

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) March 23, 2020

**REPRO MED SYSTEMS, INC.**

(Exact name of registrant as specified in its charter)

**New York**  
(State or other jurisdiction  
of incorporation)

**0-12305**  
(Commission  
File Number)

**13-3044880**  
(IRS Employer  
Identification No.)

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

**10918**  
(Zip Code)

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

not applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

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>
<b>common stock, \$0.01 par value</b>	<b>KRMD</b>	<b>NASDAQ Capital Market</b>

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## ITEM 1.01 ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT.

Reference is made to the disclosure under Item 2.03 below which is hereby incorporated in this Item 1.01 by reference.

## ITEM 2.03 CREATION OF A DIRECT FINANCIAL OBLIGATION.

Repro Med Systems, Inc. dba KORU Medical Systems (the “Company”) has drawn on an extended line of credit and obtained a “PPP” loan in response to concerns about the uncertain potential impact of COVID-19. On March 23 and 24, 2020, the Company drew in two tranches the full \$1.5 million available under its line of credit with KeyBank National Association (the “Bank”) pursuant to a promissory note dated February 8, 2018 (the “Original Note”). On April 14, 2020, the Company issued a promissory note to the Bank in the aggregate principal amount of \$3.5 million (the “\$3.5m Note”) as an extension of the line of credit represented by the Original Note. The Company drew on the additional \$2.0 million available under the \$3.5m Note on April 23, 2020.

The Original Note was in the form of a variable rate revolving line of credit with an interest rate of LIBOR plus 2.25%. The \$3.5m Note is in the form of a variable rate nondisclosable revolving line of credit with an interest rate at Prime Rate announced by the Bank minus 0.75%. Interest is due monthly, and all principal and unpaid interest is due on June 1, 2021. The \$3.5m Note may be prepaid at any time prior to maturity with no prepayment penalties. The \$3.5m Note contains events of default and other provisions customary for a loan of this type.

In connection with the \$3.5m Note, the Company entered into a Commercial Security Agreement with the Bank dated April 14, 2020 (the “Security Agreement”), pursuant to which the Company granted a security interest in substantially all assets of the Company to secure the obligations of the Company under the Note. The Security Agreement contains terms and conditions typical for the granting of security interests of this kind.

On April 20, 2020, the Company entered into a Loan Agreement with the Bank (the “PPP Loan Agreement”) pursuant to the Paycheck Protection Program under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), providing for a loan in the principal amount of \$1,476,508 (the “PPP Loan”). The PPP Loan was funded on April 27, 2020.

The PPP Loan has a two-year term and bears interest at a rate of 1.0% per annum. Monthly principal and interest payments are deferred for seven months after the date of disbursement. The PPP Loan may be prepaid at any time prior to maturity with no prepayment penalties. The promissory note relating to the PPP Loan contains events of default and other provisions customary for a loan of this type. The Paycheck Protection Program provides that the PPP Loan may be partially or wholly forgiven if the funds are used for certain qualifying expenses as described in the CARES Act. The Company intends to use the PPP Loan amount for qualifying expenses and will continue to assess whether to apply for forgiveness of the loan in accordance with the terms of the CARES Act.

On April 27, 2020, the Company entered into a Progress Payment Loan and Security Agreement (“PPLSA”) and a Master Security Agreement (the “MSA”), each dated as of April 20, 2020, with Key Equipment Finance, a division of the Bank (“KEF”), to provide up to \$2.5 million in financing for equipment purchases from third party vendors. The PPLSA allows the Company to make draws with KEF to make certain payments to the equipment suppliers prior to the commencement of periodic payments under a term loan. Each draw under the PPLSA will bear interest at a variable rate equal to the then-current Prime Rate and will be secured by the financed equipment under the MSA. At the end of each calendar quarter or year, the advances made under the PPLSA will be converted to term loans, subject to KEF’s approval of the equipment and certain other closing conditions being met. Once the draws under the PPLSA are converted into a term loan, each promissory note will bear interest at a fixed rate of 4.07% per annum, subject to adjustment based on KEF’s cost of funds, with principal and interest payable in 84 equal consecutive monthly installments. Each fixed rate installment promissory note may be prepaid, subject to a penalty if prepaid before the fifth anniversary of its issuance.

