SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM l0-QSB

QUARTERLY REPORT
Pursuant to sections 13 or 15(d) of The Securities Exchange Act of 1934

FOR THE QUARTER ENDED MAY 31, 1998

Commission File Number 0-12305

REPRO-MED SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

NEW YORK	13-3044880
(State or other jurisdiction of incorporation or organization)	(IRS Employer identification No.)
24 Carpenter Road, Chester, New York	10918
(Address of principle executive offices)	(Zip Code)

(914) 469-2042

(Registrant's telephone number, including area code)

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

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

Yes X No __

At May 31, 1998 the registrant had outstanding 22,142,000 shares of Common Stock, $.01 par value.

PART I
Item 1. Financial Statements
Balance Sheets - May 31, 1998, May 31, 1997 and February 28, 1998.
Statements of Income - For the three month periods ended May 31, 1998 and May 31, 1997.
Statements of Cash Flow - May 31, 1998 and May 31, 1997.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

PART II

Item 1. Legal Proceedings
None

Item 2. Changes In Securities
None

Item 3. Defaults Upon Senior Securities
None

Item 4. Submission of Matters to a Vote of Security Holders
None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K
None
PART I, Item 1 - Financial Statements

Repro-Med Systems, Inc. And Subsidiary
Consolidated Balance Sheets

<TABLE>
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Assets	May 31,1998	May 31,1997	Feb 28,1998
<S>	<C>	<C>	<C>
Current Assets			
Cash and Cash Equivalents	$ 124,949	$110,995	$ 160,567
Short-term Investments	468,114	594,981	631,289
Accounts Receivable (Less Allowance for Doubtful Accounts of $2,976 5/98,$2,976 5/97,$2,976 2/98)	323,026	206,895	232,915
Inventory	709,785	632,259	634,109
Prepaid Expenses & Other Receivables	81,329	54,883	65,876
Deferred Taxes - Current	156,000	156,000	156,000
Total Current Assets	1,863,203	1,756,013	1,880,756
Property, Equipment And Other Assets			
Land	290,303	290,303	290,303
Property and Equipment, Net	1,423,453	1,373,248	1,432,591
Deferred Taxes - Non-current	358,409	71,186	358,409
Other Assets, Net	65,995	73,847	69,130
Total Property, Equipment And Other Assets	2,138,160	1,808,584	2,150,433
Total Assets	$4,001,363	$3,564,597	$4,031,189
Liabilities And Stockholders' Equity			
Current Liabilities			
Accounts Payable	$ 83,291	$ 53,838	$ 140,440
Current Maturities of Long-term Debt	85,327	18,403	85,327
Bank Line of Credit Payable	480,000	260,000	360,000
Other Current Liabilities	157,433	125,966	218,188
Total Current Liabilities	806,051	458,207	803,955
Long-term Debt	1,052,453	865,520	1,077,605
Total Liabilities	1,858,504	1,323,727	1,881,560
Minority Interest In Subsidiary	259,927	120,966	280,493
Stockholder's Equity			
Preferred Stock, 8% Cumulative $.01 Par Value, Authorized 2,000,000 shares, Issued & Outstanding 10,000 shares	100	100	100
Common Stock, $.01 Par Value, Authorized 50,000,000 Shares, Issued and Outstanding 22,142,000	221,420	221,420	221,420
Warrants Outstanding	140	140	140
Additional Paid-In Capital	3,040,662	3,040,662	3,040,662
Accumulated (Deficit)	(1,237,390)	(1,000,418)	(1,251,186)
Treasury Stock at Cost (2,275,000 shares)	(142,000)	(142,000)	(142,000)
Total Stockholder's Equity	1,882,932	2,119,904	1,869,136
Total Liabilities And Stockholders' Equity	$4,001,363	$3,564,597	$4,031,189

</TABLE>

Repro-Med Systems, Inc. And Subsidiary
Consolidated Statements Of Income

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	For The Three Months Ended	
	May 31,1998	May 31,1997
<S>	<C>	<C>

Net Sales	$ 700,318	$ 332,468
Costs And Expenses:		
Cost of Goods Sold	333,799	115,852
Selling, General & Administrative Expenses	283,913	293,116
Research and Development	58,676	40,736
Depreciation and Amortization	39,380	32,853
	715,768	482,557
Income (Loss) From Operations	(15,450)	(150,089)
Non-Operating Income(Expense):		
Licensing Income	0	50,000
Rental Income	21,525	21,525
Interest (Expense)	(29,214)	(22,790)
Interest & Other Income (Expense)	16,869	8,552
	9,180	57,287
Income (Loss) Before Minority Interest Share of Operations	(6,270)	(92,802)
Minority Interest In (Income) Loss of Subsidiary	20,566	(2,142)
Income (Loss) Before Income Taxes	14,296	(94,944)
Provision (Benefit) For Income Taxes	500	(47,527)
Net Income (Loss) After Income Taxes	$ 13,796	$ (47,417)
Earnings (Loss) Per Common Share		
Primary	$ 0.00	$ 0.00
Fully Diluted	$ 0.00	$ 0.00

