

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended June 30, 2022

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

KORU MEDICAL SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

New York

(State or other jurisdiction of incorporation or organization)

13-3044880

(I.R.S. Employer Identification No.)

100 Corporate Drive, Mahwah, New Jersey

(Address of principal executive offices)

07430

(Zip Code)

(845) 469-2042

(Registrant's telephone number, including area code)

Repro Med Systems, Inc., 24 Carpenter Drive, Chester NY, 10918

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

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

| <u>Title of each class</u> | <u>Trading Symbol(s)</u> | <u>Name of each exchange on which registered</u> |
|---------------------------------------|--------------------------|--|
| Common stock, \$0.01 par value | KRMD | The Nasdaq Stock Market |

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, a smaller reporting company, or 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
Non-accelerated filer

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of August 3, 2022, 45,033,053 shares of common stock, \$0.01 par value per share, were outstanding, which excludes 3,420,502 shares of treasury stock.

KORU MEDICAL SYSTEMS, INC.
FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2022
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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

**KORU MEDICAL SYSTEMS, INC.
BALANCE SHEETS
(UNAUDITED)**

| | June 30, 2022 | December 31, 2021 |
|--|--------------------------|------------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 18,265,552 | \$ 25,334,889 |
| Accounts receivable less allowance for doubtful accounts of \$24,471 for June 30, 2022, and December 31, 2021 | 4,084,762 | 3,592,886 |
| Inventory | 6,771,514 | 6,106,338 |
| Other Receivables | 680,796 | 718,220 |
| Prepaid expenses | 1,165,668 | 1,568,821 |
| TOTAL CURRENT ASSETS | 30,968,292 | 37,321,154 |
| Property and equipment, net | 2,823,090 | 1,106,445 |
| Intangible assets, net of accumulated amortization of \$294,301 and \$263,729 at June 30, 2022 and December 31, 2021, respectively | 791,781 | 808,813 |
| Operating lease right-of-use assets | 4,190,931 | 95,553 |
| Finance lease right -of-use, net accumulated depreciation of \$5,918 at June 30, 2022 | 349,153 | — |
| Deferred income tax assets, net | 3,249,323 | 1,941,254 |
| Other assets | 88,772 | 19,812 |
| TOTAL ASSETS | \$ 42,461,342 | \$ 41,293,031 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 2,389,862 | \$ 1,227,533 |
| Accrued expenses | 1,974,196 | 2,709,704 |
| Note Payable | — | 508,583 |
| Other Liabilities | 240,501 | 90,000 |
| Accrued payroll and related taxes | 696,042 | 160,603 |
| Financing lease liability – current | 66,503 | — |
| Operating lease liability – current | 363,030 | 95,553 |
| TOTAL CURRENT LIABILITIES | 5,730,134 | 4,791,976 |
| Financing lease liability, net of current portion | 281,958 | — |
| Operating lease liability, net of current portion | 3,827,900 | — |
| TOTAL LIABILITIES | 9,839,992 | 4,791,976 |
| STOCKHOLDERS' EQUITY | | |
| Common stock, \$0.01 par value, 75,000,000 shares authorized, 48,407,619 and 48,044,162 shares issued 44,987,117 and 44,623,660 shares outstanding at June 30, 2022, and December 31, 2021, respectively | 484,076 | 480,441 |
| Additional paid-in capital | 42,349,760 | 40,774,245 |
| Treasury stock, 3,420,502 shares at June 30, 2022 and December 31, 2021, respectively, at cost | (3,843,562) | (3,843,562) |

| | | |
|--|----------------------|----------------------|
| Retained deficit | (6,368,924) | (910,069) |
| TOTAL STOCKHOLDERS' EQUITY | <u>32,621,350</u> | <u>36,501,055</u> |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | <u>\$ 42,461,342</u> | <u>\$ 41,293,031</u> |

The accompanying notes are an integral part of these financial statements.

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KORU MEDICAL SYSTEMS, INC.
STATEMENTS OF OPERATIONS
(Unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|-----------------------|------------------------------|-----------------------|
| | 2022 | 2021 | 2022 | 2021 |
| NET SALES | \$ 6,546,628 | \$ 5,528,174 | \$ 12,790,958 | \$ 10,959,125 |
| Cost of goods sold | 3,200,455 | 2,317,990 | 5,822,480 | 4,517,087 |
| Gross Profit | <u>3,346,173</u> | <u>3,210,184</u> | <u>6,968,478</u> | <u>6,442,038</u> |
| OPERATING EXPENSES | | | | |
| Selling, general and administrative | 5,530,022 | 4,085,945 | 11,021,235 | 9,078,774 |
| Research and development | 1,303,731 | 386,878 | 2,452,086 | 723,719 |
| Depreciation and amortization | 125,882 | 118,415 | 235,134 | 233,888 |
| Total Operating Expenses | <u>6,959,635</u> | <u>4,591,238</u> | <u>13,708,455</u> | <u>10,036,381</u> |
| Net Operating Loss | (3,613,462) | (1,381,054) | (6,739,977) | (3,594,343) |
| Non-Operating Income/(Expense) | | | | |
| (Loss)/Gain on currency exchange | (21,705) | 1,239 | (28,840) | (14,478) |
| Gain on disposal of fixed assets, net | — | — | — | 736 |
| Interest income, net | 3,566 | 9,950 | 2,103 | 19,721 |
| TOTAL OTHER INCOME/(EXPENSE) | <u>(18,139)</u> | <u>11,189</u> | <u>(26,737)</u> | <u>5,979</u> |
| LOSS BEFORE INCOME TAXES | (3,631,601) | (1,369,865) | (6,766,714) | (3,588,364) |
| Income Tax Benefit | <u>710,260</u> | <u>245,316</u> | <u>1,307,859</u> | <u>1,187,677</u> |
| NET LOSS | <u>\$ (2,921,341)</u> | <u>\$ (1,124,549)</u> | <u>\$ (5,458,855)</u> | <u>\$ (2,400,687)</u> |
| NET LOSS PER SHARE | | | | |
| Basic | <u>\$ (0.07)</u> | <u>\$ (0.03)</u> | <u>\$ (0.12)</u> | <u>\$ (0.05)</u> |
| Diluted | <u>\$ (0.07)</u> | <u>\$ (0.03)</u> | <u>\$ (0.12)</u> | <u>\$ (0.05)</u> |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING | | | | |
| Basic | <u>44,921,870</u> | <u>44,489,853</u> | <u>44,795,625</u> | <u>44,226,936</u> |
| Diluted | <u>44,921,870</u> | <u>44,489,853</u> | <u>44,795,625</u> | <u>44,226,936</u> |

The accompanying notes are an integral part of these financial statements.

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KORU MEDICAL SYSTEMS, INC.
STATEMENTS OF CASH FLOWS
(UNAUDITED)

| | For the Six Months Ended June 30, | |
|---|---|----------------|
| | 2022 | 2021 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net Loss | \$ (5,458,855) | \$ (2,400,687) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Stock-based compensation expense | 1,579,151 | 1,339,356 |
| Depreciation and amortization | 235,134 | 233,888 |
| Deferred income taxes | (1,308,069) | (1,201,956) |
| Gain on disposal of fixed assets | — | (736) |
| Changes in operating assets and liabilities: | | |

| | | |
|--|----------------------|----------------------|
| Increase in accounts receivable | (454,452) | (4,446) |
| Increase in inventory | (665,176) | (732,978) |
| Decrease in prepaid expenses and other assets | 334,193 | 346,227 |
| Increase in other Liabilities | 150,501 | — |
| Increase in accounts payable | 1,162,329 | 380,733 |
| Increase in accrued payroll and related taxes | 535,438 | 103,196 |
| Decrease in accrued expenses | (735,508) | (838,747) |
| NET CASH USED IN OPERATING ACTIVITIES | (4,625,314) | (2,776,150) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of property and equipment | (1,915,289) | (152,223) |
| Proceeds from disposal of property and equipment | — | 9,065 |
| Purchases of intangible assets | (13,540) | (23,978) |
| NET CASH USED IN INVESTING ACTIVITIES | (1,928,829) | (167,136) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments on indebtedness | (508,583) | — |
| Proceeds from issuance of equity | — | 1,230,000 |
| Common stock issuance as settlement for litigation | — | 938,094 |
| Payments on finance lease liability | (6,611) | (1,616) |
| NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES | (515,194) | 2,166,478 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (7,069,337) | (776,808) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 25,334,889 | 27,315,286 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$ 18,265,552 | \$ 26,538,478 |

Supplemental Information

Cash paid during the periods for:

| | | |
|--------------|----------|--------|
| Interest | \$ 6,204 | \$ 47 |
| Income Taxes | \$ — | \$ 850 |

Schedule of Non-Cash Operating, Investing and Financing Activities:

| | | |
|---|------------|------------|
| Issuance of common stock as compensation | \$ 258,005 | \$ 153,446 |
| Issuance of common stock as settlement for litigation | \$ — | \$ 938,094 |

The accompanying notes are an integral part of these financial statements.

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KORU MEDICAL SYSTEMS, INC. STATEMENTS OF STOCKHOLDERS' EQUITY (Unaudited)

| | Common Stock | | Additional Paid-in Capital | Retained Earnings (Deficit) | Treasury Stock | Total Stockholders' Equity |
|---|---------------------|-------------------|----------------------------------|-----------------------------------|-----------------------|----------------------------------|
| | Shares | Amount | | | | |
| Three and Six Months Ended | | | | | | |
| June 30, 2022 | | | | | | |
| BALANCE, DECEMBER 31, 2021 | 48,044,162 | \$ 480,441 | \$ 40,774,245 | \$ (910,069) | \$ (3,843,562) | \$ 36,501,055 |
| Issuance of stock-based compensation | 47,500 | 475 | 142,025 | — | — | 142,500 |
| Compensation expense related to stock options | — | — | 524,670 | — | — | 524,670 |
| Compensation expense related to restricted stock awards | — | — | 170,386 | — | — | 170,386 |
| Issuance upon options exercised | 29,627 | 296 | (296) | — | — | — |
| Net loss | — | — | — | (2,537,514) | — | (2,537,514) |
| BALANCE, MARCH 31, 2022 | 48,121,289 | \$ 481,212 | \$ 41,611,030 | \$ (3,447,583) | \$ (3,843,562) | \$ 34,801,097 |
| Issuance of stock-based compensation | 69,707 | 697 | 114,808 | — | — | 115,505 |
| Compensation expense related to stock options | — | — | 527,736 | — | — | 527,736 |
| Compensation expense related to restricted stock awards | 50,000 | 500 | 231,011 | — | — | 231,511 |
| Issuance upon options exercised | 166,623 | 1,667 | (134,825) | — | — | (133,158) |
| Net loss | — | — | — | (2,921,341) | — | (2,921,341) |
| BALANCE, JUNE 30, 2022 | 48,407,619 | \$ 484,076 | \$ 42,349,760 | \$ (6,368,924) | \$ (3,843,562) | \$ 32,621,350 |
| | Common Stock | | Additional Paid-in | Retained Earnings | Treasury | Total Stockholders' |

| | <u>Shares</u> | <u>Amount</u> | <u>Capital</u> | <u>(Deficit)</u> | <u>Stock</u> | <u>Equity</u> |
|---|-------------------|-------------------|----------------------|---------------------|-----------------------|----------------------|
| Three and Six Months Ended | | | | | | |
| June 30, 2021 | | | | | | |
| 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 | 10,124 | 101 | 56,149 | — | — | 56,250 |
| Compensation expense related to stock options | — | — | 677,934 | — | — | 677,934 |
| Litigation settlement share issuance | 95,238 | 952 | 937,142 | — | — | 938,094 |
| Issuance upon options exercised | 1,110,580 | 11,106 | 1,218,894 | — | — | 1,230,000 |
| Net loss | — | — | — | (1,276,138) | — | (1,276,138) |
| BALANCE, MARCH 31, 2021 | <u>47,896,061</u> | <u>\$ 478,960</u> | <u>\$ 38,771,105</u> | <u>\$ 2,376,616</u> | <u>\$ (3,843,562)</u> | <u>\$ 37,783,119</u> |
| Issuance of stock-based compensation | 14,615 | 146 | 97,050 | — | — | 97,196 |
| Compensation expense related to stock options | — | — | 441,841 | — | — | 441,841 |
| Compensation expense related to restricted stock awards | — | — | 66,135 | — | — | 66,135 |
| Net loss | — | — | — | (1,124,549) | — | (1,124,549) |
| BALANCE, JUNE 30, 2021 | <u>47,910,676</u> | <u>\$ 479,106</u> | <u>\$ 39,376,131</u> | <u>\$ 1,252,067</u> | <u>\$ (3,843,562)</u> | <u>\$ 37,263,742</u> |

The accompanying notes are an integral part of these financial statements.

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KORU MEDICAL SYSTEMS, INC.
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

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

NATURE OF OPERATIONS

KORU MEDICAL SYSTEMS, INC. (the “Company,” “KORU Medical,” “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

The accompanying financial statements should be read in conjunction with the Company’s annual report on Form 10-K for the year ended December 31, 2021 (“Annual Report”). Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with United States generally accepted accounting principles (“GAAP”) have been condensed or omitted from the accompanying financial statements. The accompanying year-end balance sheet was derived from the audited financial statements included in the Annual Report. The accompanying interim financial statements are unaudited and reflect all adjustments which are in the opinion of management necessary for a fair statement of the Company’s financial position, results of operations, and cash flows for the periods presented. All such adjustments are of a normal, recurring nature. The Company’s results of operations and cash flows for the interim periods are not necessarily indicative of the results of operations and cash flows that it may achieve in future periods.

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.

PATENTS

Costs incurred in obtaining patents have been capitalized and are being amortized over the legal life of the patents.

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. Generally, tax years starting with 2019 are subject to examination by income tax authorities.