The descriptions of the \$3.5m Note, Security Agreement, PPP Loan Agreement, PPLSA and MSA in this Item 2.03 are qualified in their entirety by reference to the full text of the \$3.5m Note, Security Agreement, PPP Loan Agreement, PPLSA and MSA, copies of which are attached to this report as Exhibits 10.1, 10.2, 10.3, 10.4 and 10.5, respectively.

### Forward-Looking Statements

The statements contained herein include prospects, statements of future expectations and other forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that are based on management’s current views and assumptions and involve known and unknown risks and uncertainties, identified by words such as “will”, “intends” and “believes”. Actual results, performance or events may differ materially from those expressed or implied in such forward-looking statements. Factors that may cause actual results to differ materially from current expectations include but are not limited to the impact of COVID-19 on the Company’s business and other risks discussed in the Company’s filings with the U.S. Securities and Exchange Commission, including its Annual Report on Form 10-K, which filings are available from the SEC and the Company’s website. The Company undertakes no obligation to update any forward-looking statements.

**ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS.**

(d) Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
10.1	<u>Promissory Note in the aggregate principal amount of \$3.5m dated April 14, 2020 issued by the Company to KeyBank National Association</u>
10.2	<u>Commercial Security Agreement dated April 14, 2020 between the Company and KeyBank National Association</u>
10.3	<u>Loan Agreement dated April 20, 2020 between the Company and KeyBank National Association</u>
10.4	<u>Progress Payment Loan and Security Agreement dated as of April 20, 2020 between the Company and Key Equipment Finance, a Division of KeyBank National Association</u>
10.5	<u>Master Security Agreement dated as of April 20, 2020 between the Company and Key Equipment Finance, a Division of KeyBank National Association</u>

**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 hereunto duly authorized.

REPRO MED SYSTEMS, INC.  
(Registrant)

Date: April 30, 2020

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

**Exhibit 10.1**

**PROMISSORY NOTE**

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$3,500,000.00	04-14-2020	06-01-2021					

References in the boxes above are for the Lender's use only and do not limit the applicability of this document to any particular loan or item.

Any item above containing "\*\*\*\*" has been omitted due to text length limitations.

**Borrower:**     **Repro Med Systems, Inc.**  
                   **24 Carpenter Rd.**  
                   **Chester, NY 10918-1057**

**Lender:**       **KeyBank National Association**  
                   **NY-CBS-Manhattan**  
                   **11 E. 22nd Street**  
                   **New York, NY 10010**

Principal Amount: \$3,500,000.00

Date of Note: April 14, 2020

**PROMISE TO PAY.** To repay Borrower's loan, Repro Med Systems, Inc. ("Borrower") promises to pay to KeyBank National Association ("Lender"), or order, in lawful money of the United States of America, the principal amount of Three Million Five Hundred Thousand & 00/100 Dollars (\$3,500,000.00) or so much as may be outstanding, together with interest on the unpaid outstanding principal balance of each advance. Interest shall be calculated from the date of each advance until repayment of each advance.

**PAYMENT.** Borrower will pay this loan in one payment of all outstanding principal plus all accrued unpaid interest on June 1, 2021. In addition, Borrower will pay regular monthly payments of all accrued unpaid interest due as of each payment date, beginning June 1, 2020, with all subsequent interest payments to be due on the same day of each month after that. Unless otherwise agreed or required by applicable law, payments will be applied to first pay interest accrued to the day Lender receives the payment, then to bring principal current, then to pay any late fees, and then Lender will apply any remaining balance to reduce principal. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing.