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Repro-Med Systems, Inc. And Subsidiary
Statements Of Cash Flows

<TABLE>
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	For The Three Months Ended May 31,1998	May 31,1997
Cash Flows From Operating Activities		
<S>	<C>	<C>
Net Income (Loss)	$ 13,796	$ (47,417)
Adjustments To Reconcile Net Income To Net Cash Provided By Operating Activities:		
Income (Loss) Of Minority Interests	(20,566)	2,142
Depreciation and Amortization	39,380	32,853
(Increase) Decrease Short-term Investments	163,175	40,759
Decrease (Increase) In Accounts Receivable	(90,111)	(60,389)
Decrease (Increase) In Inventory	(75,676)	(108,292)
Decrease (Increase) In Prepaid Expenses And Other Receivables	(15,453)	23,243
Decrease (Increase) In Deferred Taxes	0	(47,527)
Increase (Decrease) In Accounts Payable	(57,149)	(65,318)
Increase (Decrease) In Other Current Liabilities	(60,754)	69,150
Net Cash Provided By Operating Activities	(103,358)	(160,796)
Cash Flows From Investing Activities		
(Acquisition) of Property and Equipment	(26,863)	(78,462)
(Acquisition) of Other Assets	(245)	(3,440)

Net Cash (Used) by Investing Activities	(27,108)	(81,902)
Cash Flows From (Used By) Financing Activities		
Proceeds (Repayment) Line Of Credit	120,000	260,000
Repayment Of Mortgage	(25,152)	(4,643)
Net Cash Provided (Used) by Financing Activities	94,848	255,357
Net Increase (Decrease) In Cash and Cash Equivalents	(35,618)	12,659
Cash and Cash Equivalents - Beginning of Period	160,567	98,336
Cash and Cash Equivalents - End of Period	$ 124,949	$ 110,995
Supplementary Data - Interest Paid	$ 29,214	$ 22,790

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Repro-Med Systems, Inc. And Subsidiary

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Reference is made to Notes to Financial Statements included in the Company's Annual Report),

(1) Management's Statement
The financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. It is suggested that these financial statements be read in conjunction with the financial statements and the notes thereto included in the Company's latest annual report on Form 10-KSB.
PART I, Item 2
Repro-Med Systems, Inc. And Subsidiary

Management's Discussion and Analysis of Financial Condition and Results of Operations for use with 10-QSB for the Quarter Ended May 31, 1998

Capital Resources and Liquidity

Cash and equivalents on a consolidated basis were $124,949 at May 31, 1998, as compared to $110,995 at May 31, 1997. Cash and equivalents includes cash of the Company's subsidiary, Gamogen, Inc., of $19,540 at May 31, 1998, and $1,932 at May 31, 1997.

Net working capital on a consolidated basis at May 31, 1998 was $1,057,152, as compared to $1,076,801 at February 28, 1998 and $1,297,806 at May 31, 1997. Net working capital included Gamogen, Inc. net working capital of $479,349 at May 31, 1998, $524,059 at February 28, 1998 and $138,996 at May 31, 1997.

In the quarter ended May 31, 1998, the Company's liquidity declined slightly as reflected in the three month decrease in its net working capital of $19,649, or 2%, versus the balance at February 28, 1998 of $1,076,801. The three month decrease in net working capital of $19,149 resulted from $25,152 in scheduled repayments of long-term debt and $26,863 in purchases of production tooling for the Freedom60 Syringe Infusion System and the OTC vacuum device (see comments below), offset in part by other items including the Company's net income for the three months ended May 31, 1998 of $13,796.

Versus the balance at May 31, 1997 the Company's net working capital decreased $240,654 primarily due to long-term debt repayment of $46,143 and increases in inventory for new products, purchase of production tooling for new products, and the Company's operating loss for the year ended February 1998.

