur of actual delivery or the date on which delivery is refused, or, if Tenant has vacated the Premises or any other Notice Address of Tenant without providing a new Notice Address, 3 days after notice is deposited in the U.S. mail or with a courier service in the manner described above. Either party may, at any time, change its Notice Address (other than to a post office box address) by giving the other party written notice of the new address.

25. **SURRENDER**. On the Lease Expiration Date, Tenant, at its sole cost, shall return possession of the Premises to Landlord in accordance with Tenant's obligations under this Lease, and otherwise in the condition described on **Exhibit F** attached hereto, ordinary wear and tear and damage by fire or casualty excepted. Conditions existing as a result of (i) Tenant's failure to Maintain the Premises or the Project, as required by this Lease, (ii) Tenant's failure to abide by the terms of this Lease or its default, or (iii) the presence of Hazardous Materials on, in, under or about the Premises, the Project or other property as a result (directly or indirectly) of Tenant's and/or any Tenant Party's activities, or failure to act, in connection with the Premises or the Project, shall not be deemed "ordinary wear and tear." On or before the Lease Expiration Date, Tenant, at its sole cost, shall remove Tenant's Property from the Project and repair all damage resulting from such removal and restore the Project to good order and condition, subject to the "Alterations; Liens" Section above. If Tenant fails to remove any of Tenant's Property as required hereunder, then Landlord may deem all or any part of Tenant's Property to be abandoned and, at Landlord's option, title to Tenant's Property shall vest in Landlord, and/or Landlord may at Tenant's expense remove and/or dispose of any Tenant's Property in any manner Landlord deems appropriate. If

Tenant does not return possession of the Premises to Landlord in the condition required under this Lease, Tenant shall pay Landlord all resulting damages Landlord may suffer.

26. **STATE LAW**. Attached hereto as **Exhibit G** are modifications to this Lease given the laws of the state where the Premises are located. To the extent of any inconsistency between the terms set forth in **Exhibit G** and the remainder of this Lease, the terms set forth in **Exhibit G** govern.

27. **OTHER**.

a. **Work**. Landlord agrees to perform the "**Landlord Work**" pursuant to the "Landlord Work Letter" included in **Exhibit H**. Tenant agrees to perform the "**Tenant Work**" pursuant to the "Tenant Work Letter" attached hereto as **Exhibit I.**

b. **Entire Agreement**. This Lease sets forth all of the agreements between Landlord and Tenant concerning the Premises; and there are no agreements either oral or written other than as set forth herein. This Lease may be modified only by a written agreement signed by an authorized representative of each of Landlord and Tenant.

c. **Time of Essence**. Time is of the essence with respect to Tenant's obligations and Landlord's obligations under this Lease; provided that, if any date herein set forth for the performance of any monetary obligations by Landlord or Tenant, or for the delivery of any instrument or notice, should be on a Saturday, Sunday or Legal Holiday, the compliance with such monetary obligations or delivery will be deemed acceptable on the next business day following such Saturday, Sunday or Legal Holiday.

d. **Severability**. If any provision of this Lease or the application of any such provision shall be held by a court of competent jurisdiction to be invalid, void or unenforceable to any extent, then the remaining provisions of this Lease and the application thereof shall remain in full force and effect and shall not be affected, impaired or invalidated. This Lease shall be construed as though the covenants herein between Landlord and Tenant are independent and not dependent and Tenant hereby expressly waives the benefit of any statute to the contrary and agrees that if Landlord fails to perform its obligations set forth herein, Tenant shall not be entitled to make any repairs or perform any acts hereunder at Landlord's expense or to any setoff of the Rent or other amounts owing hereunder against Landlord.

e. **Law**. This Lease, and all claims or causes of action (whether in contract, tort or statute) that may be based upon, arise out of or relate to this Lease, or the negotiation, execution or performance of this Lease, shall be governed by, and enforced in accordance with, the internal laws of the state where the Premises are located.

f. **Successors and Assigns**. This Lease shall be binding upon and inure to the benefit of the successors and assigns of Landlord and, subject to compliance with the terms of the "Assignment and Subletting" Section above, Tenant.

g. **Memorandum of Lease**. Tenant shall not record this Lease, a short form memorandum hereof or any other document against Landlord's title to the Project and/or Premises.

h. **Agency, Partnership or Joint Venture**. Nothing contained herein nor any acts of the parties hereto shall be deemed or construed by the parties hereto, nor by any third party,

as creating the relationship of principal and agent or of partnership or of joint venture by the parties hereto or any other relationship beside landlord and tenant.

i. **Merger**. The voluntary or other surrender of this Lease by Tenant or a mutual cancellation thereof or a termination by Landlord shall not work a merger and shall, at the option of Landlord, terminate all or any existing sub-tenancies or may, at the option of Landlord, operate as an assignment to Landlord of any or all of such sub-tenancies.

j. **Headings**. Section headings have been inserted solely as a matter of convenience and are not intended to define or limit the scope of any of the provisions contained therein.

k. **Signs**. Tenant shall not place any signs at the Project without the prior consent of Landlord, other than signs that are located wholly within the interior of the Premises and not visible from the exterior of the Premises. Tenant shall Maintain all signs installed by Tenant in good condition. Tenant shall remove its signs on or prior to the Lease Expiration Date, shall repair any resulting damage, and shall restore the Project to its condition existing prior to the installation of Tenant's signs.

l. **Broker**. Tenant agrees that it has dealt with no brokers in connection with this Lease, except Cushman & Wakefield (as "**Tenant's Broker**") and CBRE, Inc. (as "**Landlord's**

Broker"). Landlord agrees to pay any commission due by Landlord to the Landlord's Broker and Tenant's Broker pursuant to separate agreements. Tenant agrees to indemnify and hold Landlord harmless from any and all claims for commissions or fees in connection with the Premises and this Lease from any other real estate brokers or agents with whom Tenant may have dealt.

m. **Joint and Several**. If Tenant consists of more than one person, then the obligation of all such persons shall be joint and several. In such event, requests or demands from any one person or entity comprising Tenant shall be deemed to have been made by all such persons or entities, and notices to any one person or entity shall be deemed to have been given to all persons and entities.

n. **OFAC**. Tenant hereby represents, warrants and certifies that: (a) neither it nor its officers, directors, or controlling owners is acting, directly or indirectly, for or on behalf of any person, group, entity, or nation named by any Executive Order, the United States Department of Justice, or the United States Treasury Department as a terrorist, "Specifically Designated National or Blocked Person," or other banned or blocked person, entity, nation, or transaction pursuant to any law, order, rule or regulation that is enforced or administered by the Office of Foreign Assets Control ("**SDN**"); (b) neither it nor its officers, directors or controlling owners is engaged in this transaction, directly or indirectly on behalf of, or instigating or facilitating this transaction, directly or indirectly on behalf of, any such person, group, entity, or nation; and (c) neither it nor its officers, directors or controlling owners is in violation of Presidential Executive Order 13224, the USA PATRIOT Act, (Public Law 107-56), the Bank Secrecy Act, the Money Laundering Control Act or any regulations promulgated pursuant thereto. If the foregoing representations are untrue at any time during the Term, then an Event of Default will be deemed to have occurred, without the necessity of notice to Tenant. The provisions of this subsection shall survive the Lease Expiration Date.

o. **Roof Use by Landlord**. Landlord reserves the right to use the surface of the roof in any manner which does not materially interfere with Tenant's use of the Premises including,

but not limited to, installation of telecommunication equipment, solar equipment, fuel cells, battery storage, distributed technologies or any other uses.