**VARIABLE INTEREST RATE.** The interest rate on this Note is subject to change from time to time based on changes in an index which is the Prime Rate announced by Lender (the "Index"). The Index is not necessarily the lowest rate charged by Lender on its loans and is set by Lender in its sole discretion. Lender will tell Borrower the current Index rate upon Borrower's request. The interest rate change will not occur more often than each day that the Index changes. The interest rate will change automatically and correspondingly on the date of each announced change of the Index by Lender. Borrower understands that Lender may make loans based on other rates as well. The Index currently is 3.250% per annum. Interest on the unpaid principal balance of this Note will be calculated as described in the "INTEREST CALCULATION METHOD" paragraph using a rate of 0.750 percentage points under the Index (the "Margin"), resulting in an initial rate of 2.500% per annum based on a year of 360 days. If Lender determines, in its sole discretion, that the Index has become unavailable or unreliable, either temporarily, indefinitely, or permanently, during the term of this Note, Lender may amend this Note by designating a substantially similar substitute index. Lender may also amend and adjust the Margin to accompany the substitute index. The change to the Margin may be a positive or negative value, or zero. In making these amendments, Lender may take into consideration any then-prevailing market convention for selecting a substitute index and margin for the specific Index that is unavailable or unreliable. Such an amendment to the terms of this Note will become effective and bind Borrower 10 business days after Lender gives written notice to Borrower without any action or consent of the Borrower. **NOTICE:** Under no circumstances will the interest rate on this Note be more than the maximum rate allowed by applicable law.

**INTEREST CALCULATION METHOD.** Interest on this Note is computed on a 365/360 basis; that is, by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. All interest payable under this Note is computed using this method.

**PREPAYMENT.** Borrower agrees that all loan fees and other prepaid finance charges are earned fully as of the date of the loan and will not be subject to refund upon early payment (whether voluntary or as a result of default), except as otherwise required by law. Except for the foregoing, Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments of accrued unpaid interest. Rather, early payments will reduce the principal balance due. Borrower agrees not to send Lender payments marked "paid in full", "without recourse," or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to : KeyBank National Association, NY-CBS-Manhattan, 11 E. 22nd Street, New York, NY 10010.

**LATE CHARGE.** If a payment is 10 days or more late, Borrower will be charged 5.000% of the unpaid portion of the regularly scheduled payment or \$25.00, whichever is greater.

**INTEREST AFTER DEFAULT.** Upon default, including failure to pay upon final maturity, the interest rate on this Note shall be increased by adding an additional 3.000 percentage point margin ("Default Rate Margin"). The Default Rate Margin shall also apply to each succeeding interest rate change that would have applied had there been no default. However, in no event will the interest rate exceed the maximum interest rate limitations under applicable law.

**PROMISSORY NOTE  
(Continued)**

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DEFAULT. Each of the following shall constitute an event of default ("Event of Default") under this Note:

**Payment Default.** Borrower fails to make any payment when due under this Note.

**Other Defaults.** Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Note or in any of the related documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

**Default in Favor of Third Parties.** Borrower or any Grantor defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's property or Borrower's ability to repay this Note or perform Borrower's obligations under this Note or any of the related documents.

**False Statements.** Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Note or the related documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

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

**Creditor or Forfeiture Proceedings.** Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the loan. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

**Events Affecting Guarantor.** Any of the preceding events occurs with respect to any guarantor, endorser, surety, or accommodation party of any of the indebtedness or any guarantor, endorser, surety, or accommodation party dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any guaranty of the indebtedness evidenced by this Note.

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

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

**Insecurity.** Lender in good faith believes itself insecure.

**Cure Provisions.** If any default, other than a default in payment, is curable and if Borrower has not been given a notice of a breach of the same provision of this Note within the preceding twelve (12) months, it may be cured if Borrower, after Lender sends written notice to Borrower demanding cure of such default: (1) cures the default within fifteen (15) days; or (2) if the cure requires more than fifteen (15) days, immediately initiates steps which lender deems in lender's sole discretion to be sufficient to cure the default and thereafter continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

**LENDER'S RIGHTS.** Upon default, lender may declare the entire unpaid principal balance under this Note and all accrued unpaid interest immediately due, and then Borrower will pay that amount.