The Company has developed a non-electric, portable I.V. delivery system,

trade-named the Freedom60 Syringe Infusion System ("Freedom60 System") which employs a unique pump, standard syringes, and proprietary disposable tubing resulting in a very low cost per infusion. The Company has secured the necessary FDA approvals on the Freedom60 System and completed product engineering, the purchase of production tooling and component parts inventory, and long-term supply agreements for the syringe and disposable tubing. The Company initiated production of the Freedom60 System in April 1997. In May 1997 the Company initiated advertising in US infusion medical journals and promotion at various US and international trade expositions. Effective July 1997, the Company entered into an agreement with a large organization of independent US medical equipment and supply dealers for the exclusive distribution rights for the Freedom60 System in certain US medical markets, including hospitals, nursing homes, and home infusion service providers. No minimum purchase commitments were required under this agreement, however, the agreement included, as a condition to maintaining these exclusive distribution rights, minimum dealer purchase volumes of infusion pumps and disposable syringe/tubing sets, beginning July 1997. Due to low dealer purchase volumes, effective May 11, 1998 Repro-Med terminated this exclusive distribution agreement. Repro-Med has retained certain of these dealers in certain regions of the US and is seeking alternative distribution in other areas. There can be no guarantee that the dealers retained or new dealers will be successful in marketing and selling of the Freedom60 Syringe I.V. Infusion System. In April 1998, the Company hired and appointed a sales manager experienced in the infusion market to direct and support its US distribution and sales of its infusion products. The Company is exploring various other options for marketing and distribution of the Freedom60 Syringe Infusion System but has not yet finalized its plans.
There can be no guarantee, however, that the Company will be successful in establishing
distribution of the Syringe I.V. Infusion System and that if distribution is established that the Company will be successful in marketing and selling of the device.

In the fiscal year ended February 28, 1998, the Company developed a medical device for an OEM customer, Mission Pharmacal ("Mission"), a San Antonio based manufacturer of pharmaceuticals and medical devices, based on the Company's suction technology. The Company's agreement with Mission includes advance payments to help defer Company expenditures for engineering and production tooling costs related to the development of the medical suction device. As of May 31, 1998 the Company has received advance payments totaling $93,030. Under the Company's agreement with Mission, the Company will manufacture and sell this medical suction device to Mission. The Company initiated production of the OEM medical suction device in September 1997 and shipment of this product to its customer in November 1997. Total sales in the fiscal year ended February 1998 of the OEM medical suction device were $122,511. Total sales in the three month period ended May 31, 1998 of the OEM medical suction device were $242,000. The OEM medical suction device sold to Mission is purchased for distribution in the impotence vacuum device market.

In the past year, impotence vacuum devices have seen increased competition from new pharmaceutical products, specifically a urethral suppository trade named Muse, introduced in May 1997, and an orally administered pill trade named Viagra, introduced in March 1998. Muse, manufactured and sold by Vivus, Inc, was highly successful in 1997. Since its introduction in March 1998, Viagra has supplanted Muse, accounting for an estimated 95% of newly issued prescriptions for impotence medications. It is too early to predict the impact of Viagra on the impotence vacuum device market. While Viagra has at least temporarily substantially reduced sales of the impotence vacuum devices, it has significantly increased public awareness of impotence problems in general. Depending on Viagra's clinical effectiveness and reimbursement policies adopted by healthcare insurers, the introduction of Viagra may on a longer term basis, stimulate, or at least not interfere with the market for the Company's OEM impotence vacuum devices.

Due to market conditions including the introduction of Muse and Viagra, Mission, as of May 1998, had significant inventory of the OEM vacuum erection device on hand. As a result, Mission has negotiated with the Company to lower Mission purchases of this product through February 1999. Mission has also requested, and Repro-Med has agreed to bill and temporarily hold, in its Chester warehouse, Mission monthly product purchases. Based on the revised purchase quantities negotiated with

Mission, which have taken into effect the anticipated impact of Viagra and Mission's current high inventory position of this product, and contingent on the successful marketing of the device by Mission, the Company anticipates revenue of approximately $550,000 from the sale of this device in the fiscal year ended February 1999, an increase of approximately $427,000 versus the current fiscal year. There can be no guarantee, however, that Mission will be successful in marketing of the device or that sales of vacuum erection devices can recover from the impact of Viagra. The Mission OEM vacuum erection device may compete with the Company's other OEM products, but in management's opinion will not directly reduce sales of other OEM products.

In February 1998, the Company initiated the development of a vacuum erection device and constriction ring devices for vacuum treatment of impotence. These devices will be targeted at both impotent men and men seeking to enhance natural or induced erections and sexual performance. According to published reports, it is estimated that in the United States there are 30 million men who suffer impotence with approximately 3 million currently treated by approved prescription treatments, including vacuum therapy. The Company's devices will offer convenient, highly effective treatments for impotence and for individuals seeking sexual improvement from natural or induced erections, and will be sold on an OTC basis. The Company has initiated the purchase of production tooling for these devices and anticipates initial
production of these devices by July 1998. In June 1998 the Company received approval of its 510(k) application to the FDA which allows the Company to market these devices, including over-the-counter sale ("OTC"). The Company is in the process of developing distribution for these devices, but has not finalized its plans.