p. **Renewable Energy**. Tenant agrees to cooperate (at no out-of-pocket cost to Tenant) with Landlord in the event that Landlord desires to provide a source of renewable energy to serve the Premises or the Project, such as solar or wind power. Without limiting the foregoing, Tenant shall, upon request, (i) provide Landlord with its actual and estimated future energy consumption needs, (ii) if the Premises is separately metered, enter into a reasonable power purchase agreement with Landlord or the generator of the renewable energy source, provided that Tenant shall not be obligated to pay more than it pays the utility company, (iii) in connection with any such renewable energy source, enter into a reasonable net meter arrangement with the utility company providing service to the Premises, and (iv) permit Landlord and/or the installation company access to the Premises to permit connection of the renewable energy system and net meter to the electrical facilities serving the Premises. Upon installation of any renewable energy system, Tenant shall be obligated to purchase the energy generated by such system, not to exceed Tenant's actual energy usage.

q. **Force Majeure**. If either party to this Lease is prevented from performing any obligation under this Lease by a Force Majeure, such obligation shall be excused during (and any time period for the performance of such obligation shall be extended by) the period during which the Force Majeure continues; provided, however, that this Section shall not (a) permit Tenant to hold over in the Premises after the Lease Expiration Date, or (b) excuse (or extend any time period for the performance of) (i) any obligation to pay Rent, otherwise remit money or deliver credit enhancement, or (ii) any obligation under the "Indemnity and Waiver of Claims" and "Insurance" Sections.

r. **Counterparts**. This Lease may be executed in one or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument. The signature of a party transmitted electronically (e.g., e-signature) or by facsimile, email of a pdf copy, DocuSign or other similar technology application shall constitute and have the same force and effect as the original signature of the party. Following execution, a pdf (or similar image file format) of this Lease (whether signed electronically or in ink) shall be deemed the equivalent of the delivery of the original, and any party delivering such a counterpart shall in all events deliver to the other party an original signature promptly upon request.

s. **Unrelated Business Income**. If Landlord becomes aware that any part of the payments by Tenant to Landlord under this Lease may be characterized as (i) unrelated business

income, or (ii) not "rents from real property," in each case, under the United States Internal Revenue Code and related regulations, then Tenant shall enter into any amendment proposed by Landlord to change such characterizations, provided the amendment does not require Tenant to make more payments or accept fewer services from Landlord than under this Lease.

t. **Waiver of Redemption of Tenant**. Tenant hereby waives, for Tenant and for all those claiming by, under or through Tenant, all rights now or hereafter existing to redeem by order or judgment of any court or by any legal process or writ, Tenant's right of occupancy of the Premises or Project after any termination of this Lease.

u. **Rights Reserved by Landlord**. Landlord excepts and reserves exclusively to itself any and all rights not specifically granted to Tenant under this Lease. Landlord reserves the right to make changes to the Project, Building and Common Areas as Landlord deems appropriate, including, without limitation, the right to grant easements, rights of way, utility raceways and make dedications; to grant lease, license or use rights to third parties; to utilize the foregoing easements or licenses at the Project; to dedicate for public use portions of the Project; to improve the energy efficiency or sustainability of the Building or the Project; and to change the name of the Building or the Project; provided such changes do not materially and adversely affect Tenant's use of the Premises or materially increase costs payable by Tenant.

v. **Sustainability Contact**. Landlord's sustainability contact for the Project can be reached at sustainability@linklogistics.com.

w. **Exhibits**: The following exhibits are incorporated into and made a part of this Lease:

- Exhibit A (Definitions)
- Exhibit B (Plan Showing Premises)
- Exhibit C (Rules and Regulations)
- Exhibit D (Landlord Payment Instructions; Tenant Portal Instructions)
- Exhibit E (Minimum Service Contract Requirements)
- Exhibit F (Move Out Conditions)
- Exhibit G (State Law Addendum)
- Exhibit H (Landlord Work)
- Exhibit I (Tenant Work)
- Exhibit J (Option to Renew)

[Signature page follows.]

Landlord and Tenant have executed this Lease as of the day and year first above written.

LANDLORD:

BREIT INDUSTRIAL CANYON NJ1W05 LLC,
a Delaware limited liability company

By: /s/ James V. Maneri
Name: James V. Maneri
Title: Authorized Signatory

TENANT:

REPRO MED SYSTEMS, INC.,
a New York corporation

By: /s/ Karen Fisher
Name: Karen Fisher
Title: CFO

EXHIBIT A

DEFINITIONS

The following terms are defined in the body of the Lease:

"Additional Insureds"
"Building"
"CGL Policy"
"Estimated Expenses"
"Estimated Expense Notice"
"Event of Default"
"Landlord"
"Landlord Work"
"Landlord's Broker"
"Lease"
"Lease Commencement Date"
"Lease Expiration Date"
"Notice Addresses"
"Permitted Use"
"Premises"
"Project"
"Reconciliation Statement"
"Replacement Cost"
"Security Deposit"
"Service Contract"
"SDN"
"Substitute Lease"
"Substitute Tenant"
"Tenant"
"Tenant's Broker"
"Tenant's Portion"
"Tenant's Share"
"Vacant Area"

The following terms have the meanings below:

"**ADA**" means the Americans with Disabilities Act of 1990, 42 USC 12111 et seq., as the same may be amended from time to time.

"**Additional Rent**" means all sums other than Base Rent which Tenant is obligated to pay under this Lease, including without limitation Estimated Expenses, Taxes and Operating Expenses.

"**Affiliate**" means (i) any entity controlling, controlled by, or under common control of, Tenant, (ii) any successor, directly or indirectly, to Tenant by merger, consolidation or reorganization, and (iii) any purchaser of all or substantially all of the assets, directly or indirectly, of Tenant as a going concern.

"**Alteration**" means any addition, alteration or improvement to the Premises or the Project, including any Tenant Work or Landlord Work, if applicable.

"**Applicable Interest Rate**" means interest, charged and compounded daily, at the rate of the lesser of (i) 0.0005% per day or (ii) the maximum rate permitted by Applicable Laws.

"**Applicable Laws**" mean all applicable laws, statutes, codes, ordinances, orders, zoning, rules, regulations, conditions of approval and requirements of all federal, state, county, municipal and governmental authorities and all administrative or judicial orders or decrees and all permits, licenses, approvals and other entitlements issued by governmental entities, and rules of common law, relating to or affecting the Project, the Premises or the Land or the use or operation thereof, whether now existing or hereafter enacted, including, without limitation, the ADA, Environmental Laws and CC&Rs.

"**Base Rent**" means the amounts set forth in the "Base Rent" Section of this Lease, charged monthly on or before the Lease Commencement Date and thereafter on the first day of each calendar month.

"**CC&Rs**" means any covenants, conditions and restrictions encumbering the Land and/or the Project or any supplement thereto recorded in any official or public records with respect to the Project or any portion thereof.

"**Common Areas**" means all areas and facilities at the Project, outside the Premises and premises leased to other tenants, including, if applicable, driveways, sidewalks, parking, loading and landscaped areas.

"**Costs of Reletting**" means the costs directly and reasonably incurred by Landlord to relet the Premises or a portion thereof, including brokers' commissions, advertising, and repairs, alterations, improvements and concessions to obtain a new tenant.