**ATTORNEYS' FEES; EXPENSES.** Borrower agrees to pay all costs and expenses Lender incurs to collect this Note. This includes, subject to any limits under applicable law, Lender's reasonable attorneys' fees and lender's legal expenses whether or not there is a lawsuit, including reasonable attorneys' fees and expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), and appeals. If not prohibited by applicable law, Borrower also will pay any court costs, in addition to all other sums provided by law.

**JURY WAIVER.** Lender and Borrower hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by either Lender or Borrower against the other.

**GOVERNING LAW.** This Note will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of New York without regard to its conflicts of law provisions. This Note has been accepted by lender in the State of New York.

**DISHONORED ITEM FEE.** Borrower will pay a fee to Lender of \$20.00 if Borrower makes a payment on Borrower's loan and the check or preauthorized charge with which Borrower pays is later dishonored.

**RIGHT OF SETOFF.** To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or some other account and whether evidenced by a certificate of deposit). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the indebtedness against any and all such accounts.

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**PROMISSORY NOTE  
(Continued)**

Page 3

LINE OF CREDIT. This Note evidences a revolving line of credit. Advances under this Note may be requested either orally or in writing by Borrower or as provided in this paragraph. Lender may, but need not, require that all oral requests be confirmed in writing. All communications, instructions, or directions by telephone or otherwise to Lender are to be directed to Lender's office shown above. Borrower agrees to be liable for all sums either: (A) advanced in accordance with the instructions of an authorized person or (B) credited to any of Borrower's accounts with lender. The unpaid principal balance owing on this Note at any time may be evidenced by endorsements on this Note or by lender's internal records, including daily computer print-outs. Lender will have no obligation to advance funds under this Note if: (A) Borrower or any guarantor is in default under the terms of this Note or any agreement that Borrower or any guarantor has with Lender, including any agreement made in connection with the signing of this Note; (B) Borrower or any guarantor ceases doing business or is insolvent; (C) any guarantor seeks, claims or otherwise attempts to limit, modify or revoke such guarantor's guarantee of this Note or any other loan with Lender; (D) Borrower has applied funds provided pursuant to this Note for purposes other than those authorized by Lender; or (E) Lender in good faith believes itself insecure.

ANNUAL ADMINISTRATIVE FEE. Borrower will pay an annual administrative fee of \$1,000.00 on the date of the Note and \$1,000.00 on each subsequent anniversary date of the Note. This fee does not constitute the commitment of Lender to make advances under the Note.

AUTHORIZATION TO CHARGE DEPOSIT ACCOUNT FOR LOAN PAYMENTS. Borrower hereby authorizes Lender automatically to deduct from Borrower's designated deposit account ("Account"), payments due on the loan on the date each payment is due.

Borrower authorizes Lender to deduct amounts subject to change without prior notification to Borrower of the new amount to be deducted due to: (1) late charges assessed; (2) delinquent amounts due or (3) any other payment amount required under the terms of the loan. If the funds in the Account are insufficient to cover any payment, Lender shall not be obligated to advance funds to cover the payment. Lender shall not be liable for dishonoring checks or other items due to insufficient funds caused by the honoring of this Authorization.

Borrower may terminate this authorization by giving not less than three (3) days prior written notice to the Loan Services Department. This authorization may be terminated at any time by Lender.

CANCELLATION; PRINCIPAL PAYMENTS REQUIRED. Lender has the right, at any time and for any reason, to (a) refuse to make an individual advance, or (b) cancel Borrower's right to obtain any further advances under this Note. Upon cancellation, Lender may, at its sole discretion and upon prior written notice to Borrower, require Borrower to begin making monthly payments of principal in the amount specified in this section, plus accrued interest and fees and other amounts due under the Note, and Borrower agrees to make such payments as required. For loans with an unpaid balance of \$25,000 or more at the time of cancellation, the monthly principal payment amount will be equal to 1.67% of the unpaid balance. For loans with an unpaid balance of less than \$25,000, the monthly principal payment amount will be equal to 2.08% of the unpaid balance. Borrower shall make such principal payments until all amounts owing under the Note are paid in full unless demand is earlier made by Lender. Borrower agrees that nothing contained in this Note shall limit or otherwise affect Lender's right to demand payment of amounts due hereunder.