In October 1997, the Company submitted to the FDA a 510(k) application to market a reusable resuscitator ("resuscitator"). This 510(k) application was approved by the FDA in June 1998. This product, developed by a Taiwanese medical device and component supplier, will be marketed primarily in the US emergency medical (ambulance) and homecare marketplace and in certain foreign countries. Tradenamed the Plus resuscitator, this respiratory device combines premium features in a low cost unit. The Plus resuscitator is used to replace or assist normal breathing in patients suffering from respiratory arrest or, especially in the home, as a backup for ventilator assisted patients. The reusable resuscitator may be sold through many of the same distributors currently marketing the Company's Res-Q-Vac suction system. The Company is in the process of developing distribution for this devices, but has not finalized its plans.

On July 10, 1993 Gamogen acquired the rights to an Oral Treatment for Male Impotence developed by Dr. Zorgniotti. On April 12, 1994 the Board of Directors approved and on April 14, 1994 Gamogen signed with Zonagen, a small US based biotechnology company, an agreement under which Zonagen acquired all rights to Gamogen's Oral Treatment for Male Impotence ("Impotence Agreement"). In exchange for the above rights Gamogen received from Zonagen $100,000 in cash and, subject to certain FDA approvals and Gamogen's agreement not to compete, future payments of $200,000 in restricted common stock of Zonagen, and royalties on Zonagen's future sales of the Oral Treatment.

In the year ended February 1995 Gamogen recorded income from the Impotence Agreement of $47,107 ($100,000 in licensing payments made by Zonagen less related expenses of $52,893). In the year ended February 1996 no payments were received by Gamogen under the Impotence Agreement.

On May 28, 1996 a stock payment was received by Gamogen in the form of 19,512 restricted common stock shares of Zonagen in accordance with certain non-compete terms of the Impotence Agreement. On June 20, 1996 Gamogen sold the 19,512 restricted shares to a small group of private investors for $87,800, approximately 50% of the then NASDAQ market price for Zonagen, Inc. non-restricted common stock.

On January 24, 1997 the Board of Directors approved and signed with Zonagen a conditional amendment to the Impotence Agreement granting Zonagen the right ("Option") to amend the Impotence Agreement eliminating the following: 1) Gamogen's rights to royalties on Zonagen's future sales of the Oral Treatment; 2) Gamogen's rights to market the Oral Treatment in countries where Zonagen does not timely obtain regulatory approval for and

commence marketing of the Oral Treatment.

The Option was conditioned on the payment to Gamogen the amount of $750,000 ("Option Price") if the Option were exercised by January 24, 1998 less any Maintenance Payments (see below) received by Gamogen. The Option included increases in the Option Price for later exercise of the Option through January 24, 2000.

Under the conditional amendment Zonagen was granted the option, provided however, that Zonagen make the following payments ("Maintenance Payments") in cash to Gamogen: $75,000 upon the execution of the conditional amendment and $75,000 on each July 24 and January 24 which occurs after the execution of the conditional amendment and before Zonagen's exercise of the Option. On January 24, 1997 Gamogen received from Zonagen the initial Maintenance Payment of $75,000 which Gamogen recorded as licensing income. In July 1997 Gamogen received a second maintenance payment of $75,000 under the conditional amendment.
In August 1997 Gamogen negotiated with Zonagen for revision to the Conditional Amendment Number 1 of The Assignment Agreement. In September 1997 the Board of Directors approved and signed with Zonagen a conditional amendment, Amendment Number 2 to the Assignment Agreement, establishing an option price of $708,000 if the option were exercised on or before September 30, 1997. On September 30, 1997 Gamogen received payment from Zonagen for $558,000 which resulted from the sale of the impotence oral treatment for $708,000 reduced by credits for maintenance payments previously received of $150,000. As a result of this payment Zonagen has exercised the Option and Gamogen has effectively sold its interest in this product and is not entitled to further payments under the Assignment Agreement and its amendments.
Beyond the above items, the Company's ability to increase its revenue and develop other new products is primarily based on capital it derives from current operations.