"**Environmental Laws**" means all applicable present and future statutes, regulations, ordinances, rules, codes, judgments, orders or other similar enactments of any governmental authority or agency regulating or relating to health, safety, or environmental conditions on, in, under, or about the Premises or the environment, including without limitation, the following: the federal Comprehensive Environmental Response, Compensation and Liability Act; the federal Resource Conservation and Recovery Act, the federal Clean Air Act; the federal Water Pollution Control Act; and all state and local counterparts thereto, and any regulations or policies promulgated or issued thereunder.

"**Financials**" means financial information certified by an officer of Tenant as being true and correct, including, but not limited to, (i) credit reports, (ii) tax returns, (iii) current, accurate, audited financial statements for Tenant and Tenant's business, and (iv) unaudited financial statements (which shall at least include a balance sheet, an income statement and a statement of cash flow) for Tenant and Tenant's business for each of the 3 years prior to the current financial statement year prepared under generally accepted accounting principles consistently applied.

"**Force Majeure**" means any strike, act of God, war, terrorist act, shortage of labor or materials, governmental action or orders, civil commotion, epidemic, pandemic, public health emergency or other cause beyond a party's reasonable control.

"**Hazardous Materials**" means any substance, material, waste, pollutant, or contaminant listed or defined as hazardous, toxic or dangerous under any Environmental Laws, including asbestos, asbestos containing materials, polychlorinated, per- and polyfluoroalkyl substances, and petroleum, including crude oil or any fraction thereof, natural gas liquids, liquefied natural gas, or synthetic gas usable for fuel (or mixtures of natural gas and such synthetic gas) and explosives, flammables, or radioactive substances of any kind.

"**HVAC System**" means all heating ventilation, and air conditioning systems and equipment inside or exclusively serving the Premises.

"**Indemnitees**" means Landlord's affiliated entities, and each of Landlord's and Landlord's affiliated entities' respective trustees, members, managers, principals, beneficiaries, partners, directors, officers, employees, shareholders, Mortgagees, agents, contractors, representatives, successors and assigns.

"**Land**" means the parcel(s) of land on which the Building and other adjacent improvements and appurtenances owned by Landlord are located or situated.

"**Lease Year**" means the period from the Lease Commencement Date through the succeeding 12 full calendar months (provided, however, that, if the Lease Commencement Date does not occur on the first day of a calendar month, then the first Lease Year shall include the partial calendar month in which the Lease Commencement Date occurs and the succeeding 12 full calendar months) and each successive 12-month period thereafter during the Term.

"**Legal Holiday**" means any federal holiday or holiday recognized by the state in which the Premises are located.

"**Losses**" means any and all claims, judgments, causes of action, damages, obligations, penalties, fines, taxes, costs, liens, liabilities, losses, charges and expenses, including without limitation all attorneys' fees and other professional fees.

"**Maintain**" or "**Maintenance**" means to provide such maintenance, repair and, to the extent necessary and appropriate, replacement, as may be needed to keep the subject property in good condition and repair.

"**Mortgage**" means all ground leases, master leases and all mortgages and deeds of trust or other lien or encumbrance which now or hereafter affect the Premises, the Building or the Project or Landlord's interest therein (including any modifications, renewals or extensions thereof and all amendments thereto).

"**Mortgagee**" means the party having the benefit of a Mortgage.

"**notice**" means any and all notices, requests, demands, approvals and consents.

"**Operating Expenses**" means the total costs and expenses incurred, or sums paid, by Landlord in the ownership, operation, Maintenance and management of the Premises, the Building and the portion of the remainder of the Project allocable to the Building, including, but not limited to: (1) the charges for any utilities paid by Landlord pursuant to the "Utilities" Section of this Lease; (2) Landlord's cost to Maintain the Premises, the Building and the portion of the remainder of the Project allocable to the Building, as set forth in "Repairs and Maintenance" Section of this Lease, including, but not limited to: (i) the non-structural portions of the improvements and roof; (ii) life safety systems; (iii) utility lines to the point of connection into the Premises or any other tenant's leased premises; (iv) Systems not exclusively serving

the Premises or any other tenant's leased premises; and (v) the Common Areas, including, if applicable, driveways, sidewalks, parking, loading and landscaped areas, irrigation systems, storm water facilities and detention ponds; (3) Landlord's costs for snow and ice removal, exterior pest control, exterior window cleaning, and the operation and Maintenance of exterior stair systems and sanitary lift stations; (4) the costs relating to the insurance maintained by Landlord as described in the "Insurance" Section of this Lease, including, without limitation, Landlord's cost of any deductible or self-insurance retention; (5) costs of capital improvements or capital replacements made to or acquired for the Premises, Building, and the portion of the remainder of the Project allocable to the Building after the Lease Commencement Date, which capital costs, or an allocable portion thereof, shall be amortized over the period determined by Landlord, together with interest on the unamortized balance at 10%; (6) assessments, association fees and all other costs assessed or charged under the CC&Rs, if any, that are attributable to the Premises, the

Building and/or the portion of the remainder of the Project allocable to the Building in connection with any property owners or maintenance association or operator; (7) the cost to service and maintain the HVAC System; (8) the wages, salaries, and benefits of persons (excluding executive personnel of Landlord or manager and personnel to the extent engaged in the development and/or leasing of the Premises, the Building and/or the portion of the remainder of the Project allocable to the Building) who provide management, repair, maintenance or access control, operational support, bookkeeping and accounting, and related services to the Premises, Building, and/or the Project; and (9) the cost of equipment, tools and materials used in connection with any of the foregoing, including accounting and/or property management software licenses. In addition, the Operating Expense to be allocated to Tenant under this Lease shall include a management fee not to exceed 4% of the Base Rent and Additional Rent for the Project to reimburse Landlord for expenses incurred to any third party or affiliate management company and/or for administration of the Project provided by Landlord. Operating Expenses shall not include: (1) repairs to the extent covered by insurance proceeds that are actually received by Landlord, or paid by Tenant or other third parties; (2) alterations solely attributable to tenants of the Project other than Tenant; (3) financing and refinancing costs (except as provided above), interest on debt or amortization payments on any mortgage, or rental under any ground or underlying lease; (4) leasing commissions, advertising expenses, tenant improvements or other costs directly related to the leasing of the Project; (5) the cost to Maintain the structural portions of the roof (i.e., joists and decking) and structural portion of exterior walls as set forth in the "Repair and Maintenance" Section of this Lease; (6) repairs or rebuilding necessitated by condemnation to the extent that Landlord has received condemnation proceeds for such repairs or rebuilding; (7) depreciation of the Building; (7) the salaries and benefits of executive officers of Landlord, if any, and any personnel above the level of property manager; (8) management fees in excess of four percent (4%) of gross receipts for the Project; (9) costs of providing any service to any other tenant of the Building which is not available to Tenant without an additional charge; (10) all legal, architectural, engineering, accounting and other professional fees unrelated to ownership, management, maintenance or operation of the Project; (11) sums paid by Landlord for any indemnity, damages, fines, late charges, penalties or interest for any late payment or to correct violations of building codes or other laws, regulations or ordinances applicable to the Building if such violations exist as of the Lease Commencement Date; (12) costs and expenses of removal or remediation of Hazardous Materials, provided that the costs of removing materials in the ordinary course of maintenance and repairs shall be included, even if such materials contain some level of Hazardous Materials (e.g., removing asphalt in connection with repairs to the driveways); (13) any ground lease rental; (14) the portion of any costs paid by Landlord to its subsidiaries or affiliates for goods and/or services in the Project, to the extent that such payment exceeds the costs of such goods and/or services if rendered by an unaffiliated third parties of similar skill and experience on a competitive basis; (15) any charitable or political contributions; and (16) Landlord's general corporate overhead and general administrative expenses unrelated to ownership, management, maintenance or operation of the Project. In no event will Landlord be entitled to collect from all tenants of the Project more than one hundred percent (100%) of the total expenses for the calendar year in question. With respect to any Project with multiple buildings, Landlord will apportion among the Building and any other buildings at the Project any of the foregoing expenses not directly related to a particular building at the Project based on the relative rentable square feet of each.