SUCCESSOR INTERESTS. The terms of this Note shall be binding upon Borrower, and upon Borrower's heirs, personal representatives, successors and assigns, and shall inure to the benefit of Lender and its successors and assigns.

BUSINESS LOAN AGREEMENT. The terms and conditions set forth in any Business Loan Agreement executed by Borrower apply to the Loan evidenced by this Note. In the event of a conflict between the terms of this Note and the Business Loan Agreement, the terms of the Business Loan Agreement will control.

GENERAL PROVISIONS. If any part of this Note cannot be enforced, this fact will not affect the rest of the Note. Lender may delay or forgo enforcing any of its rights or remedies under this Note without losing them. Borrower and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, waive presentment, demand for payment, and notice of dishonor. Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, no party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) this loan or release any party or guarantor or collateral; or impair, fail to realize upon or perfect Lender's security interest in the collateral; and take any other action deemed necessary by Lender without the consent of or notice to anyone. All such parties also agree that Lender may modify this loan without the consent of or notice to anyone other than the party with whom the modification is made. The obligations under this Note are joint and several.

PRIOR TO SIGNING THIS NOTE, BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE, INCLUDING THE VARIABLE INTEREST RATE PROVISIONS. BORROWER AGREES TO THE TERMS OF THE NOTE.

BORROWER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS PROMISSORY NOTE. BORROWER:

REPRO MED SYSTEMS, INC.

By: /s/ Karen Fisher  
Karen Fisher, CFO of Repro Med Systems, Inc.

By: /s/ Manuel Marques  
Manuel Marques, COO of Repro Med Systems, Inc.

**Exhibit 10.2**

**COMMERCIAL SECURITY AGREEMENT**

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$3,500,000.00	04-14-2020	06-01-2021					
References in the boxes above are for the Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "****" has been omitted due to text length limitations.							

**Grantor:**           **Repro Med Systems, Inc.**  
                           **24 Carpenter Rd.**  
                           **Chester, NY 10918-1057**

**Lender:**           **KeyBank National Association**  
                           **NY-CBS-Manhattan**  
                           **11 E. 22<sup>nd</sup> Street**  
                           **New York, NY 10010**

THIS COMMERCIAL SECURITY AGREEMENT dated April 14, 2020, is made and executed between Repro Med Systems, Inc. ("Grantor") and KeyBank National Association ("Lender"),

GRANT OF SECURITY INTEREST. For valuable consideration, Grantor grants to Lender a security interest in the Collateral to secure the Indebtedness and agrees that Lender shall have the rights stated in this Agreement with respect to the Collateral, in addition to all other rights which Lender may have by law.

COLLATERAL DESCRIPTION. The word "Collateral" as used in this Agreement means the following described property, whether now owned or hereafter acquired, whether now existing or hereafter arising, and wherever located, in which Grantor is giving to Lender a security interest for the payment of the Indebtedness and performance of all other obligations under the Note and this Agreement:

All inventory, equipment, accounts (including but not limited to all health-care-insurance receivables), chattel paper, instruments (including but not limited to all promissory notes), letter-of-credit rights, letters of credit, documents, deposit accounts, investment property, money, other rights to payment and performance, and general intangibles (including but not limited to all software and all payment intangibles); all oil, gas and other minerals before extraction; all oil, gas, other minerals and accounts constituting as-extracted collateral; all fixtures; all timber to be cut; all attachments, accessions, accessories, fittings, increases, tools, parts, repairs, supplies, and commingled goods relating to the foregoing property, and all additions, replacements of and substitutions for all or any part of the foregoing property; all insurance refunds relating to the foregoing property; all good will relating to the foregoing property; all records and data and embedded software relating to the foregoing property, and all equipment, inventory and software to utilize, create, maintain and process any such records and data on electronic media; and all supporting obligations relating to the foregoing property; all whether now existing or hereafter arising, whether now owned or hereafter acquired or whether now or hereafter subject to any rights in the foregoing property; and all products and proceeds (including but not limited to all insurance payments) of or relating to the foregoing property.