PROPERTY, EQUIPMENT, AND DEPRECIATION

Property and equipment is stated at cost and is depreciated using the straight-line method over the estimated useful lives of the respective assets.

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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 include only an increase in the weighted average shares by the common shares issuable upon exercise of employee and consultant stock options. See "NOTE 4 — STOCK-BASED COMPENSATION" for further detail.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--------------------------------------|--------------------------------|-------------------|------------------------------|-------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Net loss | \$ (2,921,341) | \$ (1,124,549) | \$ (5,458,855) | \$ (2,400,687) |
| Weighted Average Outstanding Shares: | | | | |
| Outstanding shares | 44,921,870 | 44,489,853 | 44,795,625 | 44,226,936 |
| Option shares includable | — ^(a) | — ^(a) | — ^(a) | — ^(a) |
| | <u>44,921,870</u> | <u>44,489,853</u> | <u>44,795,625</u> | <u>44,226,936</u> |
| Net loss per share | | | | |
| Basic | \$ (0.07) | \$ (0.03) | \$ (0.12) | \$ (0.05) |
| Diluted | <u>\$ (0.07)</u> | <u>\$ (0.03)</u> | <u>\$ (0.12)</u> | <u>\$ (0.05)</u> |

(a) For the three months ended June 30, 2022, and 2021, option shares of 137,539 and 224,336 respectively, were not included as the impact is anti-dilutive. For the six months ended June 30, 2022, and 2021, option shares of 166,441 and 214,132 respectively, were not included as the impact is anti-dilutive.

For the three months ended June 30, 2022 and 2021, restricted shares of 950,000 and 1,000,000 respectively, were not included as the impact is anti-dilutive. For the six months ended June 30, 2022, and 2021, restricted shares of 950,000 and 1,000,000 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.

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REVENUE RECOGNITION

Our revenues are derived 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 syringe drivers, tubing and needles ("Product Revenue") for the delivery of subcutaneous drugs that are FDA cleared for use with the KORU Medical infusion system, with the primary delivery for immunoglobulin to treat PIDD and CIDP. Novel therapies consist of Product Revenue 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 ("NRE") revenues received from biopharmaceutical companies to ready or customize the FREEDOM System for clinical and commercial use.

For Product Revenues, 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.

Our novel therapies revenues can fluctuate and may not be consistent from period to period. Engineering work performed on our product may be specialized and tailored to the specific needs of each independent clinical trial and not uniform in nature. The clinical trial size and scope of protocols may also range greatly from customer to customer, and there is no expectation of repeat customers on a consistent basis compared to our normal course of business. We recognize NRE revenue under an input method, which recognizes revenue on the basis of our efforts or inputs (for example, resources consumed, labor hours expended, costs incurred, or time elapsed) to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation (ie completion milestone). The input method that we use is based on costs incurred.

The following table summarizes net sales by geography for the three and six months ended June 30, 2022, and 2021:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---------------|-----------------------------|---------------------|---------------------------|----------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Sales | | | | |
| Domestic | \$ 5,512,173 | \$ 4,645,770 | \$ 10,813,561 | \$ 9,092,559 |
| International | 1,034,455 | 882,404 | 1,977,397 | 1,866,566 |
| Total | <u>\$ 6,546,628</u> | <u>\$ 5,528,174</u> | <u>\$ 12,790,958</u> | <u>\$ 10,959,125</u> |

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 6 — 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.

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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 six months ended June 30, 2022.

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 June 30, 2022.

RECLASSIFICATION

Certain reclassifications have been made to conform prior period data to the current presentation. These reclassifications had no effect on reported net income.

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NOTE 2 — PROPERTY AND EQUIPMENT

Property and equipment consists of the following at:

| | <u>June 30, 2022</u> | <u>December 31, 2021</u> |
|---|----------------------|--------------------------|
| Furniture and office equipment | \$ 867,559 | \$ 818,897 |
| Construction in progress | 625,296 | — |
| Leasehold improvements | 1,590,417 | 556,907 |
| Manufacturing equipment and tooling | 2,237,772 | 2,042,675 |
| Total property and equipment | 5,321,044 | 3,418,479 |
| Less: accumulated depreciation and amortization | (2,497,954) | (2,312,034) |
| Property and equipment, net | <u>\$ 2,823,090</u> | <u>\$ 1,106,445</u> |

Construction in progress and leasehold improvement increases of \$0.6 million and \$1.0 million, respectively are due to the new corporate headquarters and manufacturing facility buildout.

Depreciation expense was \$104,560 and \$100,564 for the three months ended June 30, 2022 and 2021, respectively, and \$198,644 and \$200,967 for the six months ended June 30, 2022 and 2021, respectively.

NOTE 3 — 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. KORU Medical is not presently a party to any litigation or other legal proceeding that is believed to be material to its financial condition.

NOTE 4 — STOCK-BASED COMPENSATION

The Company has three equity incentive plans: the 2015 Stock Option Plan, as amended (the “2015 Plan”), the 2021 Omnibus Equity Incentive Plan (the “2021 Plan”), and the Non-Employee Director Compensation Plan. The Company has also issued restricted stock as employment inducement awards to its Chief Executive Officer.

As of June 30, 2022, there were options to purchase 2,937,500 shares of the Company’s common stock outstanding to certain executives, key employees and consultants under the 2015 Plan, of which 160,000 were issued during the three months ended June 30, 2022 and 295,000 were issued during the six months ended June 30, 2022. 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. During the three and six months ended June 30, 2022, there were issued 49,600 and 97,100 shares of common stock, respectively, as director compensation and 475,000 options to purchase shares of common stock as executive compensation under the 2021 Plan.

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. From May 18, 2021 to May 6, 2022, non-employee director compensation was paid pursuant to the 2021 Plan. Since May 6, 2022, non-employee director compensation has been paid pursuant to the Non-Employee Director Compensation Plan. All payments were and are pro-rated for partial service.

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2015 STOCK OPTION PLAN, as amended

Time Based Stock Options

The per share weighted average fair value of stock options granted during the six months ended June 30, 2022 and June 30, 2021 was \$2.10 and \$3.06, 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 six months ended June 30, 2022 and June 30, 2021. 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. We have recognized tax benefits associated with stock-based compensation of \$99,584 and \$9,817 for the six months ended June 30, 2022 and 2021, respectively.

| | June 30, | |
|-----------------------------|---------------|-----------------|
| | 2022 | 2021 |
| Dividend yield | 0.00% | 0.00% |
| Expected Volatility | 65.9% - 77.5% | 74.01% - 74.28% |
| Weighted-average volatility | — | — |
| Expected dividends | — | — |
| Expected term (in years) | 10 | 10 |
| Risk-free rate | 1.81% - 2.99% | 1.20% - 1.62% |

The following table summarizes the status of the 2015 Plan with respect to time based stock options:

| | Six Months Ended June 30, | | | |
|--|---------------------------|--------------|-----------|--------------|
| | 2022 | | 2021 | |
| | Weighted | | Weighted | |
| | Average | | Average | |
| | Exercise | | Exercise | |
| | Shares | Price | Shares | Price |
| Outstanding at January 1 | 3,672,500 | \$ 3.42 | 2,922,494 | \$ 2.46 |
| Granted | 295,000 | \$ 2.70 | 1,250,000 | \$ 3.94 |
| Exercised | 618,750 | \$ 1.57 | 1,000,000 | \$ 1.23 |
| Forfeited | 411,250 | \$ 2.94 | 100,000 | \$ 3.94 |
| Outstanding at June 30 | 2,937,500 | \$ 3.80 | 3,072,494 | \$ 3.41 |
| Options exercisable at June 30 | 837,500 | \$ 3.47 | 871,244 | \$ 2.18 |
| Weighted average fair value of options granted during the period | — | \$ 2.10 | — | \$ 3.06 |
| Stock-based compensation expense | — | \$ 1,013,021 | — | \$ 1,528,522 |

Total stock-based compensation expense was \$1,013,021 and \$1,528,522 for the six months ended June 30, 2022, and 2021, respectively. Cash received from option exercises for the six months ended June 30, 2022, and 2021 was \$0 and \$1,230,000, respectively.

The weighted-average grant-date fair value of options granted during the six months ended June 30, 2022, and 2021 was \$0.6 million and \$3.8 million, respectively. There were 618,750 options exercised during the six months ended June 30, 2022, and 1.0 million during the six months ended June 30, 2021.

The following table presents information pertaining to options outstanding at June 30, 2022:

| | Weighted | | Weighted | |
|-------------------------|-------------|-------------|----------|-------------|
| | Average | Remaining | Average | Remaining |
| | Number | Contractual | Exercise | Exercise |
| Range of Exercise Price | Outstanding | Life | Price | Exercisable |
| | | | Price | |
| \$1.57-\$9.49 | 2,937,500 | 8.4 years | \$ 3.80 | 837,500 |
| | | | | \$ 3.47 |

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As of June 30, 2022, there was \$5,117,429 million of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the Plan. That cost is expected to be recognized over a weighted-average period of 46 months. The total fair value of shares vested as of June 30, 2022, and June 30, 2021, was \$2,149,858 and \$1,378,220, respectively.

Performance Based Stock Options

There were no performance based stock options granted during the six months ended June 30, 2022, and 2021.

The following table summarizes the status of the 2015 Plan with respect to performance based stock options:

| | Six Months Ended June 30, | | | |
|--|----------------------------------|--------------|-----------------|--------------|
| | 2022 | | 2021 | |
| | Weighted | | Weighted | |
| | Average | | Average | |
| | Exercise | | Exercise | |
| | Shares | Price | Shares | Price |
| Outstanding at January 1 | — | \$ — | 1,000,000 | \$ 1.70 |
| Granted | — | \$ — | — | \$ — |
| Exercised | — | \$ — | — | \$ — |
| Forfeited | — | \$ — | — | \$ — |
| Outstanding at June 30 | — | \$ — | 1,000,000 | \$ 1.70 |
| Options exercisable at June 30 | — | \$ — | — | \$ — |
| Weighted average fair value of options granted during the period | — | \$ — | — | \$ — |
| Stock-based compensation expense | — | \$ — | — | \$ (408,747) |

Total performance stock-based compensation expense totaled zero and (\$408,747) for the six months ended June 30, 2022, and 2021, respectively. All performance based stock options were forfeited as of June 30, 2021, and there was no unrecognized compensation cost remaining.

2021 STOCK OPTION PLAN, as amended**Time Based Stock Options**

The per share weighted average fair value of stock options granted during the six months ended June 30, 2022 and June 30, 2021 was \$1.99 and \$0 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 six months ended June 30, 2022 and June 30, 2021. 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. We have recognized tax benefits associated with stock-based compensation of \$8,271 and \$0 for the six months ended June 30, 2022 and 2021, respectively.

| | June 30, | |
|-----------------------------|-----------------|-------------|
| | 2022 | 2021 |
| Dividend yield | 0.00% | 0.00% |
| Expected Volatility | 65.9% | 0% - 0% |
| Weighted-average volatility | — | — |
| Expected dividends | — | — |
| Expected term (in years) | 10 | 0 |
| Risk-free rate | 2.99% | 0% - 0% |

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The following table summarizes the status of the 2021 Plan with respect to time based stock options:

| | Six Months Ended June 30, | | | |
|--------------------------|----------------------------------|--------------|-----------------|--------------|
| | 2022 | | 2021 | |
| | Weighted | | Weighted | |
| | Average | | Average | |
| | Exercise | | Exercise | |
| | Shares | Price | Shares | Price |
| Outstanding at January 1 | 0 | \$ 0 | — | \$ — |
| Granted | 475,000 | \$ 2.67 | — | \$ — |
| Exercised | 0 | \$ — | — | \$ — |
| Forfeited | 0 | \$ — | — | \$ — |
| Outstanding at June 30 | 475,000 | \$ 2.67 | — | \$ — |

| | | | | | | |
|--|---|----|--------|---|----|---|
| Options exercisable at June 30 | 0 | \$ | — | — | \$ | — |
| Weighted average fair value of options granted during the period | — | \$ | 1.99 | — | \$ | — |
| Stock-based compensation expense | — | \$ | 39,384 | — | \$ | — |

Total stock-based compensation expense was \$39,384 and \$0 for the six months ended June 30, 2022, and 2021, respectively. There were no options exercised during the six months ended June 30, 2022 and June 30, 2021.

The weighted-average grant-date fair value of options granted during the six months ended June 30, 2022, and 2021 was \$0.95 million and \$0 million, respectively. There were zero options exercised during the six months ended June 30, 2022, and zero during the six months ended June 30, 2021.

The following table presents information pertaining to options outstanding at June 30, 2022:

| Range of Exercise Price | Weighted | | Weighted | | Price |
|-------------------------|----------|-------------|-------------|----------|-------|
| | Number | Contractual | Exercise | Exercise | |
| Outstanding | Life | Price | Exercisable | Price | |
| \$2.67 | 475,000 | 9.8 years | \$ 2.67 | 0 | \$ 0 |

As of June 30, 2022, there was \$905,831 of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the 2021 Plan. That cost is expected to be recognized over a weighted-average period of 48 months. The total fair value of shares vested as of June 30, 2022, and June 30, 2021, was zero and zero, respectively.