"**Proceeding for Debt Relief**" means, with respect to Tenant or any guarantor of Tenant's obligations hereunder, a case, proceeding or other action seeking to have an order for relief entered on its behalf as a debtor or to adjudicate it as bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts or seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or of any substantial part of its property.

"**Rent**" means Base Rent and all Additional Rent payable under this Lease.

"**Rules and Regulations**" means the rules and regulations of the Project as reasonably established by Landlord from time to time.

"**SNDA**" means a subordination, non-disturbance and attornment agreement.

"**Systems**" means any electrical, mechanical, plumbing, heating, ventilating, air conditioning, sprinkler, life safety or security systems serving the Building or Project.

"**Taken**" or "**Taking**" means acquisition by a public authority under governmental law, ordinance, or regulation, or by right of eminent domain, or by private purchase in lieu thereof.

"**Taxes**" means (a) all taxes, assessments, supplementary taxes, possessory interest taxes, levies, fees, exactions and other governmental charges, together with any interest, charges, and fees in connection therewith, which are assessed, levied, charged, conferred or imposed by any public authority upon the Premises, the Building, the portion of the remainder of the Project allocable to the Building, or any other improvements, fixtures, equipment or other property located at or on the Premises, the Building, or the portion of the remainder of the Project allocable to the Building, any excise, use, margin, transaction, sales or privilege taxes, assessments, levies or charges and other taxes assessed or imposed upon the rents payable to Landlord under this Lease (excluding net income taxes imposed on Landlord unless such net income taxes are in substitution for any Taxes payable hereunder), including but not limited to, gross receipts taxes, assessments for special improvement districts and building improvement districts, governmental charges, fees and assessments for police, fire, traffic mitigation or other governmental service of purported benefit to the Premises, Building, or the portion of the Project allocable to the Building, taxes and assessments levied in substitution or supplementation in whole or in part of any such taxes and assessments and the share of the Premises, Building and portion of the Project allocable to the Building of any real estate taxes and assessments under any reciprocal easement agreement, common area agreement or similar agreement as to the Premises, Building and the portion of the Project allocable to the Building, (b) all personal property taxes for property that is owned by Landlord and used in connection with the operation, maintenance and repair of the Premises, Building or the portion of the Project allocable to the Building, and (c) all costs and fees incurred in connection with seeking reductions in any tax liabilities described in (a) and (b), including, without limitation, any costs incurred by Landlord for compliance, review and appeal of tax liabilities. With respect to any Project with multiple buildings, Landlord will apportion among the Building and any other buildings at the Project any of the foregoing expenses not directly related to a particular building at the Project based on the relative rentable square feet of each.

"**Tenant Party**" or "**Tenant's Parties**" means Tenant's and Tenant's affiliates' employees, agents, customers, visitors, representatives, invitees, licensees, contractors, assignees or subtenants.

"**Tenant Portal**" means the online tenant portal described in **Exhibit D**, through which Landlord can deliver notices and communicate with Tenant, and Tenant can fulfill certain of its obligations under this Lease.

"**Tenant's Property**" means all fixtures, furniture, equipment (including any racking and/or telecommunications, data and/or security equipment), merchandise, inventory, and all other personal property and other contents contained within the Premises whether installed in, or brought upon, the Premises by Tenant, a Tenant Party or Tenant's assignees, subtenants or occupants.

"**Term**" means the period commencing on the Lease Commencement Date and ending on the Lease Expiration Date.

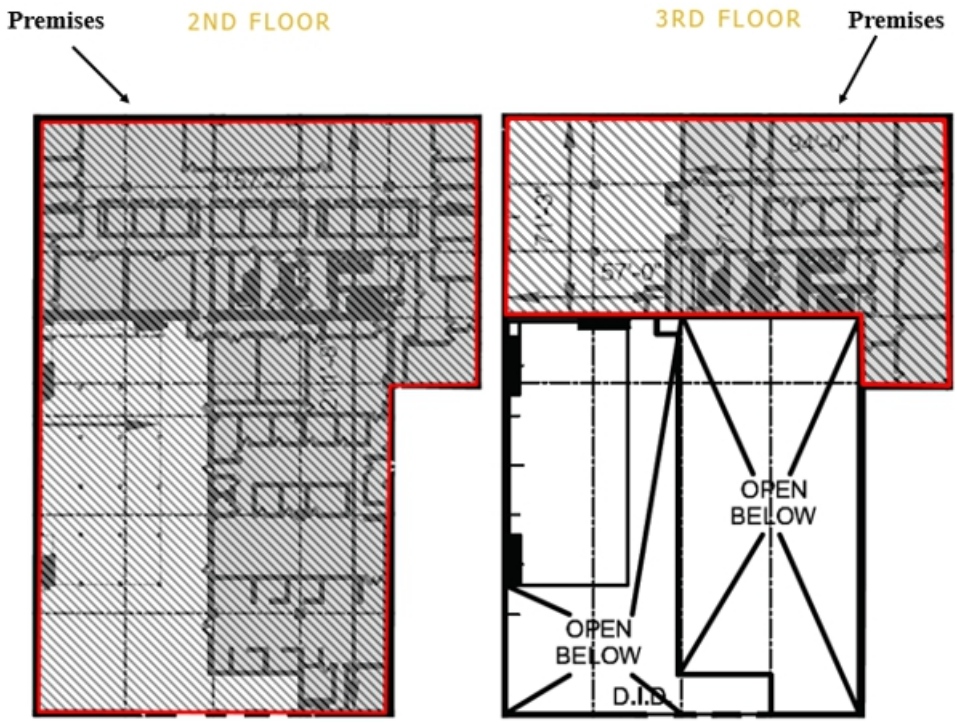
"**Transfer**" means (i) any assignment, transfer, pledge or other encumbrance of all or a portion of Tenant's interest in this Lease, or (ii) any sublease, license or concession of all or a portion of Tenant's interest in the Premises. If the entity(ies) which directly or indirectly controls the voting shares/rights of Tenant (other than through the ownership of voting securities listed on a recognized securities exchange) changes at any time, such change of ownership or control shall constitute a Transfer.

"**Use**" means having a right to possess, use, or occupy the Premises.

EXHIBIT B

PREMISES

The Premises occupy the space between the walls, and floor and ceiling, of the Building, as depicted below.



Tenant has right to the following use of Common Areas: up to 95 vehicular parking spaces, on a non-reserved basis, in the parking areas to the extent specifically set forth in this Lease and reasonable use of the driveways, sidewalks, and loading areas to gain access to the Premises, and the landscaped areas of the Project, subject to the Rules and Regulations set forth by Landlord from time to time.

Unless otherwise noted, Tenant's right to use of Common Areas (a) is not exclusive and (b) shall be at all times subject to Landlord's policies.

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EXHIBIT C

RULES AND REGULATIONS

Capitalized terms used but not defined herein shall have the meanings given in Tenant's Lease.