In addition, the word "Collateral" also includes all the following, whether now owned or hereafter acquired, whether now existing or hereafter arising, and wherever located:

- (A) All accessions, attachments, accessories, tools, parts, supplies, replacements of and additions to any of the collateral described herein, whether added now or later.
- (B) All products and produce of any of the property described in this Collateral section.
- (C) All accounts, general intangibles, instruments, rents, monies, payments, and all other rights, arising out of a sale, lease, consignment or other disposition of any of the property described in this Collateral section.
- (D) All proceeds (including insurance proceeds) from the sale, destruction, loss, or other disposition of any of the property described in this Collateral section, and sums due from a third party who has damaged or destroyed the Collateral or from that party's insurer, whether due to judgment, settlement or other process.
- (E) All records and data relating to any of the property described in this Collateral section, whether in the form of a writing, photograph, microfilm, microfiche, or electronic media, together with all of Grantor's right, title, and interest in and to all computer software required to utilize, create, maintain, and process any such records or data on electronic media.

CROSS-COLLATERAUZATION, In addition to the Note, this Agreement secures all obligations, debts and liabilities, plus interest thereon, of Grantor to Lender, or any one or more of them, as well as all claims by Lender against Grantor or any one or more of them, whether now existing or hereafter arising, whether related or unrelated to the purpose of the Note, whether voluntary or otherwise, whether due or not due, direct or indirect, determined or undetermined, absolute or contingent, liquidated or unliquidated, whether Grantor may be liable individually or jointly with others, whether obligated as guarantor, surety, accommodation party or otherwise, and whether recovery upon such amounts may be or hereafter may become barred by any statute of limitations, and whether the obligation to repay such amounts may be or hereafter may become otherwise unenforceable.

**RIGHT OF SETOFF.** To the extent permitted by applicable law, Lender reserves a right of setoff in all Grantor's accounts with Lender (whether checking, savings, or some other account and whether evidenced by a certificate of deposit). This includes all accounts Grantor holds jointly with someone else and all accounts Grantor may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Grantor authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the Indebtedness against any and all such accounts.

**GRANTOR'S REPRESENTATIONS AND WARRANTIES WITH RESPECT TO THE COLLATERAL.** With respect to the Collateral, Grantor represents and promises to Lender that:

Perfection of Security Interest, Grantor agrees to take whatever actions are requested by Lender to perfect and continue Lender's security interest in the Collateral. Upon request of Lender, Grantor will deliver to Lender any and all of the documents evidencing or constituting the Collateral, and Grantor will note Lender's interest upon any and all chattel paper and instruments if not delivered to Lender for possession by Lender. This is a continuing Security Agreement and will continue in effect even though all or any part of the Indebtedness is paid in full and even though for a period of time Grantor may not be indebted to Lender.

Notices to Lender. Grantor will promptly notify Lender in writing at Lender's address shown above (or such other addresses as Lender may designate from time to time) prior to any (1) change in Grantor's name; (2) change in Grantor's assumed business name(s); (3) change in the management of the Corporation Grantor; (4) change in the authorized signer(s); (5) change in Grantor's principal office address; (6) change in Grantor's state of organization; (7) conversion of Grantor to a new or different type of business entity; or (8) change in any other aspect of Grantor that directly or indirectly relates to any agreements between Grantor and Lender. No change in Grantor's name or state of organization will take effect until after Lender has received notice.

No Violation. The execution and delivery of this Agreement will not violate any law or agreement governing Grantor or to which Grantor is a party, and its certificate or articles of incorporation and bylaws do not prohibit any term or condition of this Agreement.