RESTRICTED STOCK AWARDS

The following table summarizes the activities for our restricted stock awards for the six months ended June 30, 2022, and 2021.

| | Six Months Ended June 30, | | | |
|-----------------------|---------------------------|-----------------------|-----------|-----------------------|
| | 2022 | | 2021 | |
| | Shares | Grant-Date Fair Value | Shares | Grant-Date Fair Value |
| Unvested at January 1 | — | \$ — | — | \$ — |
| Granted | 1,000,000 | \$ 3.01 | 1,000,000 | \$ 3.01 |
| Vested | 50,000 | \$ 3.31 | — | \$ — |
| Forfeited/canceled | — | \$ — | — | \$ — |
| Unvested at June 30 | 950,000 | \$ 2.99 | 1,000,000 | \$ 3.01 |

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As of June 30, 2022, and 2021, there was \$1,958,952 and \$2,458,451 of unrecognized compensation cost related to unvested employee restricted shares. This amount is expected to be recognized over a weighted-average period of 21 months. We have recognized tax benefits associated with restricted stock award compensation of \$71,563 and \$13,888 for the six months ended June 30, 2022 and 2021, respectively.

NOTE 5 — DEBT OBLIGATIONS

On June 29, 2022, the Company entered into a Loan Modification Extension Agreement (the “Modification Agreement”) with Keybank National Association (“Lender”) to modify its revolving line of credit with Lender in the amount of \$3,500,000 (the “Loan”) that was originally made available on April 14, 2020 and renewed on June 24, 2021. Among other things, the Modification Agreement: (i) extends the maturity date of the Loan from June 1, 2022 to June 1, 2023; (ii) changes the interest rate applicable to the Loan from Prime – 1.50% to Prime + 0%; (iii) releases the Company from its obligations under a certain security agreement dated June 24, 2021 pursuant to which the Company had previously granted the Lender a first priority security interest in all equipment, inventory, accounts, instruments, chattel paper and general intangibles of the Company (the “Security Agreement”); and (iv) replaces the Security Agreement with a new pledge security agreement dated June 29, 2022 by and between the Company and Lender (the “Pledge Agreement”), which Pledge Agreement grants Lender a first priority security interest in certain of the Company’s bank accounts as collateral security for the Loan. The Company had no amount outstanding against the line of credit as of June 30, 2022.

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 were due on the first of each month beginning August 1, 2021 through June 1, 2022. The Company is in the process of renewing the commercial insurance to begin August 1, 2022 through June 1, 2023.

NOTE 6 — LEASES

We have finance and operating leases for our corporate office and certain office and computer equipment. Our two operating leases have remaining lease terms of ten years and 6 months, respectively. Our finance lease, which was entered into in June 2022 has a

remaining lease term of 5 years.

The components of lease expense were as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|-------------------------------------|--------------------------------|------------------|------------------------------|-------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Operating lease cost | \$ 161,140 | \$ 37,369 | \$ 239,582 | \$ 75,290 |
| Short-term lease cost | 28,579 | 33,548 | 78,288 | 68,437 |
| Total lease cost | <u>\$ 189,719</u> | <u>\$ 70,917</u> | <u>\$ 317,870</u> | <u>\$ 143,727</u> |
| Finance lease cost: | | | | |
| Amortization of right-of-use assets | \$ 5,918 | \$ 794 | \$ 5,918 | \$ 1,589 |
| Interest on lease liabilities | 0 | 19 | 0 | 47 |
| Total finance lease cost | <u>\$ 5,918</u> | <u>\$ 813</u> | <u>\$ 5,918</u> | <u>\$ 1,636</u> |

Supplemental cash flow information related to leases was as follows:

| | Six Months Ended June 30, | |
|---|------------------------------|-----------|
| | 2022 | 2021 |
| Cash paid for amounts included in the measurement of lease liabilities: | | |
| Operating cash flows from operating leases | \$ 181,544 | \$ 70,363 |
| Financing cash flows from finance leases | 6,611 | 1,616 |

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Supplemental balance sheet information related to leases was as follows:

| | June 30, | December 31, |
|---------------------------------------|---------------------|------------------|
| | 2022 | 2021 |
| Operating Leases | | |
| Operating lease right-of-use assets | \$ 4,190,931 | \$ 95,553 |
| Operating lease current liabilities | 363,030 | 95,553 |
| Operating lease long term liabilities | 3,827,900 | — |
| Total operating lease liabilities | <u>\$ 4,190,930</u> | <u>\$ 95,553</u> |

| | June 30, | December 31, |
|-------------------------------------|-------------------|--------------|
| | 2022 | 2021 |
| Finance Leases | | |
| Property and equipment, at cost | \$ 355,071 | \$ 12,725 |
| Accumulated depreciation | 5,918 | (12,725) |
| Property and equipment, net | <u>\$ 349,153</u> | <u>\$ —</u> |
| Finance lease current liabilities | 66,503 | — |
| Finance lease long term liabilities | 281,958 | — |
| Total finance lease liabilities | <u>\$ 348,461</u> | <u>\$ —</u> |

| | June 30, | December 31, |
|--|------------|--------------|
| | 2022 | 2021 |
| Weighted Average Remaining Lease Term | | |
| Operating leases | 10.2 Years | 0.6 Years |
| Finance leases | 5 Years | 0 Years |

| | June 30, | December 31, |
|---------------------------------------|----------|--------------|
| | 2022 | 2021 |
| Weighted Average Discount Rate | | |
| Operating leases | 4.04% | 4.75% |
| Finance leases | 4.25% | 4.75% |

Maturities of lease liabilities are as follows:

| Year Ending December 31, | Operating Leases | Finance Leases |
|---|---------------------|-------------------|
| 2022 (excluding the six months ended June 30, 2022) | 273,928 | 39,664 |
| 2023 | 499,503 | 79,329 |
| 2024 | 499,503 | 79,329 |
| 2025 | 499,503 | 79,329 |
| 2026 | 499,503 | 79,329 |
| Thereafter | 2,830,518 | 33,052 |
| Total undiscounted lease payments | 5,102,458 | 390,032 |
| Less: imputed interest | (911,528) | (41,571) |
| Total lease liabilities | <u>\$ 4,190,930</u> | <u>\$ 348,461</u> |

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PART I — ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Quarterly Report on Form 10-Q contains, and our officers and representatives may from time to time make, certain “forward-looking” statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) and information relating to us that are based on the beliefs of the management, as well as assumptions made and information currently available. 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 uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control.

Our actual results may vary materially from the forward-looking statements made in this report due to important factors such as uncertainties associated with COVID-19, inflation, war and other geopolitical conflicts, customer ordering patterns, availability and costs of raw materials and labor and our ability to recover such costs, our ability to convert inventory to a source of cash, future operating results, growth of new patient starts, Food and Drug Administration and foreign authority regulations and the outcome of regulatory audits, introduction of competitive products, acceptance of and demand for new and existing products, ability to penetrate new markets, success in enforcing and obtaining patents, reimbursement related risks, government regulation of the home health care industry, success of our research and development effort, expanding the market of FREEDOM60[®] demand in the SCIg market, availability of sufficient capital if or when needed, dependence on key personnel, and the impact of recent accounting pronouncements, as well as those risks and uncertainties described in Part II.— Item IA. “Risk Factors” in this report and from time to time in our past and future reports filed with the Securities and Exchange Commission, including in our Annual Report on Form 10-K for the year ended December 31, 2021 in addition to others. When used in this report, the words “estimate,” “project,” “believe,” “may,” “will,” “anticipate,” “intend,” “expect” and similar expressions are intended to identify forward-looking statements, which include, without limitation, statements regarding transition to our secondary manufacturing source, clearing second quarter 2022 backorders, non-recurrence of the impact from inventory accounting, move of our manufacturing facility, need for additional financing, and 2022 expenses and capital expenditures. Such statements reflect current views with respect to future events based on currently available information and are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company does not undertake any obligation to release publicly any revision to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Throughout this report, the “Company,” “KORU Medical,” “we,” “us” or “our” refers to KORU Medical Systems, Inc.

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.

Our revenues derive from three business sources: (i) domestic core, (ii) international core, and (iii) novel therapies. Our domestic core and international core 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 use being for the delivery for immunoglobulin to treat PIDD and CIDP. Novel therapies consist of product revenues from 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 (“NRE”) received from biopharmaceutical companies to ready or customize the FREEDOM System for clinical and commercial use.

We have experienced and continue to experience supply chain issues and inflationary impacts on raw materials and labor resulting from the COVID-19 pandemic. We cannot predict whether current trends will continue and what impact they may have on our business, our customers or our financial results.

The Company continued its implementation of finished goods manufacturing of our needle and tubing sets to Command Medical Products, a third party contract manufacturing organization, which began in 2021 and expects to complete the implementation before the end of first quarter 2023. This move is intended to create a dual source of manufacturing and improve costs.

The Company entered into a lease commencing March 1, 2022 for a new corporate headquarters and manufacturing facility located in Mahwah, NJ. During the quarter ended June 30, 2022, the Company completed the first phase of the move, the headquarters and office staff to the new location, and expects to complete the move of manufacturing before the end of the year.

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The Company ended the 2022 second fiscal quarter with \$6.5 million in net sales, a 18.4% increase, compared with \$5.5 million in the same period last year driven by growth in all three of our business sources.

Gross profit, stated as a percentage of net sales, for the three months ended June 30, 2022, was 51.1%, a decline from 58.1% in the prior year period.

Operating expenses for the three months ended June 30, 2022, were \$7.0 million, up from \$4.6 million for the same period last year, driven primarily by research and development, and for selling, general and administrative for new hires to support commercialization, business development, quality, and regulatory capabilities.

RESULTS OF OPERATIONS

Three months ended June 30, 2022, compared to June 30, 2021

Net Sales

The following table summarizes our net sales for the three months ended June 30, 2022, and 2021:

| | Three Months Ended June 30, | | Change from Prior Year | | % of Net Sales | |
|--------------------|-----------------------------|---------------------|------------------------|--------|----------------|-------|
| | 2022 | 2021 | \$ | % | 2022 | 2021 |
| Net Sales | | | | | | |
| Domestic Core | \$ 4,996,791 | \$ 4,597,797 | \$ 398,994 | 8.7% | 76.3% | 83.2% |
| International Core | 951,485 | 859,694 | 91,791 | 10.7% | 14.5% | 15.5% |
| Novel Therapies | 598,352 | 70,683 | 527,669 | 746.6% | 9.2% | 1.3% |
| Total | <u>\$ 6,546,628</u> | <u>\$ 5,528,174</u> | <u>\$ 1,018,454</u> | 18.4% | | |

Total net sales increased \$1.0 million, or 18.4%, for the three months ended June 30, 2022, as compared with the same period last year, driven primarily by higher novel therapies sales for a milestone completion on an NRE innovation development agreement for a large pharmaceutical customer, clinical product sales for an expanded pipeline and increases in average selling prices for our products. Our domestic core business grew by 8.7%, and was impacted by supply chain issues and labor shortages which created backorders estimated to be \$0.3 million that are not included in the reported net sales number. The increase in domestic core demand inclusive of backorders was attributed to volume growth driven by SCIG market growth and label expansions. We define backorders as any non-cancellable open order not shipped before promised delivery date net of rebates, discounts, and other fees. Backorders are expected to be cleared in the third quarter of 2022. International net sales were \$1.0 million for the three months ended June 30, 2022, up 10.7% compared with the same period last year due to volume growth in several European markets driven by key tender wins.

Gross Profit

Our gross profit for the three months ended June 30, 2022 and 2021 is as follows:

| | Three Months Ended June 30, | | Change from Prior Year | |
|-------------------------------------|-----------------------------|--------------|------------------------|------|
| | 2022 | 2021 | \$ | % |
| Gross Profit | \$ 3,346,173 | \$ 3,210,184 | \$ 135,989 | 4.2% |
| Stated as a Percentage of Net Sales | 51.1% | 58.1% | | |

Gross profit increased \$0.14 million or 4.2% in the three months ended June 30, 2022, compared to the same period in 2021. This increase in the 2022 second quarter was mostly driven by the increase in net sales of \$1.0 million as described above. Gross profit as a percent of sales decreased to 51.1% compared to 58.1% from the second quarter of 2021. The decline in the gross profit percent was primarily caused by the accelerated amortization of manufacturing variances in the quarter, due to lower levels of finished goods inventory. This accounting treatment contributed 3.8 percentage points to the reduction and we believe is a non-recurring event. In addition, the gross profit percent was impacted by manufacturing variances due to supply chain issues in the first quarter of 2022, amortized in the current period. Further contributing was lower gross profit from NRE revenues. Partially offsetting these unfavorable impacts to the gross profit percent was a nominal impact from an increase in average selling prices.

Selling, general and administrative and Research and development

Our selling, general and administrative and research and development costs for the three months ended June 30, 2022 and 2021 are as follows:

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| | Three Months Ended June 30, | | Change from Prior Year | |
|-------------------------------------|-----------------------------|---------------------|------------------------|-------|
| | 2022 | 2021 | \$ | % |
| Selling, general and administrative | \$ 5,530,022 | \$ 4,085,945 | \$ 1,444,077 | 35.3% |
| Research and development | 1,303,731 | 386,878 | 916,853 | 237% |
| | <u>\$ 6,833,753</u> | <u>\$ 4,472,823</u> | <u>\$ 2,360,930</u> | 52.8% |
| Stated as a Percentage of Net Sales | 104.4% | 80.9% | | |

Selling, general and administrative expenses increased \$1.4 million, or 35.3%, during the three months ended June 30, 2022 compared to the same period last year, primarily due to \$1.2 million in compensation and benefits associated with new hires, \$0.15 million in stock compensation, and \$0.3 million in recruitment fees, partially offset by lower restructuring costs of \$0.2 million.

Research and development expenses increased \$0.9 million during the three months ended June 30, 2022 compared with the same period last year, primarily due to \$0.3 million in compensation and benefits, and \$0.5 million in higher consulting fees to support product development for novel therapies.

Depreciation and amortization

Depreciation and amortization expense increased by 6.3 % to \$125,882 in the three months ended June 30, 2022 compared with \$118,415 in the three months ended June 30, 2021. We continue to invest in capital assets, mostly related to leasehold improvements, manufacturing, and computer equipment.