1. Tenant will use the Premises in a careful, safe and proper manner and will not commit waste, overload the floor or structure or otherwise damage the Premises or Building. Tenant shall not permit any objectionable or unpleasant odors, smoke, dust, gas, noise, or vibrations to emanate from the Premises, or take any other action that would constitute a nuisance or would disturb, unreasonably interfere with, or endanger Landlord, Landlord's performance of its obligations under the Lease or other leases with other tenants, or other tenants in the Building or Project. Tenant shall occupy the Premises in compliance with all Applicable Laws for the Premises or Project.

2. Tenant shall not impair in any way the fire safety system and shall comply with all safety, fire protection and evacuation procedures and regulations established by Landlord, any governmental agency or any insurance company insuring the Project, including without limitation the insurer's fire protection impairment procedures. No person shall go on the roof without Landlord's prior written permission.

3. Skylights, windows, doors and transoms shall not be covered or obstructed by Tenant, and Tenant shall not install any window covering which would affect the exterior appearance of the Building.

4. No antenna, aerial, discs, dishes or other such device shall be erected on the roof or exterior walls of the Premises, or on the grounds, without the written consent of the Landlord in each instance. Any device so installed without such written consent shall be subject to removal by Tenant, at Tenant's sole cost and expense, without notice at any time. Tenant, at its sole cost and expense, shall repair any damage resulting from such removal and shall restore the Project to good order and condition.

5. No loud speakers, televisions, phonographs, radios or other devices shall be used in a manner so as to be heard or seen outside of the Premises without the prior written consent of the Landlord.

6. The outside areas immediately adjoining the Premises shall be kept clean and free from dirt and rubbish by the Tenant, including Tenant inventory, to the satisfaction of Landlord, and Tenant shall not

place or permit any obstruction or materials in such areas or permit any work to be performed outside the Premises.

7. No open storage or auctions shall be permitted in the Project.

8. All garbage and refuse shall be placed in containers placed at the location designated for refuse collection, in the manner specified by Landlord. If Landlord consents to Tenant placing other containers, storage devices, construction dumpsters or similar vessels in the Project, Tenant must place plywood or other protective material under such items to protect the pavement or asphalt.

9. Tenant shall not disturb, solicit, or canvass any occupant of the Building and shall cooperate to prevent same.

10. Neither Tenant nor its agents, employees, contractors, guests or invitees shall smoke or permit smoking in the Common Areas, unless a portion of the Common Areas have been declared a designated smoking area by Landlord, nor shall the above parties allow smoke from the Premises to emanate into the Common Areas or any other part of the Project. Landlord shall have the right to designate the Project or Building (including the Premises) as a non-smoking building.

11. Unless otherwise directed by Landlord, Tenant shall have the right to park in common with other tenants of the Project in those areas designated by Landlord for non-reserved parking. Tenant shall comply with all parking regulations promulgated by Landlord from time to time for the orderly use of the vehicle parking area. Tenant agrees not to overburden the parking facilities and agrees to cooperate with Landlord and other tenants in the use of parking facilities. Landlord shall not be responsible for enforcing Tenant's parking rights against any third parties. The parking spaces shall be used for parking by vehicles no larger than full-size passenger automobiles, SUVs or pick-up trucks ("**Permitted Size Vehicles**"). No vehicle or equipment shall remain upon the Common Area longer than 72 hours. Parked vehicles shall not be used for vending or any other business or other activity while parked in the parking areas. Tenant may store overnight in the normal course of its business one operative tractor/trailer or truck for each dock high loading position exclusive to the Premises, if any, provided this overnight storage does not interfere with other tenant's use of the Building or Project. Vehicles other than Permitted Size Vehicles shall otherwise be parked and loaded or unloaded as directed by Landlord. Tenant shall not permit or allow any vehicles that belong to or are controlled by Tenant or Tenant's employees, suppliers, shippers, customers, contractors or invitees to be loaded, unloaded, or parked in areas other than those designated by Landlord for such activities. If Tenant permits or allows any of the prohibited activities described in this Section, then Landlord shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove or tow away the vehicle involved and charge the cost to Tenant, which cost shall be immediately payable upon demand by Landlord. No vehicle or equipment of any kind shall be dismantled or repaired or serviced on the Common Area. All vehicles entering or parking in the parking areas shall do so at owner's sole risk and Landlord assumes no responsibility for any damage, destruction, vandalism or theft.

12. Tenant shall not use or keep on the Project or Premises (i) any matter having an offensive odor or which may negatively affect the indoor air quality of the Building, (ii) any explosive or highly flammable material (including any fuel source not provided by Landlord), or (iii) any form of hemp or marijuana or ingredient thereof (e.g., THC or CBD) or any product containing same; nor shall any animals other than handicap assistance dogs in the company of their handlers be brought into or kept in or about the Project.

13. Tenant assumes all responsibility for protecting the Premises from theft and vandalism; provided, however, Tenant shall not install additional locks upon any door of the Premises or permit any duplicate keys to be made, or retain any keys upon the Lease Expiration Date.

14. Tenant shall cause all Tenant Parties to comply with these Rules and Regulations.

15. Landlord shall not be responsible or liable to Tenant for the non-performance of any other tenant or occupant of the Building or Project of the Rules and Regulations or for any interference or disturbance of Tenant by any other tenant or occupant.

16. Landlord reserves the right to make such amendments to these Rules and Regulations from time to time that are not inconsistent with the Lease.

EXHIBIT D

PAYMENT INSTRUCTIONS AND TENANT PORTAL

Tenant must before, or promptly after, the Lease Commencement Date register with the Tenant Portal as indicated below. Tenant hereby consents to receive any written or other notice under this Lease through the Tenant Portal.

Tenant agrees to make any payments required under this Lease by one of the following methodologies:

1. Through the Tenant Portal, as described below.
2. By wire.
3. By check.
4. By ACH.

Landlord will provide Yardi enrollment instructions, address for payment of Rent by check, and wire instructions for payment of Rent by wire in a separate "welcome package" or other communication.

EXHIBIT E

MINIMUM SERVICE CONTRACT REQUIREMENTS

Service Contract. The Service Contract for the HVAC System required under the Lease must become effective within 30 days of Tenant's occupancy of the Premises, and service visits must be performed on at least a quarterly basis unless otherwise agreed in writing by Landlord. The maintenance contract must include the following services:

1. Adjust belt tension;
2. Lubricate all moving parts, as necessary;
3. Inspect and adjust all temperature and safety controls;
4. Check refrigeration system for leaks and operation;
5. Check refrigeration system for moisture;
6. Inspect compressor oil level and crank case heaters;
7. Check head pressure, suction pressure and oil pressure;
8. Inspect air filters and replace when necessary;
9. Check space conditions;
10. Check condensate drains and drain pans and clean, if necessary;
11. Inspect and adjust all valves;
12. Check and adjust dampers; and
13. Run machine through complete cycle.

EXHIBIT F

MOVE OUT CONDITIONS

Notwithstanding anything to the contrary in this Lease, Tenant is obligated to check and address prior to move-out of the Premises the following items. The following list is designed to assist Tenant in the move-out procedures but is not intended to be all inclusive.

1. All lighting is to be placed into good working order, including, without limitation, replacement of bulbs, ballasts and lenses consistent with existing lighting, as needed.

2. All truck doors, dock levelers and pedestrian doors, are to be serviced and placed in good operating order. This includes the necessary replacement of any dented truck door panels and adjustment of door tension to insure proper operation. All door panels which are replaced are to be painted to match the Building standard.