On April 18, 1995 Repro-Med executed a formal Contract Of Sale with Key Bank of New York ("Key Bank") on a facility in Chester, NY ("Chester facility") for the purpose of housing all operations of Repro-Med, Gamogen, and Gyneco. The purchase was completed on April 30, 1996. The price for the facility was $1,030,000. The purchase of the Chester facility was financed in part by a $900,000 mortgage loan from Key Bank. The mortgage is a 10 year loan with a 20 year amortization rate and interest at a rate of 8.82% for years 1-5 and for years 6-10 the Key Bank base rate plus 0.5. Effective December 1997 the Company entered into an interest-swap agreement with Key Bank which reduced the effective interest rate on the mortgage to a fixed rate of 8.46% through April 2006. The annual mortgage payment for the fiscal year ended February 1999 including principal and estimated interest of $72,000, is approximately $106,500, payable in monthly installments. For the three months ended May 31, 1998 a total of $17,194 in interest expense on the mortgage was recorded. Total mortgage principal payments for the three months ended May 31, 1998 were $6,941. As of February 28, 1998 a total of $142,534 in mortgage interest was recorded. Total principal payments made as of February 28, 1998 were $28,674. A portion of the Chester facility is leased to Key Bank on a net/net/net rent basis for 20 years at annual rent of $86,100 for years 1 through 10 and $99,990 for years 11 through 20. As of February 28, 1998 a total of $158,089 in rent, exclusive of property tax rent allocations have been paid by Key Bank. For the three months ended May 31, 1998 a total of $21,525 in rent, exclusive of property tax rent allocations have been paid by Key Bank. The lease contract required an $86,100 security deposit from Key Bank and an additional rent allocation to Key Bank of 35% of all property tax payments. Key Bank intends to maintain local branch operations in the leased portion of the building. The new facility has improved Repro-Med and Gyneco manufacturing efficiencies and provided additional space for expansion of operations. The total cash expenditure in the fiscal year ended February 1996 for this real estate purchase was $78,736, which included a $55,000 deposit. The total cash expenditure, net of the mortgage proceeds of $900,000, in the fiscal year ended February 1997 for this real estate purchase and certain capital improvements, and other related legal and engineering costs was $227,643.

In a transaction related to the purchase of the Chester facility on April 30, 1996, the Company secured from Key Bank of New York a line of credit of $300,000. On December 1, 1997, the Company secured from Key Bank of New York a $300,000 five-year term loan and a new line of credit of $500,000.

At February 28, 1998 the Company had an outstanding balance of $291,606 on the 5-year term loan and $360,000 on the line of credit. At May 31, 1998, the Company had an outstanding balance of $279,015 on the 5-year term loan and $480,000 on the line of credit. The proceeds of the term-loan were used to pay $250,000 of the outstanding balance of the previous line of credit of $260,000. The interest rate on the term loan is fixed at an annual rate of 8.43%. Principal payments on the term loan are monthly beginning January 1, 1998 at a rate of $4,197 per month, plus accrued interest to date. The interest rate on the line of credit is prime rate less one-quarter of one percent (currently 8.25% per annum).
The Company's mortgage and bank loans include negative covenants and cessation of advances and related events of default and financial covenants, certain of which are listed below.

NEGATIVE COVENANTS:
- ----------
Borrower covenants and agrees with Lender that while this Agreement is in effect, Borrower shall not, without the prior written consent of Lender:

Indebtedness and Liens. (a) Except for trade debt incurred in the normal course of business and indebtedness to Lender contemplated by this Agreement, create, incur or assume indebtedness for borrowed money, including capital leases, (b) except as allowed as a Permitted Lien, sell, transfer, mortgage, assign, pledge, lease, grant a security interest in, or encumber any of Borrowers assets, or (c) sell with recourse any of Borrowers accounts, except to Lender.

Continuity of Operations. (a) Engage in any business activities substantially different than those in which Borrower is presently engaged, (b) cease operations, liquidate, merge, transfer, acquire or consolidate with any other entity, change ownership, change its name, dissolve or transfer or sell Collateral out of the ordinary course of business, (c) pay any dividends on Borrowers stock (other than dividends payable in its stock), provided, however that notwithstanding the foregoing, but only so long as no Event of Default has-occurred and is continuing or would result from the payment of dividends, if Borrower is a Subchapter S Corporations (as defined in the Internal Revenue Code of 1986, as amended), Borrower may pay cash dividends on its stock to its shareholders from time to time in amounts necessary to enable the shareholders to pay income taxes and make estimated income tax payments to satisfy their liabilities under federal and state law which arise solely from their status as Shareholders of a Subchapter S Corporation because of their ownership of shares of stock of Borrower, or (d) purchase or retire any of Borrowers outstanding shares or alter or amend Borrower's capital structure.

Loans, Acquisitions and Guaranties. (a) Loan, invest in or advance money or assets, (b) purchase, create or acquire any interest in any other enterprise or entity, or (c) incur any obligation as surety or guarantor other than in the ordinary course of business.

CESSATION OF ADVANCES. If Lender has made any commitment to make any Loan to Borrower, whether under this Agreement or under any other agreement, Lender shall have no obligation to make Loan Advances or to disburse Loan proceeds if: (a) Borrower or any Guarantor is in default under the terms of this Agreement or any of the Related Documents or any other agreement that Borrower or any Guarantor has with Lender, (b) Borrower or any Guarantor becomes insolvent, files a petition in bankruptcy or similar proceedings, or is adjudged a bankrupt; (c) there occurs a material adverse change in Borrowers financial condition, in the financial condition of any Guarantor, or in the value of any Collateral securing any Loan; (d) any Guarantor seeks claims or otherwise attempts to limit, modify or revoke such Guarantors guaranty of the Loan or any other loan with Lender; or (e) Lender in good faith deems itself insecure, even though no Event of Default shall have occurred.