Net Loss

| | Three Months Ended June 30, | | Change from Prior Year | |
|--|-----------------------------|------|------------------------|---|
| | 2022 | 2021 | \$ | % |
| | | | | |

| | | | | | | | |
|-------------------------------------|----|-------------|----|-------------|----|-------------|--------|
| Net Loss | \$ | (2,921,341) | \$ | (1,124,549) | \$ | (1,796,792) | 159.8% |
| Stated as a Percentage of Net Sales | | (44.6%) | | (20.3%) | | | |

Our net loss increased \$1.8 million in the three months ended June 30, 2022 compared with the same period last year mostly driven by higher operating expenses due to higher selling, general and administrative and research and development expenses. A tax benefit of \$0.7 million resulting from the loss was also recorded during the period.

Six months ended June 30, 2022 compared to June 30, 2021

Net Sales

The following table summarizes our net sales for the six months ended June 30, 2022 and 2021:

| | Six Months Ended June 30, | | Change from Prior Year | | % of Net Sales | |
|--------------------|---------------------------|----------------------|------------------------|--------|----------------|-------|
| | 2022 | 2021 | \$ | % | 2022 | 2021 |
| Net Sales | | | | | | |
| Domestic Core | \$ 9,990,327 | \$ 9,010,214 | \$ 980,113 | 10.9% | 78.1% | 82.2% |
| International Core | 1,846,427 | 1,838,600 | 7,827 | 0.4% | 14.4% | 16.8% |
| Novel Therapies | 954,204 | 110,311 | 843,893 | 765.0% | 7.5% | 1.0% |
| Total | <u>\$ 12,790,958</u> | <u>\$ 10,959,125</u> | <u>\$ 1,831,833</u> | 16.7% | | |

Total net sales increased \$1.8 million or 16.7% for the six months ended June 30, 2022, as compared to the prior year period, driven primarily by higher domestic core net sales of \$1.0 million driven by increases in price and volume of pumps and consumables. Further contributing were higher novel therapies sales of \$0.8 million compared with last year due to payment upon completion of two interim NRE milestones this year and clinical product sales for an expanded pipeline. Domestic core net sales were impacted by supply chain issues and labor shortages which created backorders estimated to be \$0.3 million that are not included in reported net sales. We define backorders as any non-cancellable open order not shipped before promised delivery date net of rebates, discounts, and other fees. Backorders are expected to be cleared in the third quarter of 2022. International core net sales were \$1.8 million in the 2022 first six months, relatively flat from the same period last year.

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Gross Profit

Our gross profit for the six months ended June 30, 2022 and 2021 is as follows:

| | Six Months Ended June 30, | | Change from Prior Year | |
|-------------------------------------|---------------------------|--------------|------------------------|------|
| | 2022 | 2021 | \$ | % |
| Gross Profit | \$ 6,968,478 | \$ 6,442,038 | \$ 526,440 | 8.2% |
| Stated as a Percentage of Net Sales | 54.5% | 58.8% | | |

Gross profit increased \$0.53 million or 8.2% in the six months ended June 30, 2022, compared to the same period last year. This increase in the first half of 2022 was mostly driven by the increase in net sales of \$1.8 million as described above. Gross profit, stated as a percentage of net sales, was impacted by unfavorable manufacturing variances due to supply chain issues, labor shortages, and higher NRE revenue at lower margins recorded in the first half of 2022, partially offset by increased average selling prices.

Selling, general and administrative and Research and development

Our selling, general and administrative expenses and research and development costs for the six months ended June 30, 2022 and 2021 are as follows:

| | Six Months Ended June 30, | | Change from Prior Year | |
|-------------------------------------|---------------------------|---------------------|------------------------|--------|
| | 2022 | 2021 | \$ | % |
| Selling, general and administrative | \$ 11,021,235 | \$ 9,078,774 | \$ 1,942,461 | 21.4% |
| Research and development | 2,452,086 | 723,719 | 1,728,367 | 238.8% |
| | <u>\$ 13,473,321</u> | <u>\$ 9,802,493</u> | <u>\$ 3,670,828</u> | 37.4% |
| Stated as a Percentage of Net Sales | 105.3% | 89.4% | | |

Selling, general and administrative expenses increased \$1.94 million, or 21.4%, during the six months ended June 30, 2022 compared to the same period last year, primarily due to \$2 million in compensation and benefits related mostly to new hires in Sales, Quality and Regulatory to support our strategic growth initiatives, \$0.5 million in recruitment fees, \$0.2 million in stock compensation, \$0.2 million in liability insurance, \$0.2 million in travel related costs, and \$0.1 million in consulting costs, partially offset by lower restructuring costs of \$1.2 million.

Research and development expenses increased \$1.73 million during the six months ended June 30, 2022 compared with the same period last year primarily due to \$0.5 million in compensation and benefits, \$0.1 million in recruitment fees, and \$1.0 million in higher consulting fees to support product development for novel therapies.

Depreciation and amortization

Depreciation and amortization expense increased by 0.5% to \$235,134 the six months ended June 30, 2022 compared with \$233,888 in the six months ended June 30, 2021. We continue to invest in capital assets, mostly related to leasehold improvements, manufacturing and computer equipment.

Net Loss

| | Six Months Ended June 30, | | Change from Prior Year | |
|-------------------------------------|---------------------------|----------------|------------------------|--------|
| | 2022 | 2021 | \$ | % |
| Net Loss | \$ (5,458,855) | \$ (2,400,687) | \$ (3,058,168) | 127.4% |
| Stated as a Percentage of Net Sales | (42.7%) | (21.9%) | | |

Our net loss for the six months ended June 30, 2022 was \$5.5 million compared to net loss of \$2.4 million for the six months ended June 30, 2021, driven by higher selling, general and administrative and research and development expenses.

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LIQUIDITY AND CAPITAL RESOURCES

Our principal source of liquidity is our cash on hand of \$18.3 million as of June 30, 2022. Our principal source of operating cash inflows is from sales of our products and NRE services to customers. Our principal cash outflows relate to the purchase and production of inventory and related costs, and selling, general and administrative expenses. Our cash outflows during the six months ended June 30, 2022 include expenses related to our facility move, which we do not expect to recur in future periods. We expect that equipment financing, the Employee Retention Credit (“ERC”), leasehold improvement credits, and inventory reduction by the end of fiscal year 2022 will reduce the current rate of our cash outflows.

To develop new products, support future growth, achieve operating efficiencies, and maintain product quality, we are continuing 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 pre-approved financing arrangements totaling approximately \$0.9 million, which are expected to be fully executed in the third quarter of 2022.

Our inventory position was \$6.8 million at June 30, 2022, which reflects an excess of work in process inventory when compared to prior periods that could not be converted to finished goods as a result of supply chain issues and labor shortages. We expect to reduce this excess inventory and convert it to a source of cash by the end of 2022. We further expect to reduce our inventory position when the transition to our secondary manufacturing source is completed, which we expect by March 31, 2023.

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 determined that it qualified for this credit and anticipated utilizing benefits under this act to aid its liquidity position and as a result recorded a receivable of \$0.7 million as of December 31, 2021. As of June 30, 2022, the credit has not been received.

We expect that our cash on hand and cash flows from operations will be sufficient to meet our requirements at least through the next 12 months. Continued execution on our longer-term strategic plan may require the Company to take on additional debt or raise capital through issuance of equity, or a combination of both in the periods post 12/31/2023. Our future capital requirements may vary from those currently planned and will depend on many factors, including our rate of sales growth, the timing and extent of spending on various strategic initiatives, our international expansion, the timing of new product introductions, market acceptance of our solutions, and overall economic conditions including inflation and the potential impact of global supply imbalances and COVID-19 on the global financial markets. To the extent that current and anticipated future sources of liquidity are insufficient to fund our future business activities and requirements, we may be required to seek additional equity or debt financing sooner. There can be no assurance the Company will be able to obtain the financing or raise the capital required to fund its operations or planned expansion.

Cash Flows

The following table summarizes our cash flows:

| | Six Months Ended | | Six Months Ended | |
|---|------------------|-------------|------------------|-------------|
| | June 30, 2022 | | June 30, 2021 | |
| Net cash used in operating activities | \$ | (4,625,314) | \$ | (2,776,150) |
| Net cash used in investing activities | \$ | (1,928,829) | \$ | (167,136) |
| Net cash (used in)/provided by financing activities | \$ | (515,194) | \$ | 2,166,478 |

Operating Activities

Net cash used in operating activities of \$4.6 million for the six months ended June 30, 2022 was primarily due to the net loss of \$5.5 million, working capital changes which included an increase in inventory of \$0.7 million, an increase in accounts receivable of \$0.5 million, and a decrease in accrued expenses of \$0.7 million, offset by an increase in accounts payable of \$1.2 million, an increase in accrued payroll of \$0.5 million, and a decrease in prepaids of \$0.3 million related to insurance payments. Further contributing were deferred tax assets of \$1.3 million increased for book to tax differences related to stock option expense. Offsetting these were primarily non-cash charges for stock-based compensation of \$1.6 million, and depreciation and amortization of \$0.2 million.

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Net cash used in operating activities of \$2.8 million for the six months ended June 30, 2021 was primarily due to the net loss of \$2.4 million, working capital changes which included an increase in inventory of \$0.7 million related to the transition of manufacturing to

our secondary source, and a decrease in accrued expenses of \$0.8 million most of which was non-cash activity related to the issuance of common stock in settlement of litigation, offset by an increase in accounts payable of \$0.4 million and a decrease in prepaids of \$0.3 million related to insurance payments. Further contributing were deferred tax assets of \$1.2 million increased for book to tax differences related to stock option expense. Offsetting these were primarily non-cash charges for stock-based compensation of \$1.3 million, and depreciation and amortization of \$0.2 million.

Investing Activities

Net cash used in investing activities of \$1.9 million for the six months ending June 30, 2022, was for capital expenditures for manufacturing and office equipment for our corporate office and manufacturing facilities move.

Net cash used in investing activities of \$0.2 million for the six months ending June 30, 2021, was for capital expenditures for manufacturing and office equipment.

Financing Activities

The \$0.5 million used in financing activities for the six months ended June 30, 2022, is from payments on our indebtedness for a note payable for insurance premium financing.

The \$2.2 million provided by financing activities for the six months ended June 30, 2021, is from options exercised and the non-cash activity related to the issuance of common stock in settlement of litigation.

ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

Refer to “NOTE 1 — NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES” in the accompanying financial statements, which is incorporated herein by reference.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

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

There have been no changes in the Company’s internal control over financial reporting during the three months ended June 30, 2022, that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1A. RISK FACTORS

Our operations and financial results are subject to various risks and uncertainties, including those described in “PART 1, ITEM 1A. RISK FACTORS” in our Annual Report on Form 10-K for the year ended December 31, 2021 and below in this Quarterly Report on Form 10-Q, which could adversely affect our business, financial condition, results of operations, cash flows, and the trading price of our common stock.

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Rising inflation may materially impact our financial operations or results of operations.

Inflation has increased in the first half of 2022 and is expected to continue to increase for the near future. Inflationary factors, such as increases in the cost of our raw materials, manufacturing, interest rates, labor and overhead costs may adversely affect our operating results. Although we do not believe that inflation has had a material impact on our financial position or results of operations to date, we expect to experience effects beginning in the second half of 2022, which could have a material impact on our financial condition or results of operations.

ITEM 5. OTHER INFORMATION

On August 1, 2022, the Company amended and restated its annual cash bonus incentive plan for executives that was adopted in 2020, the Management Incentive Compensation Plan, to serve as an annual cash bonus incentive plan applicable to all full-time, salaried employees and such other employees designated by the Chief Executive Officer, now known as the Annual Incentive Compensation Plan.

On August 1, 2022, the Company’s Board of Directors eliminated the position of Chief Operating Officer and, therefore, removed Manuel Marques as an officer of the Company. Also on August 1, 2022, the Company gave Mr. Marques notice pursuant to his employment agreement that his employment with the Company would terminate, as a result of the position elimination, effective September 30, 2022 post an orderly transition.

On August 2, 2022, the Company appointed Christopher Pazdan, previously Vice President of Quality Assurance and Regulatory Affairs, to the newly created position of Senior Vice President, Operations. Mr. Pazdan will continue accountability for Quality Assurance and Regulatory Affairs, in addition to his new responsibility for Operations. In connection with such appointment, Mr. Pazdan entered into an amended employment agreement to increase his annual bonus potential from 35% to 40% of his base salary and, subject to approval of the Compensation Committee of the Company's Board of Directors (the "Committee"), will receive options to purchase 100,000 shares of the Company's common stock at an exercise price on the date of issuance (which will be the 1st or 15th day of the month following the Committee's approval). The options will be subject to vesting conditions based on certain performance criteria to be determined by the Committee.

Mr. Pazdan has served as the Company's Vice President of Quality Assurance and Regulatory Affairs since September 2021. From February 2019 to the time he joined the Company, Mr. Pazdan served first as Vice President, QA/RA and then Vice President, Quality Assurance at Hillrom, a global medical technology company. Prior to that time, from January 2017 to May 2018, he served as Sr. Director, Corporate QA/RA at Hillrom. From May 2018 to February 2019, Mr. Pazdan held the position of Director, Operations Quality at Abbott Laboratories. Mr. Pazdan previously worked at Becton Dickinson, Wockhardt and Rexam Pharma. Mr. Pazdan received his bachelor's degree in engineering from the University of Illinois at Urbana-Champaign.

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PART II – ITEM 6. EXHIBITS.