3. All columns in the Premises are to be inspected for damage and Tenant shall be responsible for repairs to such structural columns resulting from damage caused by or attributable to Tenant and/or Tenant's Parties.

4. HVAC Systems, including without limitation, warehouse heaters, industrial fans, exhaust and ventilation systems, air rotation units, and infrared tube heaters (if applicable), are to be placed in good working order, including the necessary replacement of any parts to return the HVAC System to a well-maintained condition. Upon move-out, Landlord will have an exit inspection performed by a certified mechanical contractor to determine the condition of the HVAC System.

5. All holes in the sheetrock walls of the Premises are to be repaired/painted prior to move-out, and all striping and markings on floor (including the warehouse floor) are to be removed in their entirety in a manner so as not to detrimentally affect the slab, which such removal methods and/or processes shall be subject to Landlord's prior approval thereof.

6. The carpets and tiles are to be in a clean condition and not have any holes or chips in them. Landlord will accept reasonable wear and tear on these items provided they appear to be in a maintained condition.

7. The Premises is to be returned in a clean condition, including the cleaning of the offices, coffee bar, restroom areas, windows and other portions of the Premises.

8. The warehouse area of the Premises is to be in broom clean condition, free of debris and cobwebs, with all inventory and racking removed. There are to be no protrusion of anchors or bolts from the warehouse floor. All bolts, anchors or other devices used to attach or affix Tenant's trade fixtures are to be removed, subject to Landlord's prior written approval. If machinery/equipment is removed, the electrical lines are to be properly terminated at the nearest junction box.

9. All exterior windows with cracks or breakage are to be replaced, and all damaged window mullions are to be repaired or replaced, as necessary.

10. Tenant shall provide to Landlord the keys and passcodes for all locks on the Premises, including front doors, rear doors, and interior doors.

11. Except as otherwise agreed to in writing, it is expressly agreed that any and all telephonic, coaxial, ethernet, or other data, computer, word-processing, facsimile, cabling, or electronic wiring installed by Tenant in, on or about the Premises, including all lines above the office ceiling (collectively, "**Wiring**") is to be removed in its entirety, at Tenant's sole cost and expense. Tenant shall be responsible for any and all damages to the Premises caused by such removal.

12. All electrical systems are to be left in a safe condition that conforms to Applicable Laws. Bare wires and dangerous installations are to be corrected prior to move-out.

13. All plumbing fixtures are to be in good working order, including the water heater. Faucets and toilets are to be leak-free. Any sump pumps in the truck well shall be free of debris and operational.

14. All dock bumpers must be left in place and well secured.

15. All Tenant exterior and interior signs shall be removed and at a minimum, the wall surface shall be restored and painted to match the existing color, it being expressly understood that Tenant shall be responsible for any and all damages to the Premises, the Building or the Project caused by such signage removal.

16. All waste containers placed in or about the Premises or the Project by Tenant (including in the dock areas of the Premises) shall be removed and the areas related thereto returned in a clean and sanitary condition, free of debris.

17. Any and all roof penetrations caused by Tenant or any Tenant Party shall be resealed in a watertight condition.

EXHIBIT G

STATE LAW ADDENDUM

ISRA Compliance. (a) Tenant shall, at Tenant's sole cost and expense, comply with the Industrial Site Recovery Act (N.J.S.A. 13:lK-6 *et seq*.), the regulations promulgated thereunder and any amending and successor legislation and regulations (collectively, "**ISRA**"). Tenant shall, at Tenant's sole cost and expense, make all submissions to, provide all information to, and comply with all requirements of the·LSRP and the New Jersey Department of Environmental Protection or its successor (the "**NJDEP**"), as appropriate. Tenant's obligations under this **Exhibit G** shall arise if there is a closing of operations, a transfer of ownership or operations, or a change in ownership at or affecting the Premises as defined in ISRA, whether triggered by Landlord or Tenant. Provided this Lease is not previously canceled or terminated by either party or by operation of law, Tenant shall commence any required submission to the NJDEP in anticipation of the end of the Term no later than one year prior to the expiration date of this Lease.

(b) For purposes of this Lease, "**Environmental Documents**" means, collectively, all environmental documentation concerning the Premises and soil and groundwater under or proximate to the Premises or any contaminant plume arising from the Premises, including, without limitation, all sampling plans, clean-up plans, Preliminary Assessment Reports, Site Investigation Workplans and Reports, Remedial Investigation Workplans and Reports, Remedial Action Workplans and Reports (all as defined in the Technical Requirements) or the equivalent, sampling results, sampling result reports, data, diagrams, charts, maps, analyses, conclusions, quality assurance/quality control documentation, correspondence to or from NJDJEP or any other municipal, county, state or federal governmental authority, submissions to NJDEP or any other municipal, county, state or federal governmental authority

and directives, orders, approvals and disapprovals issued by NJDEP or any other municipal, county, state or federal governmental authority. During the Term and thereafter promptly after receipt by Tenant or Tenant's representatives, Tenant shall deliver to Landlord all Environmental Documents concerning or generated by or on behalf of Tenant, whether currently or hereafter existing. Tenant shall notify Landlord in advance of all meetings scheduled between Tenant or Tenant's representatives and NJDEP or any other environmental authority relating to Tenant's obligations under this **Exhibit G**, and Landlord and Landlord's representatives shall have the right, without the obligation, to attend and participate in all such meetings.

(c) At no expense to Landlord, upon any ISRA triggering event, Tenant shall promptly prepare and submit to NJDEP all applications and related forms and documentation which support any applicable ISRA exemption and provide copies thereof to Landlord.

(d) Should Tenant's operations at the Premises be outside of those industrial operations covered by ISRA, Tenant shall, at Tenant's sole cost and expense, submit to Landlord an opinion of counsel certifying the non-applicability of ISRA. Landlord retains the right to require Tenant to perform a Preliminary Assessment prior to the expiration date of this Lease. Should the Preliminary Assessment identify conditions that warrant further investigation, in Landlord's opinion, Tenant shall hire a LSRP and consultant satisfactory to Landlord to undertake sampling at the Premises sufficient to determine whether Hazardous Materials exist or have been spilled, discharged or placed in, on, under or about the Premises during the Term. Tenant's sampling shall also establish the integrity of all underground storage tanks at the Premises, if any. Should the sampling reveal any spill, discharge or placing of Hazardous Materials in, on, under or about the Premises by any person or entity other than Landlord or Landlord's agents, then

and in such event, Tenant shall, at Tenant's expense, prior to the expiration or earlier termination of the Term, promptly remediate the Premises in accordance with the terms and conditions of Section 15 of the Lease and this **Exhibit G** and to the satisfaction of Landlord and NJDEP.

(e) Should a Remedial Action Workplan be prepared and the remedial action described therein be undertaken because Hazardous Materials exist in concentrations which exceed any applicable threshold or limit in, on, under or about the Premises unless caused by Landlord or Landlord's agents, employees or contactors), Tenant shall, at Tenant's sole cost and expense, establish, as and when required, a remediation funding source. Tenant shall promptly implement the Remedial Action Workplan to the satisfaction of the LSRP, Landlord and, if required, NJDEP. In no event shall Tenant's remedial action involve engineering or institutional controls, including, without limitation, capping, deed notice, declaration of restriction or other institutional control notice pursuant to P.L. 1993, c.139, and Tenant's remedial action shall meet the most stringent NJDEP remediation standards for soil, surface water and groundwater. Promptly upon completion of all required investigatory and remedial activities, Tenant shall restore the affected areas of the Premises from any damage or condition caused by the work, including, without limitation, pursuant to applicable Environmental Requirements, the closing of any wells installed at the Premises and obtain a Response Action Outcome ("RAO") from the LSRP or No Further Action Letter from NJDEP, whichever is applicable.