EVENTS OF DEFAULT. Each of the following shall constitute an Event of Default under this Agreement:

Default on Indebtedness. Failure of Borrower to make any payment when due on the Loans.

Other Defaults. Failure of Borrower or any Grantor to comply with or to

perform when due any other term, obligation, covenant or condition contained in this Agreement or in any of the Related Documents, or failure of Borrower to comply with or to perform any other term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.
Default in Favor of Third Parties. Should Borrower or any Grantor default under any loan,
extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrowers property or Borrowers or any Grantors ability to repay the Loans or perform their respective obligations under this Agreement or any of the Related Documents.

False Statements. Any warranty, representation or statement made or furnished to Lender by or on behalf of Borrower or any Grantor under this Agreement or the Related Documents is false or misleading in any material respect at the time made or furnished, or becomes false or misleading at any time thereafter.

Defective Collateralization. This Agreement or any of the Related Documents ceases to be in full force and effect (including failure of any Security Agreement to create a valid and perfected Security Interest) at any time and for any reason.

Insolvency. The dissolution or termination of Borrowers existence as a going business, the insolvency of Borrower, the appointment of a receiver for any part of Borrowers property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

Creditor or Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help repossession or any other method, by any creditor of Borrower, any creditor of any Grantor against any collateral securing the Indebtedness, or by any governmental agency. This includes a garnishment, attachment, or levy on or of any of Borrowers deposit accounts with Lender However this Event of Default shall not apply if there is a good faith dispute by Borrower or Grantor, as the case may be, as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding, and if Borrower or Grantor gives Lender written notice of the Creditor or forfeiture proceeding and furnishes reserves or a surety bond for the creditor or forfeiture proceeding satisfactory to Lender.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any Guarantor of any of the Indebtedness or any Guarantor dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any Guaranty of the Indebtedness. Lender, at its option, may, but shall not be required to, permit the Guarantors estate to assume unconditionally the obligations arising under the guaranty in a manner satisfactory to Lender, and, in doing so, cure the Event of Default.

Change in Ownership. Any change in ownership of twenty-five percent (25%) or more of the common stock of Borrower.

Adverse Change. A material adverse change occurs in Borrower s financial condition, or Lender believes the prospect of payment or performance of the Indebtedness is impaired.

Insecurity. Lender, in good faith, deems itself insecure.

Right to Cure. If any default, other than a Default on Indebtedness, is curable and if Borrower or Grantor, as the case may be, has not been given a notice of a similar default within the preceding twelve (12) months, it may be cured (and no Event of Default will have occurred) if Borrower or Grantor, as the case may be, after receiving written notice from Lender demanding cure of such default: (a) cures the default within fifteen (15) days; or (b) if the cure requires more
than fifteen (15) days, immediately initiates steps which Lender deems in Lenders sole discretion to be sufficient to cure the default and thereafter continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

FINANCIAL COVENANTS (YEARS 2002-2006). The following covenant will be in

effect for years six (the year 2002) through ten of the Loan and will be tested annually based on fiscal year end financial statements.

Minimum Debt Coverage Ratio (DCR) of 1.50X, defined as profit before taxes (PBT) plus interest (I) expense plus depreciation (D) divided by the sum of the current portion of long term debt (CPLTD) plus interest expense (I):

$$DCR = \frac{PBT + I + D}{CPLTD + I}$$

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The Osbon Medical Systems division ("Osbon") of Imagyn Medical Inc.("Imagyn"), formerly Urohealth Systems, Inc., OEM product purchases represented 21% of the Company's total sales for the current fiscal year, ending February 1998. For the prior fiscal year the Osbon corporation's OEM product purchases represented 61% of the Company's total sales.