Enforceability of Collateral. To the extent the Collateral consists of accounts, chattel paper, or general intangibles, as defined by the Uniform Commercial Code, the Collateral is enforceable in accordance with its terms, is genuine, and fully complies with all applicable laws and regulations concerning form, content and manner of preparation and execution, and all persons appearing to be obligated on the Collateral have authority and capacity to contract and are in fact obligated as they appear to be on the Collateral. At the time any account becomes subject to a security interest in favor of Lender, the account shall be a good and valid account representing an undisputed, bona fide indebtedness incurred by the account debtor, for merchandise held subject to delivery instructions or previously shipped or delivered pursuant to a contract of sale, or for services previously performed by Grantor with or for the account debtor. So long as this Agreement remains in effect, Grantor shall not, without Lender's prior written consent, compromise, settle, adjust, or extend payment under or with regard to any such Accounts. There shall be no setoffs or counterclaims against any of the Collateral, and no agreement shall have been made under which any deductions or discounts may be claimed concerning the Collateral except those disclosed to Lender in writing.

Location of the Collateral. Except in the ordinary course of Grantor's business, Grantor agrees to keep the Collateral (or to the extent the Collateral consists of intangible property such as accounts or general intangibles, the records concerning the Collateral) at Grantor's address shown above or at such other locations as are acceptable to Lender. Upon Lender's request, Grantor will deliver to Lender in form satisfactory to Lender a schedule of real properties and Collateral locations relating to Grantor's operations, including without limitation the following: (1) all real property Grantor owns or is purchasing; (2) all real property Grantor is renting or leasing; (3) all storage facilities Grantor owns, rents, leases, or uses; and (4) all other properties where Collateral is or may be located.

Removal of the Collateral. Except in the ordinary course of Grantor's business, including the sales of inventory, Grantor shall not remove the Collateral from its existing location without Lender's prior written consent. To the extent that the Collateral consists of vehicles, or other titled property, Grantor shall not take or permit any action which would require application for certificates of title for the vehicles outside the State of New York, without Lender's prior written consent. Grantor shall, whenever requested, advise Lender of the exact location of the Collateral.

Transactions Involving Collateral. Except for inventory sold or accounts collected in the ordinary course of Grantor's business, or as otherwise provided for in this Agreement, Grantor shall not sell, offer to sell, or otherwise transfer or dispose of the Collateral. While Grantor is not in default under this Agreement, Grantor may sell inventory, but only in the ordinary course of its business and only to buyers who qualify as a buyer in the ordinary course of business. A sale in the ordinary course of Grantor's business does not include a transfer in partial or total satisfaction of a debt or any bulk sale. Grantor shall not pledge, mortgage, encumber or otherwise permit the Collateral to be subject to any lien, security interest, encumbrance, or charge, other than the security interest provided for in this Agreement, without the prior written consent of Lender. This includes security interests even if junior in right to the security interests granted under this Agreement. Unless waived by Lender, all proceeds from any disposition of the Collateral (for whatever reason) shall be held in trust for Lender and shall not be commingled with any other funds; provided however, this requirement shall not constitute consent by Lender to any sale or other disposition. Upon receipt, Grantor shall immediately deliver any such proceeds to Lender.

Title. Grantor represents and warrants to Lender that Grantor holds good and marketable title to the Collateral, free and clear of all liens and encumbrances except for the lien of this Agreement. No financing statement covering any of the Collateral is on file in any public office other than those which reflect the security interest created by this Agreement or to which Lender has specifically consented. Grantor shall defend Lender's rights in the Collateral against the claims and demands of all other persons.

Repairs and Maintenance. Grantor agrees to keep and maintain, and to cause others to keep and maintain, the Collateral in good order, repair and condition at all times while this Agreement remains in effect. Grantor further agrees to pay when due all claims for work done on, or services rendered or material furnished in connection with the Collateral so that no lien or encumbrance may ever attach to or be filed against the Collateral.

Inspection of Collateral. Lender and Lender's designated representatives and agents shall have the right at all reasonable times to examine and inspect the Collateral wherever located.