Exhibit No. Description

| | |
|---------|---|
| 10.1 | Employment Agreement dated as of October 20, 2021 between KORU Medical Systems, Inc. and Thomas Adams |
| 10.2 | Employment Agreement dated as of August 4, 2021 between KORU Medical Systems, Inc. and Christopher Pazdan |
| 10.3 | Amendment to Employment and Option Agreements dated as of August 2, 2022 between KORU Medical Systems, Inc. and Christopher Pazdan |
| 31.1 | Certification of Principal Executive Officer Pursuant to Section 302 of Sarbanes-Oxley Act 2002 |
| 31.2 | Certification of Principal Financial Officer Pursuant to Section 302 of Sarbanes-Oxley Act 2002 |
| 32.1 | Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act 2002 |
| 32.2 | Certification of Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act 2002 |
| 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) |

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SIGNATURES

Pursuant to the requirements 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.

August 3, 2022

KORU MEDICAL SYSTEMS, INC.
/s/ Linda Tharby
Linda Tharby, President and Chief Executive Officer

(Principal Executive Officer)

August 3, 2022

/s/ Thomas Adams
Thomas Adams, Interim Chief Financial Officer and Treasurer

(Principal Financial Officer)

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Exhibit 10.1

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") effective as of October 20, 2021, is made by and between Repro Med Systems, Inc. d/b/a KORU Medical Systems, a New York corporation, having its principal place of business at 24 Carpenter Road, Chester, NY 10918 (the "Company"), and Thomas Adams, an individual having a domicile at [address] ("Employee").

WHEREAS, the Company desires to employ Employee, and Employee desires to be employed by the Company, upon terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual promises set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, intending to be legally bound hereby, the parties hereto agree as follows:

1. Employment.

(a) Position. The Company hereby employs Employee as Vice President of Financial Planning and Analysis of the Company, effective November 15, 2021. Employee shall report directly to the Company's Chief Financial Officer, and shall have the duties, authority and responsibilities customarily held by a person holding the position of Vice President of Financial Planning and Analysis in companies engaged in business similar to the Company's business and of similar size to the Company. Employee shall render such other services as may be reasonably assigned to him from time to time by the Chief Financial Officer. Employee shall be a full-time, exempt employee.

(b) Duties. Employee hereby agrees to be employed as Vice President of Financial Planning and Analysis. Employee agrees that he shall: (i) faithfully and to the best of his ability perform all of the duties that may be required of him pursuant to the terms of this Agreement; (ii) devote substantially all of his business time and attention to the performance of Employee's duties hereunder; and (iii) not engage in any other business, profession or occupation for compensation or otherwise which would conflict or interfere with the performance of such services either directly or indirectly without the prior written consent of the Chief Financial Officer.

(c) Place of Performance. The principal place of Employee's employment shall be at the Company's corporate headquarters. Employee will be required to travel routinely on Company business.

2. At-Will Employment. The Company and Employee agree that Employee's employment with the Company is "at-will," meaning that Employee may terminate his employment at any time for any reason or no reason, and that Company may terminate Employee's employment at any time for any reason or no reason, subject to the terms, conditions, and obligations set forth in Section 4 of this Agreement.

3. Compensation and Related Matters.

(a) Base Salary. The Company shall pay to Employee an annual base salary \$240,000.00 (the "Base Salary"), less such deductions as are required by law or that Employee may elect in accordance with Company policy and procedure, payable in equal periodic installments in accordance with the Company's customary payroll practices, but no less frequently than monthly. The Base Salary shall be prorated for any partial year of employment on the basis of a 365-day year. The Base Salary shall be reviewed at least annually by the Company's Board of Directors (the "Board") and may be adjusted from time to time in the Board's sole and absolute discretion.

(b) Signing Bonus. Employee shall receive a bonus payment of \$40,000.00 (the "Signing Bonus") on the first regular payroll date following Employee's commencement of employment under this Agreement. Employee must be fully and actively employed, and not otherwise have noticed termination of his employment and/or this Agreement for any reason, as the date of such payment to be eligible for such payment. The payment under this Section shall be less such deductions as are required by law or that Employee may elect in accordance with Company policy and procedure. In the event Employee is not fully and actively employed or has noticed termination of his employment and/or this Agreement, for any reason prior to the date which is six months following Employee's commencement of employment under this Agreement, Employee shall repay the full amount of the Signing Bonus to the Company within 30 days following his termination of employment.

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(c) Annual Bonus. For each complete calendar year, Employee shall be eligible to earn an annual bonus of up to 30% of the Base Salary in accordance with Company policy and procedure for granting of a management specified employee bonus, based on achievement of Company and individual performance targets that will be set by the Company as part of the annual budget process and within the Company's sole discretion (the "Annual Bonus"). The determination as to whether applicable targets have been achieved, and whether and to what extent any Annual Bonus is to be paid with respect to such targets, shall be made in the sole and absolute discretion of the Company. Any Annual Bonus so determined shall be paid in the month of March following the applicable bonus year, no later than March 31, less such deductions as are required by law or that Employee may elect in accordance with Company policy and procedure. Employee must be fully and actively employed as of the payment date and must not have provided notice of termination for any reason prior to the payment date to be entitled to the Annual Bonus.

(d) Stock Options. Subject to the approval and sole discretion of the Board, Employee shall be granted a non-qualified option (the "Option") to acquire 200,000 shares of common stock (the "Shares"), which shall be subject to the terms of the Company's 2015 Stock Option Plan, as amended from time to time, and any associated

equity and/or grant agreement required to be entered into by Employee and the Company. The Shares will be subject to a four (4) year vesting schedule. Twenty-five percent of the Shares shall vest on the one (1) year anniversary of the date of grant (the "Vesting Commencement Date"), and the remaining Shares shall vest as follows: 25% of the Shares at the end of each successive twelve (12) month period following the Vesting Commencement Date, provided that the Employee is still employed by the Company pursuant to this Agreement on each respective Vesting Date. The exercise price of the Shares shall be determined on the first or fifteenth of the month following Employee's commencement of employment under this Agreement, whichever is first.

(e) Business Expenses. Employee shall receive reimbursement from the Company for all reasonable and documented out-of-pocket expenses incurred by Employee in performing services hereunder; provided that, in each case, that such expenses are accounted for in accordance with the standard policies and procedures established by the Company for reimbursement of expenses.

(f) Paid Vacation; Sick Time; Personal Days; and Holidays. Employee shall be entitled to four (4) weeks of paid vacation time off per calendar year, which is eligible for accrual at 6.66 hours on a semi-monthly basis (pro-rated according to the Company's standard policies and procedures related to accrual of paid vacation time off), to be taken at such times and for such periods as shall not interfere with the duties required to be rendered by Employee hereunder. Employee shall also accrue a total of seven (7) paid sick days and two (2) paid personal days per calendar year in accordance with current Company policy, which may be revised from time to time. In addition to the foregoing, Employee shall be entitled to ten (10) paid holidays in accordance with the Company's policies and procedures. Employee shall not be paid for accrued but unused vacation paid time off, paid sick time, or paid personal days upon termination of Employee's employment for any reason, unless otherwise required by law.

(h) Other Benefits. Employee shall be entitled to participate in such life insurance, medical, dental disability, pension and retirement plans and other programs as may be approved from time to time by the Company for the benefit of its employees, except any such plan or program with respect to which Employee voluntarily executes a legally effective waiver. Nothing herein shall affect the Company's right to amend, modify or terminate any retirement or other benefit plan at any time for any reason.

4. Termination of Employment.

(a) Termination by Company. The Company may terminate Employee's employment with the Company at any time effective immediately, with or without cause. Employee may terminate Employee's employment with the Company at any time upon thirty (30) days' prior written notice.

(b) Accrued and Unpaid Compensation. If Employee's employment is terminated for any reason, the Company shall pay Employee his full Base Salary through the effective date of the termination of Employee's employment ("Termination Date"), plus all accrued and unpaid benefits (including all health and welfare benefits in which Employee was a participant in accordance with their terms), and the Company shall have no further obligations whatsoever to Employee under this Agreement except as expressly provided otherwise in this Agreement.

5. Representations and Warranties of Employee. Employee represents and warrants to the Company that he is free to accept employment hereunder and that he has no prior or other obligations or commitments of any

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kind that would in any way hinder or interfere with his acceptance of, or the full performance of, such employment.

6. Confidentiality.

(a) During Employee's employment and at all times thereafter, Employee shall keep Confidential Information (as defined below) strictly confidential. Employee shall not at any time, directly or indirectly, disclose or divulge any Confidential Information, except (i) if required by law, regulation or legal or regulatory process, but only in accordance with Section 6(b) below, or (ii) to his affiliates and his and their respective directors, officers, employees, managing members, general partners, agents and consultants (including attorneys, financial advisors and accountants) ("Representatives"), as applicable, to the extent necessary to permit such Representatives to assist Employee in any Permitted Use (as defined below); provided that Employee shall require each such Representative to be bound by the terms of this Section 6 to the same extent as if they were parties hereto and Employee shall be responsible for any breach of this Section 6 by any of its Representatives.

(b) If Employee or any of his Representatives is required, in the written opinion of Employee's counsel, to disclose any Confidential Information, by law, regulation or legal or regulatory process, Employee shall: (i) take all reasonable steps to preserve the privileged nature and confidentiality of the Confidential Information, including requesting that the Confidential Information not be disclosed to non-parties or the public; (ii) give the Company prompt prior written notice of such request or requirement so that the Company may seek, at its sole cost and expense, an appropriate protective order or other remedy; and (iii) cooperate with the Company, at the Company's sole cost and expense, to obtain such protective order. In the event that such protective order or other remedy is not obtained, Employee (or such other persons to whom such request is directed) will furnish only that portion of the Confidential Information which, on the advice of such person's counsel, is legally required to be disclosed and, upon the Company's request, use its reasonable best efforts to obtain assurances that confidential treatment will be accorded to such information.

(c) For the purposes hereof, "Confidential Information" shall mean all trade secrets, information, data, documents, agreements, files and other materials, whether disclosed orally or disclosed or stored in written, electronic or other form or media, which is obtained from or disclosed by the Company or its Representatives before or after the date hereof regarding the Company or its clients, including, without limitation, all analyses, compilations, reports, forecasts, studies, samples and other documents which contain or otherwise reflect or are

generated from such information, data, documents, agreements, files or other materials. The term "Confidential Information" as used herein does not include information that at the time of disclosure or thereafter is generally available to and known by the public (other than as a result of its disclosure directly or indirectly by Employee or any of his Representatives in violation of this Agreement).

(d) Employee shall make no use whatsoever, directly or indirectly, of any Confidential Information, except for: (i) the purposes of performing Employee's duties and obligations to the Company; (ii) evaluating Employee's ownership interest in the Company; and (iii) use for the benefit of the Company as part of the solicitation of existing or prospective customers of the Company.

(e) Upon the termination of Employee's employment or upon the Company's request at any time and for any reason, Employee shall immediately deliver to the Company all materials (including all soft and hard copies) in Employee's possession which contain or relate to Confidential Information, as well as all information necessary to access such confidential information.

(f) Notwithstanding the foregoing confidentiality obligations, pursuant to 18 USC § 1833(b), Employee will not be held criminally or civilly liable under any federal or state trade secret law for disclosing a trade secret if such disclosure is made: (i) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law; or (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Additionally, if Employee files a lawsuit claiming retaliation by Company based on the reporting of a suspected violation of law, Employee may disclose a trade secret to Employee's attorney and use the trade secret information in the court proceeding, so long as any document containing the trade secret is filed under seal and Employee does not disclose the trade secret except pursuant to court order.

7. Assignment of Developments.

(a) All inventions, modifications, discoveries, designs, developments, improvements, processes,

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works of authorship, documentation, formulae, data, techniques, know-how, secrets or intellectual property rights or any interest therein made by Employee, either alone or in conjunction with others, at any place or at any time during the Term, whether or not reduced to writing or practice during such period which result, in whole or in part, from (i) any services performed directly or indirectly for the Company by Employee, or (ii) Employee's use of the Company's time, equipment, supplies, facilities or information (collectively, the "Company Developments") shall be and hereby is the exclusive property of the Company without any further compensation to Employee. In addition, without limiting the generality of the foregoing, all Company Developments which are copyrightable work by Employee are intended to be "work made for hire" as defined in Section 81 of the Copyright Act of 1976, as amended, and shall be and hereby are the property of the Company.

(b) Employee shall promptly disclose any Company Developments to the Company. If any Company Development is not the property of the Company by operation of law, this Agreement or otherwise, Employee will, and hereby does, without further consideration, assign to the Company all right, title and interest in such Company Development and will reasonably assist the Company and its nominees in every way, at the Company's expense, to secure, maintain and defend the Company's rights in such Company Development. Employee shall sign all instruments necessary for the filing and prosecution of any applications for, or extension or renewals of, letters patent (or other intellectual property registrations or filings) of the United States or any foreign country which the Company desires to file. Employee hereby irrevocably designates and appoints the Company and its duly authorized officers and agents as Employee's agent and attorney-in-fact (which designation and appointment shall be deemed coupled with an interest and shall survive Employee's death or incapacity), to act for and in Employee's behalf to execute and file any such applications, extensions or renewals and to do all other lawfully permitted acts to further the prosecution and issuance of such letters patent or other intellectual property registrations or filings, or such other similar documents, with the same legal force and effect as if executed by Employee.

8. Non-Competition; Non-Solicitation; Non-Disparagement.

(a) During Employee's employment and for the Restricted Period (as defined below), Employee shall not engage in any Prohibited Activity anywhere in the world. For the purposes of this Agreement, "Restricted Period" shall mean the duration of Employee's employment by the Company and the twelve (12) months following termination of Employee's employment for any reason; and (ii) "Prohibited Activity," shall mean the design, development, marketing, sale, re-sale, manufacture or distribution of home infusion products, or other similar activities, or the engagement in any other business in which the Company is actively engaged at the time of termination of employee's employment for any reason or otherwise within the Restricted Period, in each case on Executive's behalf or on behalf of another (including as a shareholder, member, employee, employer, owner, operator, manager, advisor, consultant, agent, partner, joint venturer or investor of another person or entity). Prohibited Activity also includes activity that may require or inevitably require disclosure of trade secrets, proprietary information or other Confidential Information of the Company except as otherwise permitted hereunder.