Osbon markets the Company's OEM products in the impotence vacuum device market. Management believes that Osbon presently controls a substantial portion of the impotence vacuum device market. Other products have recently been developed for Osbon which compete with the Company's current OEM products and are anticipated to be manufactured and marketed directly by Osbon. These new products were introduced by Osbon in direct competition to the Company's OEM products in June 1996 and are sold under the trade name "Esteem" ("Esteem products"). As a result the Company has seen a decline in sales of its OEM products to Osbon. Sales of OEM products to Osbon for the fiscal year ended February 1997 were $1,468,715, a decline of $676,008, or 32%, from the previous fiscal year. For the fiscal year ended February 1998, sales to Osbon declined to $459,667. The sharp decline in sales to Osbon in the current year was due to three factors: 1) introduction of the Esteem products in fiscal 1997, 2) overstocking by Osbon of the OEM products in fiscal 1997 which impacted sales in the first quarter of fiscal 1998, and 3) an overall decline in Osbon sales in the impotence vacuum device market in the third and fourth quarters of fiscal 1998. Osbon reported a decline of over 30% in its total sales of all vacuum devices in the final two calendar quarters of 1997. As a result Repro-Med did not sell any OEM products to Osbon from November 1997 through March 1998. The overall decline in Osbon sales in the impotence vacuum device market in the third and fourth quarters of fiscal 1998 was due to a decrease in demand for vacuum devices due to increased competition from new pharmaceutical products, specifically a urethral suppository tradenamed Muse introduced in May 1997 and an orally administered pill tradenamed Viagra, introduced in March 1998. Muse, manufactured and sold by Vivus, Inc, was highly successful in 1997. Since its introduction in March 1998, Viagra has supplanted Muse, accounting for an estimated 95% of newly issued prescriptions for impotence medications. Viagra is manufactured and sold by Pfizer, Inc. It is too early to predict the impact of Viagra on the impotence vacuum device market. While Viagra has at least temporarily substantially reduced sales of the impotence vacuum devices, it has significantly increased public awareness of impotence problems in general. Depending on Viagra's clinical effectiveness and reimbursement policies adopted by healthcare insurers, the introduction of Viagra may on a longer term basis, stimulate, or at least not interfere with the market for the Company's OEM impotence vacuum devices. Sales of OEM products to Osbon in the three month period ended May 31, 1998 were $103,008, or 15% of total Company sales. Repro-Med sales of OEM products to Osbon in the quarter ended May 31, 1997 were $111,888, or 34% of sales. Based on orders to-date and discussions with Osbon concerning anticipated purchases, and considering the reduced level of inventory held at Osbon, management estimates that sales to Osbon in the fiscal year ended February 1998 may be approximately 30% higher as compared to fiscal 1998. However, due to Osbon's continuing and projected significant operating losses, high debt level, and unfavorable credit rating, and announcements by Imagyn concerning its financial condition and liquidity, Repro-Med management is cautious concerning Osbon and Imagyn's financial viability.

At February 28, 1998, the Company's account receivable from Osbon were $80,843. This account receivable was for shipments made to Osbon in December 1997. Partial payments on this account receivable of $80,843 were made by Osbon in March and April 1998 with final payment made on May 18,

1998. As of May 31, 1998 account receivable from Osbon are $77,008. The May 31, 1998 account receivable was for shipments totaling $103,008 made to Osbon in April and May 1998. In May 1998 partial payment on these shipments of $26,000 was received reducing the balance owed to $77,008. Based on Osbon's recent payment history, discussions with Osbon concerning ongoing sales by Osbon of the OEM products, and considering recent announcements by Imagyn concerning its liquidity and financing, the Company anticipates that the receivable balance at May 31, 1998 of $77,008 will be paid in full and has not established a bad debt reserve for this receivable.

During the twelve month period ended March 1996, the Company, acting in accordance with its written agreement with Osbon for the manufacture by Repro-Med of the Esteem products ("Esteem Agreement"), cooperated in and provided extensive work in testing, validation, design analysis and problem solving, prototyping and generating and providing information concerning performance and improvements to the Esteem products design. In furtherance of the Esteem Agreement Repro-Med provided Osbon related information concerning Repro-Med's proprietary product design, materials, and manufacturing processes. Management believes that Repro-Med's assistance was vital to Osbon's attempts to complete the design and facilitate the timely manufacture of the Esteem products. Throughout this time period the Company advised Osbon of numerous engineering design faults related to the manufacturability, quality, and customer use of the Esteem products which Repro-Med had discovered through its testing and validation work on the Esteem products. These faults were primarily the result of either design specifications provided Osbon by its contract engineers or other items initiated by Osbon. A number of these faults were significant and resulted in delays throughout the program. In March 1996 the Company forthrightly advised Osbon that, based on the Company's current knowledge of the status of the design, that confirmation of certain production scheduling requested by Osbon was unrealistic and could not reasonably be achieved, namely the production and delivery of 7,000 Esteem products by May 15, 1996. In April 1996 Osbon advised that it was withdrawing its commitment to Repro-Med for manufacture of the Esteem products and had secured other options for manufacture of these products. No prior notice was provided the Company by Osbon. Despite repeated requests to Osbon the Company has not received an explanation for this action. The Company has advised Osbon that Repro-Med is due compensation for its work to-date on the Esteem products and for use of its proprietary design and manufacturing information. The Company has also advised Osbon that Repro-Med is
available to initiate the manufacture the Esteem products in accordance with its
written agreement. The Company intends to seek to resolve these matters on an amicable basis with Osbon. To date no resolution has been agreed to, Osbon remains a significant and important customer of Repro-Med.