(f) If Tenant fails to submit to Landlord any of the following (any or all of such items described in clauses (i) through (iv) being sometimes hereinafter referred to as an "**ISRA Clearance**"): (i) a legal opinion of non-applicability as set forth in subparagraph (d) above; (ii) NJDEP approval of an applicable ISRA exemption; (iii) an unconditional sitewide RAO; or (iv) a No Further Action Letter/Covenant Not To Sue Letter from NJDEP; or fails to remediate the Premises pursuant to subsection (e) above prior to the expiration or earlier termination of the Lease, then upon the expiration or earlier termination of the Lease, Landlord shall have the option either to consider this Lease as having ended or to treat Tenant as a holdover tenant in possession of the Premises pursuant to Section 23 of this Lease. If Landlord considers this Lease as having ended, then Tenant shall nevertheless be obligated to promptly obtain ISRA Clearance or fulfill the obligations set forth in subsection (e) above, as the case may be, and shall execute a site access agreement acceptable to the Landlord and provide any insurance or other assurances required therein. Tenant shall remain responsible to address, at Tenant's sole cost and expanse, any comments or requirements of NJDEP arising from an audit of the RAO or any document submitted by Tenant's LSRP.

(g) Notwithstanding anything to the contrary set forth in this Lease, the Permitted Use shall be limited to operations having the following NAICS numbers: 339999. Except if and to the extent Tenant obtains Landlord's prior written consent thereto (which prior written consent of Landlord may be withheld by Landlord in Landlord's sole and absolute discretion) and Landlord and Tenant execute and deliver such amendments to this Lease relating thereto as shall be deemed necessary, in form and substance and in all other respects by Landlord, in Landlord's sole and absolute discretion, Tenant shall make no use of the Premises other than for the Permitted Use and as prescribed by this subparagraph (g). Tenant's obligations contained in this Lease shall survive the expiration or earlier termination of this Lease. Tenant's failure to abide by the terms of this **Exhibit G** shall be restrainable by injunction.

EXHIBIT H

LANDLORD WORK

Landlord shall perform the following work in the Premises, at no additional cost to Tenant, using Building standard methods, materials and finishes (collectively, the "**Landlord Work**"): perform the work necessary to place the Premises in a broom clean condition, and place all mechanical equipment, loading doors, HVAC units, and lighting fixtures serving the Premises in good working order, failing which, Landlord shall, as Tenant's sole and exclusive remedy, cause the same to be in such condition at no additional cost to Tenant. In addition, if any HVAC units serving the Premises require repairs or replacements during the first twelve (12) months of the initial Term (the "**HVAC Warranty Period**"), excluding any repairs or replacements necessitated by any negligent action or inaction of Tenant or a Tenant Party, Landlord shall make such required repairs or replacements to such items during such period, at no additional cost to Tenant. Tenant acknowledges that the Landlord Work may be performed by Landlord, in the Premises during normal business hours both prior and subsequent to the Lease Commencement Date. Landlord and Tenant agree to cooperate with each other in order to enable the Landlord Work to be performed in a timely manner and with as little inconvenience to the performance of the Tenant Work and the operation of Tenant's business as is reasonably possible. Tenant acknowledges and agrees that it will be responsible, at its sole cost, for moving and protecting its furniture, fixtures, equipment and other personal property as may be necessary in connection with the performance of the Landlord Work, and Tenant shall coordinate the same with the contractor performing the Landlord Work. Notwithstanding anything contained herein or in the Lease to the contrary, Landlord shall not be obligated to perform the Landlord Work during the continuance of an uncured default by Tenant under the Lease, and any delay in the completion of the Landlord Work or inconvenience suffered by Tenant during the performance of the Landlord Work shall not delay the Lease Commencement Date nor shall it subject Landlord to any liability for any loss or damage resulting therefrom or entitle Tenant to any credit, abatement or adjustment of Rent or other sums payable under the Lease.

EXHIBIT I

TENANT WORK

1. Tenant Work; Completion by Tenant; Allowance.

(a) Tenant and its contractor(s), at Tenant's sole cost and expense, shall complete improvements to the Premises in accordance with plans therefor, which are subject to Landlord's approval, such approval not to be unreasonably withheld, delayed or conditioned, and subject to Tenant's compliance with the "Alterations; Liens" Section of the Lease (the "**Tenant Work**"). The Tenant Work shall constitute Alterations for all purposes under the Lease, and Tenant shall comply with the terms of the "Alterations; Liens" Section of the Lease in performing the Tenant Work. Any approval by Landlord of the Tenant Work or the plans therefor shall not be a representation or warranty of Landlord that the Tenant Work or such plans are adequate for any use or comply with applicable insurance requirements, but shall merely be the consent of Landlord thereto. Tenant shall be responsible for all elements of the design of the Tenant Work (including without limitation, compliance with law, functionality of design, the structural integrity of the design, the configuration of the Premises and the placement of the Tenant's Property). Tenant Work shall be performed in such a manner as to minimize any interference with other tenants of the Project. Tenant shall expeditiously, diligently and in good faith use its best efforts to cause the Tenant Work to be commenced promptly after the date of the Lease and to be completed promptly after the commencement thereof. Any warranties from Tenant's contractor(s) shall be for the benefit of Landlord as well as Tenant and Tenant shall deliver such warranties to Landlord upon receipt.

(b) Provided Tenant is not then in default under the Lease, within 30 days after the later of (a) the Lease Commencement Date, or (b) the date of Landlord's receipt of all of the Tenant Deliverables (as herein defined), Landlord shall reimburse Tenant for the cost therefor in an amount (the "**Allowance**") equal to the lesser of (i) $219,875.00, or (ii) the reasonable, documented and out-of-pocket costs actually incurred by Tenant in connection with the construction of the Tenant Work (the "**Tenant's Cost**"), provided Landlord will not reimburse for any furniture, equipment, phone or data cabling, security systems, moving costs, or other personal property. For purposes hereof, the "**Tenant Deliverables**" shall mean: (1) bona fide, third party invoices for the actual, out-of-pocket costs of constructing the Tenant Work; (2) full and final waivers of lien from all persons performing work or supplying or fabricating materials in connection with the Tenant Work fully executed and in recordable form; and (3) as-built plans of the Tenant Work. Landlord shall have no further obligations to pay for any costs incurred in connection with the Tenant Work. No reimbursement of the Allowance (hereinafter defined) shall be made by Landlord until Tenant has first paid to, as applicable, the general contractor, architects, engineers, and other consultants, from Tenant's own funds (and provided reasonable evidence thereof to Landlord) the anticipated amount by which the Tenant's Cost exceeds the amount of the Allowance. Notwithstanding the foregoing, if, on or before February 28, 2023, all Tenant Deliverables have not been submitted to Landlord then this subsection (b) shall be deemed terminated and of no further force or effect and Landlord shall have no obligation to reimburse Tenant as set forth herein.