(b) During the Restricted Period, Employee shall not, directly or indirectly: (i) solicit, hire, recruit, attempt to hire or recruit, or induce the termination of employment of any employee of the Company; (ii) solicit, contact (including but not limited to e-mail, regular mail, express mail, telephone, fax, and instant message), attempt to contact or meet with any (x) existing or prospective customer of the Company for purposes of offering or accepting goods or services similar to or competitive with those offered by the Company, or (y) competitor of the Company for any purpose related to the business or services of the competitor or the Company; or (iii) induce, influence or encourage any existing or prospective customer, supplier or other business partner of the Company for purposes of diverting their business or services from the Company.

(c) Employee shall not, during his employment or thereafter, make, publish or communicate to any person or in any public forum any comments or statements (whether written or oral) that denigrate or disparage the reputation or stature of the Company, its affiliates or any of their respective officers, directors, managers or employees (acting in their capacity as officers, directors, managers or employees of the Company or its affiliates). Notwithstanding the foregoing, nothing in this Section 8(c) is intended to, nor shall it, interfere with Employee's protected rights under applicable labor laws to engage in protected concerted activity, or to file a charge or complaint with, or participate in an investigation or proceeding pursuant to, the statutes administered by the Equal Employment Opportunity Commission or equivalent state agency, or any federal, state or local government agency.

(d) Employee acknowledges that the restrictions contained in this Section 8 are reasonable and necessary to protect the legitimate interests of the Company and constitute a material inducement to the Company to

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enter into this Agreement and offer employment to Employee under this Agreement. In the event that any covenant contained in this Section 8 should ever be adjudicated to exceed the time, geographic, product or service, or other limitations permitted by applicable law in any jurisdiction, then any court is expressly empowered to reform such covenant, and such covenant shall be deemed reformed, in such jurisdiction to the maximum time, geographic, product or service, or other limitations permitted by applicable law. The covenants contained in this Section 8 and each provision hereof are severable and distinct covenants and provisions. The invalidity or unenforceability of any such covenant or provision as written shall not invalidate or render unenforceable the remaining covenants or provisions hereof, and any such invalidity or unenforceability in any jurisdiction shall not invalidate or render unenforceable such covenant or provision in any other jurisdiction.

9. Amendment; Waiver. This Agreement may be amended, and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only by an instrument in writing signed by the parties hereto. Waiver of any term or condition of this Agreement will not be construed as a waiver of any subsequent breach or waiver of the same term or condition, or a waiver of any other term or condition of this Agreement.

10. Applicable Law; Severability. This Agreement shall be governed by and construed under the laws of the State of New York, exclusive of the body of law known as conflicts of law. Should a court or other body of competent jurisdiction determine that any term or provision of this Agreement is excessive in scope or duration or is illegal, invalid or unenforceable, then the parties agree that such term or provision shall not be voided or made unenforceable, but rather shall be modified so as to be valid, legal and enforceable to the maximum extent possible, under the purposes stated in the preceding sentence and with applicable law, and all other terms and provisions of this Agreement shall remain valid and fully enforceable.

11. Submission to Jurisdiction; Waiver of Jury Trial.

(a) IF A DISPUTE ARISES BETWEEN THE PARTIES CONCERNING THE SUBJECT MATTER OF THIS AGREEMENT, THE PARTIES CONSENT TO THE SOLE AND EXCLUSIVE JURISDICTION OF THE STATE COURTS SITUATED IN CHESTER COUNTY, NEW YORK AND THE FEDERAL UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK.

(b) EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES AND, THEREFORE, EACH SUCH PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LEGAL ACTION ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

12. Equitable Relief. In the event of a breach or threatened breach by Employee of Sections 6 through 8, Employee hereby consents and agrees that the Company shall be entitled to seek, in addition to other available remedies, a temporary or permanent injunction or other equitable relief against such breach or threatened breach from any court of competent jurisdiction, without the necessity of showing any actual damages or that monetary damages would not afford an adequate remedy, and without the necessity of posting any bond or other security. The aforementioned equitable relief shall be in addition to, not in lieu of, legal remedies, monetary damages or other available forms of relief.

13. Further Assurances. The Company and Employee shall each take all actions as may be reasonably necessary or appropriate in furtherance of their respective obligations and covenants set forth in this Agreement, including, without limitation, executing and delivering such additional agreements, certificates, instruments and other documents as may be deemed necessary or appropriate.

14. Assignability; Third-Party Beneficiary. This Agreement will be binding upon, enforceable by and inure solely to the benefit of, the parties and their respective permitted successors and assigns. Except as otherwise expressly provided in this Agreement, this Agreement shall not be assigned by any party hereto without the prior written consent of the non-assigning parties. Except as otherwise expressly provided in this Agreement, nothing in this Agreement is intended to or will confer upon any person, other than the parties to this Agreement and their respective heirs, successors and assigns, any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement. Notwithstanding anything to the contrary herein, nothing in this Agreement shall preclude the Company from consolidating or merging into or with, transferring all or substantially all of its equity or assets to, or

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otherwise assigning this Agreement by operation of law to another person or entity without the consent of Employee; provided that, in each case, such other person or entity shall assume this Agreement and all obligations of the Company hereunder. Upon such consolidation, merger, transfer of equity or assets, or assignment by operation of law, and such assumption, the term the "Company" as used herein, shall mean such other person or entity and this Agreement shall continue in full force and effect.

15. Notices. All notices and other communications under this Agreement must be in writing and will be deemed given if delivered personally, faxed, sent by internationally recognized overnight courier, mailed by registered or certified mail (return receipt requested), postage prepaid, or sent by electronic mail (without a failed transmission response) to the parties at the following addresses (or at such other address for a party as such party specifies by like notice):

If to the Company:
Repro Med Systems, Inc. d/b/a KORU Medical Systems
24 Carpenter Road
Chester, NY 10918
Attention: Karen Fisher Telephone: 845-610-5574
Email: kfisher@korumedical.com

If to the Employee:
Thomas Adams
Address: [address]
Email: [email]
Cell: [cell]

All such notices, consents, requests, demands, waivers and other communications so delivered, mailed or sent shall be deemed to have been received (i) if by personal delivery, on the day delivered, (ii) if by certified or registered mail, on the earlier of the date of receipt or the third business day after the mailing thereof, (iii) if by next-day or overnight mail or delivery service such as Federal Express or UPS, on the day delivered or (iv) if by fax or electronic mail, on the day on which such fax or electronic mail was sent, provided that a copy is also sent by certified or registered mail or by next-day or overnight mail or delivery service such as Federal Express or UPS.

16. Termination of Agreement; Survival. This Agreement shall terminate upon termination of Employee's employment as provided herein; provided, however, that the provisions of Sections 6, 7, 8, 10, 11, 12 and this Section 16 shall survive termination of this Agreement.

17. Section 409A. Notwithstanding any provision to the contrary in this Agreement, no payment shall be made and no election shall be permitted that would violate the requirements of or cause taxation under Section 409A of the Internal Revenue Code and the Treasury regulations promulgated thereunder. Further, all provisions in this Agreement shall be interpreted in a manner consistent with Section 409A and guidance related thereto.

18. Counterparts. This Agreement may be executed in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement.

19. Electronic Execution and Delivery. The parties may execute and deliver this Agreement by facsimile, electronic mail of a .PDF or other electronic means under which the signature of or on behalf of such party can be seen, and such execution and delivery will be considered valid, binding and effective for all purposes.

20. Entire Agreement. This Agreement constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, among or between any of the parties with respect to the subject matter hereof and thereof, including without limitation any prior consulting agreement but excluding any separate confidentiality and/or assignment of inventions agreement Employee may have previously signed.

[signature page follows]

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IN WITNESS WHEREOF, the authorized representatives of the parties have executed this Agreement as of the date first set forth above.

COMPANY:

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

By: /s/ Karen Fisher
Name: Karen Fisher
Title: Chief Financial Officer

Dated: October 20, 2021

EMPLOYEE:

/s/ Thomas Adams

Dated: 10/20/21

Exhibit 10.2

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") effective as of August 4, 2021, is made by and between Repro Med Systems, Inc. d/b/a KORU Medical Systems, a New York corporation, having its principal place of business at 24 Carpenter Road, Chester, NY 10918 (the "Company"), and Christopher Pazdan, an individual having a domicile at [address] ("Employee").

WHEREAS, the Company desires to employ Employee, and Employee desires to be employed by the Company, upon terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual promises set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, intending to be legally bound hereby, the parties hereto agree as follows:

1. Employment

(a) Position. The Company hereby employs Employee as Vice President of Quality Assurance and Regulatory Affairs of the Company. Employee shall report directly to the President/Chief Executive Officer of the Company (the "CEO") and shall have the duties, authority and responsibilities customarily held by a person holding the position Vice President of Quality Assurance and Regulatory Affairs in companies engaged in business similar to the Company's business and of similar size to the Company. Employee shall render such other services as may be reasonably assigned to him from time to time by the CEO. Employee shall be a full-time, exempt employee. Employee's employment under this Agreement is expected to commence on September 6, 2021.

(b) Duties. Employee hereby agrees to be employed as Vice President of Quality Assurance and Regulatory Affairs. Employee agrees that he shall: (i) faithfully and to the best of his ability perform all of the duties that may be required of him pursuant to the terms of this Agreement; (ii) devote substantially all of his business time and attention to the performance of Employee's duties hereunder; and (iii) not engage in any other business, profession or occupation for compensation or otherwise which would conflict or interfere with the performance of such services either directly or indirectly without the prior written consent of the CEO.

(c) Place of Performance. The principal place of Employee's employment shall be at the Company's corporate headquarters. Employee will be required to travel routinely on Company business.

2. At-Will Employment. The Company and Employee agree that Employee's employment with the Company is "at-will," meaning that Employee may terminate his employment at any time for any reason or no reason, and that Company may terminate Employee's employment at any time for any reason or no reason, subject to the terms, conditions, and obligations set forth in Section 4 of this Agreement.

3. Compensation and Related Matters

(a) Base Salary. The Company shall pay to Employee an annual base salary \$295,000.00 (the "Base Salary"), less such deductions as are required by law or that Employee may elect in accordance with Company policy and procedure, payable in equal periodic installments in accordance with the Company's customary payroll practices, but no less frequently than monthly. The Base Salary shall be prorated for any partial year of employment on the basis of a 365-day year. The Base Salary shall be reviewed at least annually by the Company's Board of Directors (the "Board") and may be adjusted from time to time in the Board's sole and absolute discretion.

(b) Signing and Retention Bonus. Employee shall receive two installment bonus payments as follows: (i) \$85,000.00 on the first regular payroll date following Employee's commencement of employment under this Agreement; and (ii) \$106,400.00 in March 2022 no later than March 31, 2022. Employee must be fully and actively employed, and not otherwise have noticed termination of his employment and/or this Agreement for any reason, as the date of each such installment payment to be eligible for such payment. Payments under this Section shall be less such deductions as are required by law or that Employee may elect in accordance with Company policy and procedure.

(c) Annual Bonus. For each complete calendar year, Employee shall be eligible to earn an annual bonus (the "Annual Bonus") of up to 35% of the Base Salary in accordance with Company policy and procedure for granting of a management specified employee bonus, based on achievement of Company and individual performance targets that will be set by the Company as part of the annual budget process and within the Company's sole discretion. The determination as to whether applicable targets have been achieved, and whether and to what extent any Annual Bonus is to be paid with respect to such targets, shall be made in the sole and absolute discretion of the Company. Any Annual Bonus so determined shall be paid in the month of March following the applicable bonus year, no later than March 31, less such deductions as are required by law or that Employee may elect in accordance with Company policy and procedure. Employee must be fully and actively employed as of the payment date and must not have provided notice of termination for any reason prior to the payment date to be entitled to the Annual Bonus.

(d) Stock Options. Subject to the approval and sole discretion of the Board, Employee shall be granted a non-qualified option (the "Option") to acquire 200,000 shares of common stock (the "Shares"), which shall be subject to the terms of the Company's 2015 Stock Option Plan, as amended from time to time, and any associated equity and/or grant agreement required to be entered into by Employee and the Company. The Shares will be subject to a four (4) year vesting schedule. Twenty-five percent of the Shares shall vest on the one (1) year anniversary of the date of grant (the "Vesting Commencement Date"), and the remaining Shares shall vest as follows: 25% of the

Shares at the end of each successive twelve (12) month period following the Vesting Commencement Date, provided that the Employee is still employed by the Company pursuant to this Agreement on each respective Vesting Date. The exercise price of the Shares shall be determined on the first or fifteenth of the month following Employee's commencement of employment under this Agreement, whichever is first.

(e) Relocation Expenses. Subject to and contingent upon Employee's signature on the Relocation Payback Agreement attached hereto at Exhibit 1, Employee shall be entitled to participate in the KORU Medical Systems Executive Relocation Program, subject to the terms and conditions described within Exhibit 1 at the document entitled "Koru Medical Systems Executive Relocation Program."

(f) Business Expenses. Employee shall receive reimbursement from the Company for all reasonable and documented out-of-pocket expenses incurred by Employee in performing services hereunder; provided that, in each case, that such expenses are accounted for in accordance with the standard policies and procedures established by the Company for reimbursement of expenses.

(g) Paid Vacation; Sick Time; Personal Days; and Holidays. Employee shall be entitled to four (4) weeks of paid vacation time off per calendar year (pro-rated according to the Company's standard policies and procedures related to accrual of paid vacation time off), to be taken at such times and for such periods as shall not interfere with the duties required to be rendered by Employee hereunder. Employee shall also accrue a total of seven (7) paid sick days and two (2) paid personal days per calendar year in accordance with current Company policy, which may be revised from time to time. In addition to the foregoing, Employee shall be entitled to paid holidays in accordance with the Company's policies and procedures. Employee shall not be paid for accrued but unused vacation paid time off, paid sick time, or paid personal days upon termination of Employee's employment for any reason, unless otherwise required by law.