Management believes that the Company's revenues will increase due to growth in sales of the Res-Q-Vac and Syringe I.V. Infusion System, market introduction of its three new products (OTC vacuum device, OTC constriction rings and the reusable resuscitator) and also, contingent on the effect of Viagra, Muse, and other new products on the impotence vacuum device market, increased sales of OEM products to Osbon and Mission. Management believes that the Company can expand, albeit at a limited pace, on the basis of currently available funds which include working capital of $1,057,152 and cash flow derived from operations. Management anticipates that the Company's total cash position will continue to decline during fiscal 1999, due primarily to increases in inventory and accounts receivable from increasing sales, new product related spending, and scheduled long-term debt repayment of approximately $105,000. Due primarily to the significant decline in sales of OEM products to Osbon the Company recorded a large operating loss in the fiscal year ended February 1998. The operating loss in the fiscal year ended February 1998 was increased as the Company maintained staff and incurred added expenses and capital spending to support anticipated sales of new products.

The large operating loss and capital spending for new products in the fiscal year ended February 1998 generated a significant negative cashflow. Additionally a significant increase in inventory, due primarily to the Company's new Freedom60 I.V. and Mission OEM vacuum device, resulted in increased borrowing under the Company's bank line of credit. These items have severely reduced the Company's liquidity and available cash to expand operations and improve profitability. The Company recorded a profit of $13,796 in the quarter ended May 31, 1998 and, due to lower sales to

Mission (see above), anticipates a loss of approximately $50,000 in the quarter ended August 1998. This loss, albeit at a significantly lower level than in fiscal 1998, is due in part to the Company maintaining staff and expense spending to support anticipated sales of its new products. The Company has taken actions to reduce expenses and effected certain staff reductions in May and June 1998. To further conserve cash, the Company is limiting inventory for the OTC vacuum erection device until firm sales orders are secured and is investigating other means of increasing cash flow, including further reducing operating costs and deferring non-essential expenditures. The expense and staff reductions taken to date (see above) are not sufficient to return the Company to consistent profitability. The Company expects, however, that when coupled with anticipated increases in new product sales, these expense and staff reductions, will enable the Company to return to profitable levels in the third or fourth quarter of the current fiscal year. However, if no significant increase in product sales versus current levels is seen, then management will have to consider additional steps to attempt to return the Company to profitability.

In addition, management is seeking additional sources of capital in order to enable the Company to continue its product development efforts, market its products more aggressively, and accelerate a return to consistent profitability.

In its efforts to expand its operations to a level to return the Company to profitability, the Company is continuing development of new products, including the OTC vacuum erection and constriction ring devices. However, cash and other working capital limitations may inhibit development and marketing of these new products, which also face risks inherent in bringing new medical devices to
market. In particular, due to the significant inventory investment required, timely development and marketing of the OTC vacuum erection and constriction ring devices and resuscitator may be restricted.

Any statements which are not historical facts contained in this report are forward looking statements that involve risks and uncertainties, including but not limited to those relating to the uncertainty of expected purchases of OEM products by Osbon or Mission, other unexpected increases or decreases in sales or manufacturing costs of the Company's products, market acceptance and product demand for the Company's Syringe I.V. Infusion System, OTC vacuum erection and constriction ring devices, and resuscitator, uncertainty related to Food and Drug Administration or other government regulation, and other risks identified in the Company's Securities and Exchange Commission filings.

Results of Operations

Results For Three Months Ended May 31, 1998 As Compared With Three Months Ended May 31, 1997:

In the three months ended May 31, 1998 the loss from operations was $15,450 as compared to a loss from operations of $150,089 in the three months ended May 31, 1997, an improvement of $134,639. The improvement of $134,639 resulted from an increase in sales of $367,850 versus the first quarter of the prior year, due to increased sales of the Res-Q-Vac suction system and added sales from the new OEM vacuum device. The new OEM vacuum device added sales of $242,000 in the quarter.The losses from operations in both fiscal quarters resulted primarily from the decline in sales of OEM products to Osbon (see above). Selling, general, and administrative expenses were $283,913, a decrease of $9,203, versus the same quarter of the prior year, due primarily to decreased marketing costs. Research and development increased $17,940 to $58,676 due to product development expenses. Depreciation and amortization increased $6,527 to $39,380 due to depreciation of production tooling for the Freedom60 and OEM vacuum products.

In the quarter ended May 31, 1998, net income was $13,796, as compared to a net loss of $47,417 in the quarter ended May 31, 1997. Earnings per common share were $0.00 in the current quarter and the same quarter of the prior fiscal year.

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 following persons, thereunto duly authorized.

REPRO-MED SYSTEMS, INC.

/s/ Andrew I. Sealfon July 17, 1998
Andrew I. Sealfon, President, Treasurer, Chairman of the Board, Director, and Chief Executive Officer

/s/ Jesse A. Garringer July 17, 1998
Jesse A. Garringer, Executive Vice-President, General Manager,
Secretary, Director, and Chief Financial Officer

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