(c) Tenant agrees to accept the Premises in its "as-is" condition and configuration, it being agreed that Landlord shall not be required to perform any work or incur any costs in connection with the construction or demolition of any improvements in the Premises, other than the Landlord Work as set forth in **Exhibit H** above and the payment of the Allowance subject to the conditions set forth above

EXHIBIT J

OPTION TO RENEW

1. Option to Renew.

(a) Provided that there then exists no Event of Default by Tenant under the Lease, nor any event that with the giving of notice and/or the passage of time would constitute an Event of Default, and that Tenant is the sole occupant of the Premises, Tenant shall have the right and option (the "**Extension Option**") to extend the Term of this Lease for one additional period of sixty (60) months (the "**Extension Period**"), exercisable by giving Landlord prior written notice, no later than that date that is nine (9) months prior to the Lease Expiration Date, and no earlier than the date that is twelve (12) months prior to the Lease Expiration Date, of Tenant's election to extend the Term; it being agreed that time is of the essence and that this option is personal to Tenant and is non-transferable to any assignee or sublessee other than to a Tenant Affiliate (regardless of whether any such assignment or sublease was made with or without Landlord's consent) or other party. In the event a Tenant Affiliate assignee exercises an Extension Option set forth herein, Tenant shall remain liable under the Lease for all of the obligations of the tenant hereunder during such Extension Period, whether or not Tenant has consented to or is notified of such renewal and Landlord shall have no obligation to obtain the consent of Tenant or to notify Tenant of such renewal.

(b) Such Extension Period shall be under the same terms and conditions as provided in the Lease except as follows:

(i) the Extension Period shall begin on the day after the initial Lease Expiration Date and thereafter the Lease Expiration Date shall be deemed to be the last day of the Extension Period;

(ii) there shall be no further options to extend other than as set forth in paragraph (a) above; and

(iii) the Base Rent for the first year of the Extension Period shall be equal to the fair market rental value of the Premises (the "FMR") as of the date the Tenant exercises its Extension Option.

(iv) the Base Rent for each year after the first year of the Extension Period shall be equal to the Base Rent payable during the preceding year, increased in accordance with the increases assumed in determination of the FMR.

(v) For avoidance of doubt, Landlord may update and charge Estimated Expenses as provided for in the Lease.

(c) In determining the FMR, Landlord shall take into account and make appropriate adjustments to reflect current market terms, conditions and concessions for similar renewal transactions in similar industrial buildings that are then generally available in the market where the Premises are located, including any other renewal transactions (and taking into account whether such terms, conditions and concessions are being made available by Landlord) as of the date Tenant exercises its Extension Option. Landlord can decide not to calculate the FMR, in which case the Base Rent for the first year of the Extension Period shall be equal to the Base Rent payable in the immediately preceding Lease Year increased by 3% per annum. In the alternative, within 15 days after Landlord receives notice of Tenant's exercise of the Extension Option, Landlord will give notice to Tenant (the "**FMR Notice**") of Landlord's opinion of the FMR and comparing the FMR to the Base Rent payable in the immediately preceding Lease Year. If Tenant does not respond to the FMR Notice within 15 days after delivery, Landlord's

opinion of the FMR shall be deemed accepted as the Base Rent due for the first year of the Additional Period. If, during such 15-day period, Tenant gives Landlord notice that Tenant contests Landlord's determination of the FMR (an "**Objection Notice**"), which notice must contain therein Tenant's opinion of the FMR, the parties will attempt to arrive at a mutually agreeable FMR. If, within 15 days after Landlord's receipt of the Objection Notice the parties have not agreed on the FMR, Tenant, by written notice to Landlord (the "**Arbitration Notice**") within 10 days after the expiration of such 15 day period, shall have the right to have the FMR determined in accordance with the arbitration procedures described in paragraph (d) below. If the parties have not agreed on the FMR within such 15 day period and Tenant fails to timely exercise its right to arbitrate, then Tenant's option to extend the Term of the Lease shall be deemed not to have been exercised, and, thereafter, shall be void.

(d) If Tenant timely provides Landlord with an Arbitration Notice, Landlord and Tenant, within 10 days after Landlord's receipt of the Arbitration Notice, shall each simultaneously submit to the other its good faith estimate of the FMR for the Premises during the Extension Period (collectively referred to as the "**Estimates**") and shall each select a broker (hereinafter, a "broker") to determine which of the two Estimates most closely reflects the FMR for the Premises during the Extension Period. Each broker so selected shall (i) be a licensed commercial real estate broker and (ii) have not less than 10 years' experience in the field of commercial brokerage in connection with buildings comparable to the Building in area in which the Project is located. Upon selection, Landlord's and Tenant's brokers shall work together in good faith to agree upon which of the two Estimates most closely reflects the FMR for the Premises during the Extension Period. The Estimate chosen by such brokers shall be binding on both Landlord and Tenant as the Base Rent rate for the Premises during the Extension Period. If either Landlord or Tenant fails to appoint a broker within the 10 day period referred to above, the broker appointed by the other party shall be the sole broker for the purposes hereof. If the two brokers cannot agree upon which of the two Estimates most closely reflects the FMR within 30 days after their appointment, then, within 10 days after the expiration of such 30 day period, the two brokers shall select a third broker meeting the aforementioned criteria. Once the third broker (i.e. arbitrator) has been selected as provided for above, then, as soon thereafter as practicable but in any case within 14 days, the arbitrator shall make his or her determination of which of the two Estimates most closely reflects the FMR and such Estimate shall be binding on both Landlord and Tenant as the Base Rent rate for the Premises during the Extension Period. The parties shall share equally in the costs of the arbitrator. Any fees of any broker, counsel or experts engaged directly by Landlord or Tenant shall be borne by the party retaining such broker, counsel or expert.

(e) Landlord may request to amend the Lease to reflect the extension of the Lease as described in this Exhibit.

EXHIBIT 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement on Form S-3 (No. 333-229498), Registration Statement on Form S-3 (No. 333-238242), Registration Statement on Form S-8 (No. 333-262054), and related Prospectuses of Repro Med Systems, Inc. of our reports dated March 2, 2022, with respect to the financial statements of Repro Med Systems, Inc. appearing in this Annual Report on Form 10-K for the year ended December 31, 2021.

/s/ McGrail Merkel Quinn & Associates, P.C.

Scranton, Pennsylvania
March 2, 2022

EXHIBIT 31.1

RULE 13A-14(A) / 15D-14(A) CERTIFICATION OF
PRINCIPAL EXECUTIVE OFFICER

I, Linda Tharby, Principal Executive Officer, certify that:

1) I have reviewed this Annual Report on Form 10-K of REPRO MED SYSTEMS, INC.;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Linda Tharby
Linda Tharby
President and Chief Executive Officer
Date: March 2, 2022

EXHIBIT 31.2

RULE 13A-14(A) / 15D-14(A) CERTIFICATION OF
PRINCIPAL FINANCIAL OFFICER

I, Karen Fisher, Principal Financial Officer, certify that:

1) I have reviewed this Annual Report on Form 10-K of REPRO MED SYSTEMS, INC.;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Karen Fisher
Karen Fisher
Chief Financial Officer and Treasurer
Date: March 2, 2022

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADDED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of REPRO MED SYSTEMS, INC. (the "Company") on Form 10-K for the year ended December 31, 2021 as filed with the Securities and Exchange Commission (the "Report"), I, Linda Tharby, Principal Executive Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

/s/ Linda Tharby
Linda Tharby
Chief Executive Officer and President
Date: March 2, 2022

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADDED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of REPRO MED SYSTEMS, INC. (the "Company") on Form 10-K for the year ended December 31, 2021 as filed with the Securities and Exchange Commission (the "Report"), I, Karen Fisher, Principal Financial Officer and Treasurer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

/s/ Karen Fisher
Karen Fisher
Chief Financial Officer and Treasurer
Date: March 2, 2022