(h) Other Benefits. Employee shall be entitled to participate in such life insurance, medical, dental disability, pension and retirement plans and other programs as may be approved from time to time by the Company for the benefit of its employees, except any such plan or program with respect to which Employee voluntarily executes a legally effective waiver. Nothing herein shall affect the Company's right to amend, modify or terminate any retirement or other benefit plan at any time for any reason.

4. Termination of Employment.

(a) Termination by Company. The Company may terminate Employee's employment with the Company at any time effective immediately: (i) without Cause (as defined below); or (ii) with Cause (as defined below). For purposes of this Agreement, "Cause" shall mean Employee's: (A) gross negligence or willful

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misconduct with respect to the Company, including, without limitation, engagement in dishonesty with respect to the Company's business, or conduct that is injurious to the Company, its business or its reputation; (B) embezzlement, theft or fraud; (C) conviction of or plea of guilty to no contest to any felony, or any lesser crime of dishonesty; (D) personal conduct in furtherance of a hostile work environment or personal engagement in discrimination in violation of any state or federal anti-harassment or discrimination statute; (E) breach of any material obligation under this Agreement or any other written agreement between Employee and the Company; (F) Employee's failure to perform Employee's duties (other than any such failure resulting from incapacity due to physical or mental illness); or (G) violation of the Company's written policies, including but not limited to its Code of Ethics and/or Code of Conduct.

(b) Without Good Reason by Employee. Employee may terminate his employment with the Company without Good Reason by giving Company not less than sixty (60) days' prior written notice, provided that the Company may waive all or any part of the sixty (60) day notice period for no consideration by giving written notice to the Employee and, for all purposes of this Agreement, the Employee's effective date of termination shall be the date determined by the Company in such notice.

(c) For Good Reason by Employee. Employee may terminate this Agreement at any time for Good Reason. "Good Reason" shall mean, in each case to the extent not consented to by Employee: (i) a breach by the Company of any material provision of this Agreement; (ii) a material reduction of the Employee's duties or responsibilities; or (iii) a reduction of the Employee's Base Salary. Notwithstanding the foregoing, no action by the Company shall constitute Good Reason unless and until: (A) the Company shall have received, within thirty (30) days of the commencement of the existence of the condition constituting Good Reason, written notice from the Employee alleging that such Good Reason exists and setting forth the basis therefore in reasonable detail; (B) within thirty (30) days after the receipt of said written notice by the Company, the Company shall have failed to cure or correct the circumstances giving rise to such Good Reason; and (C) Employee terminates his employment upon written notice to the Company within five (5) days after expiration of such period referenced in (B).

(d) Death. Employee's employment hereunder shall terminate effective immediately upon his death.

(e) Disability. The Company may terminate Employee's employment hereunder if: (i) as a result of Employee's incapacity due to physical or mental illness, Employee shall have been absent from his duties hereunder for a period of 120 consecutive days or a total of 180 days during any 365-day period and is unable to perform the essential duties of the job with or without a reasonable accommodation; and (ii) if within ten (10) days after written notice of termination is given by the Company to Employee (which may occur at or after the end of such period), Employee shall not have returned to the performance of his duties hereunder on a full-time basis. During any period that Employee fails to perform his duties hereunder as a result of incapacity due to physical or mental illness (the "Disability Period"), Employee shall continue to receive his Base Salary as set forth in Section 3(a) of this Agreement until his employment is terminated pursuant to this Section 4(e), provided that payments so made to Employee during the Disability Period shall be reduced by the sum of the amounts, if any, payable to Employee under disability benefit plans of the Company.

5. Compensation upon Termination of Employment.

(a) Accrued and Unpaid Compensation. If Employee's employment is terminated for any reason, the Company shall pay Employee his full Base Salary through the effective date of the termination of Employee's employment ("Termination Date"), plus all accrued and unpaid benefits (including all health and welfare benefits in which Employee was a participant in accordance with their terms), and the Company shall have no further obligations whatsoever to Employee under this Agreement except as expressly provided otherwise in this Agreement.

(b) Severance. If Employee's employment is terminated either by the Company without Cause (as defined above) (and not for death or Disability), or by Employee pursuant to Section 4(c) above, then, subject to his execution and non-revocation of a reasonable and customary general release of claims in favor of the Company and its affiliates, Employee shall be entitled to receive the following:

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(i) if the Termination Date is less than twelve (12) months after Employee's commencement of employment with the Company, an amount equal to six (6) months of his Base Salary in effect as of the Termination Date, paid in accordance with the Company's normal payroll cycle over the six (6) month period following the Termination Date; or if the Termination Date is twelve (12) months or more after Employee's commencement of employment with the Company, an amount equal to twelve (12) months of his Base Salary in effect as of the Termination Date, paid in accordance with the Company's normal payroll cycle over the twelve (12) month period following the Termination Date; provided that such payments shall automatically cease upon Employee's employment or engagement as a consultant, contractor, or service provider by any person or entity other than the Company within the applicable payment period; and provided that such amounts shall be paid in accordance with the Company's customary payroll practices, and less such deductions as are required by law or that Employee may elect in accordance with Company policy and procedure; and

(ii) for the same six (6) or twelve (12) month period after the Termination Date, as applicable under Section 5(b)(i) above, and subject to applicable law, the Company will also pay its share of premiums for Employee's health insurance as currently enrolled on the Termination Date; provided that such payments shall automatically cease upon Employee's employment or engagement as a consultant, contractor, or service provider by any person or entity other than the Company within the applicable payment period.

6. Representations and Warranties of Employee. Employee represents and warrants to the Company that he is free to accept employment hereunder and that he has no prior or other obligations or commitments of any kind that would in any way hinder or interfere with his acceptance of, or the full performance of, such employment.

7. Confidentiality.

(a) During Employee's employment and at all times thereafter, Employee shall keep Confidential Information (as defined below) strictly confidential. Employee shall not at any time, directly or indirectly, disclose or divulge any Confidential Information, except (i) if required by law, regulation or legal or regulatory process, but only in accordance with Section 7(b) below, or (ii) to his affiliates and his and their respective directors, officers, employees, managing members, general partners, agents and consultants (including attorneys, financial advisors and accountants) ("Representatives"), as applicable, to the extent necessary to permit such Representatives to assist Employee in any Permitted Use (as defined below); provided that Employee shall require each such Representative to be bound by the terms of this Section 7 to the same extent as if they were parties hereto and Employee shall be responsible for any breach of this Section 7 by any of its Representatives.

(b) If Employee or any of his Representatives is required, in the written opinion of Employee's counsel, to disclose any Confidential Information, by law, regulation or legal or regulatory process, Employee shall: (i) take all reasonable steps to preserve the privileged nature and confidentiality of the Confidential Information, including requesting that the Confidential Information not be disclosed to non-parties or the public; (ii) give the Company prompt prior written notice of such request or requirement so that the Company may seek, at its sole cost and expense, an appropriate protective order or other remedy; and (iii) cooperate with the Company, at the Company's sole cost and expense, to obtain such protective order. In the event that such protective order or other remedy is not obtained, Employee (or such other persons to whom such request is directed) will furnish only that portion of the Confidential Information which, on the advice of such person's counsel, is legally required to be disclosed and, upon the Company's request, use its reasonable best efforts to obtain assurances that confidential treatment will be accorded to such information.

(c) For the purposes hereof, "Confidential Information" shall mean all trade secrets, information, data, documents, agreements, files and other materials, whether disclosed orally or disclosed or stored in written, electronic or other form or media, which is obtained from or disclosed by the Company or its Representatives before or after the date hereof regarding the Company or its clients, including, without limitation, all analyses, compilations, reports, forecasts, studies, samples and other documents which contain or otherwise reflect or are generated from such information, data, documents, agreements, files or other materials. The term "Confidential Information" as used herein does not include information that at the time of disclosure or thereafter is generally

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available to and known by the public (other than as a result of its disclosure directly or indirectly by Employee or any of his Representatives in violation of this Agreement).

(d) Employee shall make no use whatsoever, directly or indirectly, of any Confidential Information, except for: (i) the purposes of performing Employee's duties and obligations to the Company; (ii) evaluating Employee's ownership interest in the Company; and (iii) use for the benefit of the Company as part of the solicitation of existing or prospective customers of the Company (the "Permitted Uses").

(e) Upon the termination of Employee's employment or upon the Company's request at any time and for any reason, Employee shall immediately deliver to the Company all materials (including all soft and hard copies) in Employee's possession which contain or relate to Confidential Information, as well as all information necessary to access such confidential information.

(f) Notwithstanding the foregoing confidentiality obligations, pursuant to 18 USC § 1833(b), Employee will not be held criminally or civilly liable under any federal or state trade secret law for disclosing a trade secret if such disclosure is made: (i) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law; or (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Additionally, if Employee files a lawsuit claiming retaliation by Company based on the reporting of a suspected violation of law, Employee may disclose a trade secret to Employee's attorney and use the trade secret information in the court proceeding, so long as any document containing the trade secret is filed under seal and Employee does not disclose the trade secret except pursuant to court order.

8. Assignment of Developments.

(a) All inventions, modifications, discoveries, designs, developments, improvements, processes, works of authorship, documentation, formulae, data, techniques, know-how, secrets or intellectual property rights or any interest therein made by Employee, either alone or in conjunction with others, at any place or at any time during the Term, whether or not reduced to writing or practice during such period, which result, in whole or in part, from (i) any services performed directly or indirectly for the Company by Employee or (ii) Employee's use of the Company's time, equipment, supplies, facilities or information (collectively, the "Company Developments") shall be and hereby is the exclusive property of the Company without any further compensation to Employee. In addition, without limiting the generality of the foregoing, all Company Developments which are copyrightable work by Employee are intended to be "work made for hire" as defined in Section 81 of the Copyright Act of 1976, as amended, and shall be and hereby are the property of the Company.

(b) Employee shall promptly disclose any Company Developments to the Company. If any Company Development is not the property of the Company by operation of law, this Agreement or otherwise, Employee will, and hereby does, without further consideration, assign to the Company all right, title and interest in such Company Development and will reasonably assist the Company and its nominees in every way, at the Company's expense, to secure, maintain and defend the Company's rights in such Company Development. Employee shall sign all instruments necessary for the filing and prosecution of any applications for, or extension or renewals of, letters patent (or other intellectual property registrations or filings) of the United States or any foreign country which the Company desires to file. Employee hereby irrevocably designates and appoints the Company and its duly authorized officers and agents as Employee's agent and attorney-in-fact (which designation and appointment shall be deemed coupled with an interest and shall survive Employee's death or incapacity), to act for and in Employee's behalf to execute and file any such applications, extensions or renewals and to do all other lawfully permitted acts to further the prosecution and issuance of such letters patent or other intellectual property registrations or filings, or such other similar documents, with the same legal force and effect as if executed by Employee.

9. Non-Competition; Non-Solicitation; Non-Disparagement.

(a) During Employee's employment and for the Restricted Period (as defined below), Employee shall not engage in any Prohibited Activity anywhere in the world. For the purposes of this Agreement, (i) "Restricted Period" shall mean the later of (A) the period during which Employee is entitled to receive any payment pursuant to

Section 5(b) of this Agreement, or (B) twelve (12) months following termination of this Agreement; and (ii) "Prohibited Activity" shall mean the design, development, marketing, sale, re-sale, manufacture or distribution of home infusion products, or other similar activities, or the engagement in any other business in which the Company is actively engaged immediately prior to the commencement of the Restricted Period, in each case on Executive's behalf or on behalf of another (including as a shareholder, member, employee, employer, owner, operator, manager, advisor, consultant, agent, partner, joint venturer or investor of another person or entity). Prohibited Activity also includes activity that may require or inevitably require disclosure of trade secrets, proprietary information or other Confidential Information of the Company except as otherwise permitted hereunder.

(b) During the Restricted Period, Employee shall not, directly or indirectly: (i) solicit, hire, recruit, attempt to hire or recruit, or induce the termination of employment of any employee of the Company; (ii) solicit, contact (including but not limited to e-mail, regular mail, express mail, telephone, fax, and instant message), attempt to contact or meet with any (x) existing or prospective customer of the Company for purposes of offering or accepting goods or services similar to or competitive with those offered by the Company, or (y) competitor of the Company for any purpose related to the business or services of the competitor or the Company; or (iii) induce, influence or encourage any existing or prospective customer, supplier or other business partner of the Company for purposes of diverting their business or services from the Company.

(c) Employee shall not, during his employment or thereafter, make, publish or communicate to any person or in any public forum any comments or statements (whether written or oral) that denigrate or disparage the reputation or stature of the Company, its affiliates or any of their respective officers, directors, managers or employees (acting in their capacity as officers, directors, managers or employees of the Company or its affiliates). Notwithstanding the foregoing, nothing in this Section 9(c) is intended to, nor shall it, interfere with Employee's

protected rights under applicable labor laws to engage in protected concerted activity, or to file a charge or complaint with, or participate in an investigation or proceeding pursuant to, the statutes administered by the Equal Employment Opportunity Commission or equivalent state agency, or any federal, state or local government agency.

(d) Employee acknowledges that the restrictions contained in this Section 9 are reasonable and necessary to protect the legitimate interests of the Company and constitute a material inducement to the Company to enter into this Agreement and offer employment to Employee under this Agreement. In the event that any covenant contained in this Section 9 should ever be adjudicated to exceed the time, geographic, product or service, or other limitations permitted by applicable law in any jurisdiction, then any court is expressly empowered to reform such covenant, and such covenant shall be deemed reformed, in such jurisdiction to the maximum time, geographic, product or service, or other limitations permitted by applicable law. The covenants contained in this Section 9 and each provision hereof are severable and distinct covenants and provisions. The invalidity or unenforceability of any such covenant or provision as written shall not invalidate or render unenforceable the remaining covenants or provisions hereof, and any such invalidity or unenforceability in any jurisdiction shall not invalidate or render unenforceable such covenant or provision in any other jurisdiction.

10. Amendment; Waiver. This Agreement may be amended, and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only by an instrument in writing signed by the parties hereto. Waiver of any term or condition of this Agreement will not be construed as a waiver of any subsequent breach or waiver of the same term or condition, or a waiver of any other term or condition of this Agreement.

11. Applicable Law; Severability. This Agreement shall be governed by and construed under the laws of the State of New York, exclusive of the body of law known as conflicts of law. Should a court or other body of competent jurisdiction determine that any term or provision of this Agreement is excessive in scope or duration or is illegal, invalid or unenforceable, then the parties agree that such term or provision shall not be voided or made unenforceable, but rather shall be modified so as to be valid, legal and enforceable to the maximum extent possible, under the purposes stated in the preceding sentence and with applicable law, and all other terms and provisions of this Agreement shall remain valid and fully enforceable.

12. Submission to Jurisdiction; Waiver of Jury Trial.

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(a) IF A DISPUTE ARISES BETWEEN THE PARTIES CONCERNING THE SUBJECT MATTER OF THIS AGREEMENT, THE PARTIES CONSENT TO THE SOLE AND EXCLUSIVE JURISDICTION OF THE STATE COURTS SITUATED IN CHESTER COUNTY, NEW YORK AND THE FEDERAL UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK.

(b) EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES AND, THEREFORE, EACH SUCH PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LEGAL ACTION ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

13. Equitable Relief. In the event of a breach or threatened breach by Employee of Sections 7 through 9, Employee hereby consents and agrees that the Company shall be entitled to seek, in addition to other available remedies, a temporary or permanent injunction or other equitable relief against such breach or threatened breach from any court of competent jurisdiction, without the necessity of showing any actual damages or that monetary damages would not afford an adequate remedy, and without the necessity of posting any bond or other security. The aforementioned equitable relief shall be in addition to, not in lieu of, legal remedies, monetary damages or other available forms of relief.

14. Further Assurances. The Company and Employee shall each take all actions as may be reasonably necessary or appropriate in furtherance of their respective obligations and covenants set forth in this Agreement, including, without limitation, executing and delivering such additional agreements, certificates, instruments and other documents as may be deemed necessary or appropriate.

15. Assignability; Third-Party Beneficiary. This Agreement will be binding upon, enforceable by and inure solely to the benefit of, the parties and their respective permitted successors and assigns. Except as otherwise expressly provided in this Agreement, this Agreement shall not be assigned by any party hereto without the prior written consent of the non-assigning parties. Except as otherwise expressly provided in this Agreement, nothing in this Agreement is intended to or will confer upon any person, other than the parties to this Agreement and their respective heirs, successors and assigns, any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement. Notwithstanding anything to the contrary herein, nothing in this Agreement shall preclude the Company from consolidating or merging into or with, transferring all or substantially all of its equity or assets to, or otherwise assigning this Agreement by operation of law to another person or entity without the consent of Employee; provided that, in each case, such other person or entity shall assume this Agreement and all obligations of the Company hereunder. Upon such consolidation, merger, transfer of equity or assets, or assignment by operation of law, and such assumption, the term the "Company" as used herein, shall mean such other person or entity and this Agreement shall continue in full force and effect.

16. Notices. All notices and other communications under this Agreement must be in writing and will be deemed given if delivered personally, faxed, sent by internationally recognized overnight courier, mailed by registered or certified mail (return receipt requested), postage prepaid, or sent by electronic mail (without a failed transmission response) to the parties at the following addresses (or at such other address for a party as such party specifies by like notice):

If to the Company:
Repro Med Systems, Inc. d/b/a
KORU Medical Systems
24 Carpenter Road
Chester, NY 10918
Attention: Linda Tharby
Telephone: 845-610-5561
Email: ltharby@korumedical.com

If to the Employee:
Christopher Pazdan
[address]
Email: [email]
Cell: [cell]

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All such notices, consents, requests, demands, waivers and other communications so delivered, mailed or sent shall be deemed to have been received (i) if by personal delivery, on the day delivered, (ii) if by certified or registered mail, on the earlier of the date of receipt or the third business day after the mailing thereof, (iii) if by next-day or overnight mail or delivery service such as Federal Express or UPS, on the day delivered or (iv) if by fax or electronic mail, on the day on which such fax or electronic mail was sent, provided that a copy is also sent by certified or registered mail or by next-day or overnight mail or delivery service such as Federal Express or UPS.

17. Termination of Agreement; Survival. This Agreement shall terminate upon termination of Employee's employment as provided herein; provided, however, that the provisions of Sections 7, 8, 9, 11, 12, 13 and this Section 17 shall survive termination of this Agreement.

18. Section 409A. Notwithstanding any provision to the contrary in this Agreement, no payment shall be made and no election shall be permitted that would violate the requirements of or cause taxation under Section 409A of the Internal Revenue Code and the Treasury regulations promulgated thereunder. Further, all provisions in this Agreement shall be interpreted in a manner consistent with Section 409A and guidance related thereto.

19. Counterparts. This Agreement may be executed in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement.

20. Electronic Execution and Delivery. The parties may execute and deliver this Agreement by facsimile, electronic mail of a .PDF or other electronic means under which the signature of or on behalf of such party can be seen, and such execution and delivery will be considered valid, binding and effective for all purposes.

21. Entire Agreement. Termination of Prior Consulting Agreement. This Agreement, constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, among or between any of the parties with respect to the subject matter hereof and thereof, including without limitation any prior consulting agreement but excluding any separate confidentiality and/or assignment of inventions agreement Employee may have previously signed.

[signature page follows]

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IN WITNESS WHEREOF, the authorized representatives of the parties have executed this Agreement as of the date first set forth above.

COMPANY:

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

By: /s/ Linda Tharby
Name: Linda Tharby
Title: President and Chief Executive Officer

Dated:

Employee:

/s/ Christopher Pazdan
Christopher Pazdan

Dated:

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AMENDMENT TO EMPLOYMENT AND OPTION AGREEMENTS

This AMENDMENT TO EMPLOYMENT AND OPTION AGREEMENTS (this “*Amendment*”) is made and entered into as of August 2, 2022 (the “*Effective Date*”), by and between KORU Medical Systems, Inc., a New York corporation (the “*Company*”), and Christopher Pazdan (“*Employee*”).

WHEREAS, the Company and Employee entered into that certain Employment Agreement dated as of [August 4, 2021] (the “*Employment Agreement*”) regarding Employee’s service as the Company’s Vice President of Quality Assurance and Regulatory Affairs; and

WHEREAS, in connection with the Employment Agreement, the Company and Employee entered into that certain Incentive Stock Option Agreement dated as of September 15, 2021 between the Company and Employee (the “*Option Agreement*”); and

WHEREAS, the Company and Employee desire for Employee to serve as the Company’s Senior Vice President, Operations; and

WHEREAS, in connection with such promotion, the Company and Employee desire to amend the Employment Agreement and Option Agreement as provided in this Amendment.

NOW, THEREFORE, the parties, for good and valuable consideration, intending to be legally bound, agree as follows:

1. Name Change. References to “Repro Med Systems, Inc. d/b/a KORU Medical Systems” throughout the Employment Agreement and Option Agreement are hereby deleted and replaced with “KORU Medical Systems, Inc.”

2. Title. References to “Vice President of Quality Assurance and Regulatory Affairs of the Company” in Section 1 of the Employment Agreement are hereby deleted and replaced with “Senior Vice President, Operations.”

3. Annual Bonus. The reference in Section 3(c) of the Employment Agreement to “35%” is hereby deleted and replaced with “40%.”

4. Change of Control Termination. Section 1 of the Option Agreement is hereby amended by the addition of a new paragraph (d) as follows:

“(d). Upon a Change of Control Termination, the Shares underlying the Option shall automatically vest in full. “Change of Control Termination” as used herein means Employee’s employment being terminated by the Company (or its successor) without Cause (as defined in Employee’s employment agreement) or by the Employee for Good Reason (as defined below) within three (3) months before or twelve (12) months after any of the following occur: (A) the acquisition by any person or group, other than the Company, of 50% or more of the voting stock of the Company; (B) within any two year period the individuals who constituted the Board at the beginning of the period shall cease for any reason to constitute a majority of the Board, provided that the election of each subsequent member who was approved in advance by two-

thirds of the members of the Board in office at the beginning of such two year period or whose election or nomination for election was previously so approved, shall be considered as though such individual was a member of the Board at the beginning of the period; (C) the consummation of a merger, consolidation or reorganization, the result of which is that the shareholders of the Company immediately prior to the merger, consolidation or reorganization do not own and control immediately after the merger, consolidation or reorganization at least 50% of the value of the outstanding equity and combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors of the Board; or (D) a sale, exclusive license or other disposition (in one transaction or a series of related transactions) of all or substantially all of the Company’s assets.

“Good Reason” shall mean, in each case to the extent not consented to by Employee: (i) a breach by the Company of any material provision of his employment agreement or any other agreement between Employee and the Company; (ii) a material reduction of the Employee’s duties or responsibilities; or (iii) a reduction of the Employee’s

Base Salary. Notwithstanding the foregoing, no action by the Company shall constitute Good Reason unless and until: (A) the Company shall have received, within thirty (30) days of the commencement of the existence of the condition constituting Good Reason, written notice from the Employee alleging that such Good Reason exists and setting forth the basis therefore in reasonable detail; (B) within thirty (30) days after the receipt of said written notice by the Company, the Company shall have failed to cure or correct the circumstances giving rise to such Good Reason; and (C) Employee terminates his employment upon written notice to the Company within five (5) days after expiration of such period referenced in (B).”

5. Clawback. Section 2 of the Option Agreement is hereby amended by adding a new paragraph (c) as follows:

“(c) Employee shall forfeit this Option in the event the Board or Compensation Committee determines, in its reasonable judgment, that (A) the Company’s financial statements are the subject of a restatement due, in whole or in part, to Employee’s misconduct, to the extent permitted by governing law; or (B) Employee has, or has been negligent in connection with the supervision of someone who has, (i) engaged in fraud, misrepresentation, theft or embezzlement, or (ii) engaged in other misconduct (including harassment), or been grossly negligent in connection with the performance of their duties, in each case resulting in Company reputational or financial harm. In the event the Option has been exercised at the time of such determination, the Company may demand that repayment be made from Company common stock, proceeds of the sale of Company common stock and/or the forfeiture of other outstanding awards held by Employee, as determined in the sole discretion of the Board or the Committee.”

6. Option Award. Subject to the approval and sole discretion of the Compensation Committee of the Company’s Board of Directors, Employee shall be granted a non-qualified option (the “Option”) to acquire 100,000 shares of common stock (the “Shares”), which shall be subject to the terms of the Company’s 2015 Stock Option Plan or 2021 Omnibus Incentive Plan,

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in each case as amended from time to time, and any associated equity and/or grant agreement required to be entered into by Employee and the Company. The Shares will be subject to a performance-based vesting schedule to be determined by the Compensation Committee in consultation with the Chief Executive Officer. The exercise price of the Shares shall be determined on the first or fifteenth of the month following the Compensation Committee’s approval of the Option.

7. Governing Law and Jurisdiction. This Amendment shall be governed by and construed in accordance with the laws of the State of New York (without giving effect to the principles of conflicts of law thereof) as to all matters, including, but not limited to, matters of validity, construction, effect, performance and remedies..

8. Severability. In case any one or more of the provisions contained in this Amendment shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect the other provisions of this Amendment, and this Amendment shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

9. No Other Changes. Except as set forth in this Amendment, each of the Employment Agreement and Option Agreement remains in full force and effect in accordance with its terms.

[Signature Page Follows]

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IN WITNESS WHEREOF, the parties have executed this Amendment to Employment and Option Agreements, effective as of the date above first written.

KORU MEDICALSYSTEMS, INC.

CHRISTOPHER PAZDAN

By: /s/ Linda Tharby
Linda Tharby, President and CEO

/s/ Christopher Pazdan

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 Quarterly Report on Form 10-Q of KORU Medical Systems, Inc. (the "Report");
- 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 (or persons performing this equivalent function):
 - (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 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.

Date: August 3, 2022

/s/ Linda Tharby.

Linda Tharby

President and Chief Executive Officer

EXHIBIT 31.2

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

I, Thomas Adams, Principal Financial Officer, certify that:

- 1) I have reviewed this Quarterly Report on Form 10-Q of KORU Medical Systems, Inc. (the "Report");
- 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 (or persons performing this equivalent function):
 - (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 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.

Date: August 3, 2022

/s/ Thomas Adams

Thomas Adams

Interim Chief Financial Officer and Treasurer

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 Quarterly Report of KORU Medical Systems, Inc. (the "Company") on Form 10-Q (the "Report") for the quarter ended June 30, 2022 as filed with the Securities and Exchange Commission, I, Linda Tharby, Principal Executive Officer, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (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.

Date: August 3, 2022

/s/ Linda Tharby

Linda Tharby
President and Chief Executive Officer

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 Quarterly Report of KORU Medical Systems, Inc. (the "Company") on Form 10-Q (the "Report") for the quarter ended June 30, 2022 as filed with the Securities and Exchange Commission, I, Thomas Adams, Principal Financial Officer, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (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.

Date: August 3, 2022

/s/ Thomas Adams

Thomas Adams

Interim Chief Financial Officer and Treasurer