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Taxes, Assessments and Liens. Grantor will pay when due all taxes, assessments and liens upon the Collateral, its use or operation, upon this Agreement, upon any promissory note or notes evidencing the Indebtedness, or upon any of the other Related Documents. Grantor may withhold any such payment or may elect to contest any lien if Grantor is in good faith conducting an appropriate proceeding to contest the obligation to pay and so long as Lender's interest in the Collateral is not jeopardized in Lender's sole opinion. If the Collateral is subjected to a lien which is not discharged within fifteen (15) days, Grantor shall deposit with Lender cash, a sufficient corporate surety bond or other security satisfactory to Lender in an amount adequate to provide for the discharge of the lien plus any interest, costs, reasonable attorneys' fees or other charges that could accrue as a result of foreclosure or sale of the Collateral. In any contest Grantor shall defend itself and Lender and shall satisfy any final adverse judgment before enforcement against the Collateral. Grantor shall name Lender as an additional obligee under any surety bond furnished in the contest proceedings. Grantor further agrees to furnish Lender with evidence that such taxes, assessments, and governmental and other charges have been paid in full and in a timely manner. Grantor may withhold any such payment or may elect to contest any lien if Grantor is in good faith conducting an appropriate proceeding to contest the obligation to pay and so long as Lender's interest in the Collateral is not jeopardized.

Compliance with Governmental Requirements. Grantor shall comply promptly with all laws, ordinances, rules and regulations of all governmental authorities, now or hereafter in effect, applicable to the ownership, production, disposition, or use of the Collateral, including all laws or regulations relating to the undue erosion of highly-erodible land or relating to the conversion of wetlands for the production of an agricultural product or commodity. Grantor may contest in good faith any such law, ordinance or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Lender's interest in the Collateral, in Lender's opinion, is not jeopardized.

Hazardous Substances. Grantor represents and warrants that the Collateral never has been, and never will be so long as this Agreement remains a lien on the Collateral, used in violation of any Environmental Laws or for the generation, manufacture, storage, transportation, treatment, disposal, release or threatened release of any Hazardous Substance. The representations and warranties contained herein are based on Grantor's due diligence in investigating the Collateral for Hazardous Substances. Grantor hereby (1) releases and waives any future claims against Lender for indemnity or contribution in the event Grantor becomes liable for cleanup or other costs under any Environmental Laws, and (2) agrees to indemnify, defend, and hold harmless Lender against any and all claims and losses resulting from a breach of this provision of this Agreement. This obligation to indemnify and defend shall survive the payment of the Indebtedness and the satisfaction of this Agreement.

Maintenance of Casualty Insurance. Grantor shall procure and maintain all risks insurance, including without limitation fire, theft and liability coverage together with such other insurance as Lender may require with respect to the Collateral, in form, amounts, coverages and basis reasonably acceptable to Lender and issued by a company or companies reasonably acceptable to Lender. Grantor, upon request of Lender, will deliver to Lender from time to time the policies or certificates of insurance in form satisfactory to Lender, including stipulations that coverages will not be cancelled or diminished without at least thirty (30) days' prior written notice to Lender and not including any disclaimer of the insurer's liability for failure to give such a notice. Each insurance policy also shall include an endorsement providing that coverage in favor of Lender will not be impaired in any way by any act, omission or default of Grantor or any other person. In connection with all policies covering assets in which Lender holds or is offered a security interest, Grantor will provide Lender with such loss payable or other endorsements as Lender may require. If Grantor at any time fails to obtain or maintain any insurance as required under this Agreement, Lender may (but shall not be obligated to) obtain such insurance as Lender deems appropriate, including if Lender so chooses "single interest insurance," which will cover only Lender's interest in the Collateral.

Application of Insurance Proceeds. Grantor shall promptly notify Lender of any loss or damage to the Collateral if the estimated cost of repair or replacement exceeds \$5000.00, whether or not such casualty or loss is covered by insurance. Lender may make proof of loss if Grantor fails to do so within fifteen (15) days of the casualty. All proceeds of any insurance on the Collateral, including accrued proceeds thereon, shall be held by Lender as part of the Collateral. If Lender consents to repair or replacement of the damaged or destroyed Collateral, Lender shall, upon satisfactory proof of expenditure, pay or reimburse Grantor from the proceeds for the reasonable cost of repair or restoration. If Lender does not consent to repair or replacement of the Collateral, Lender shall retain a sufficient amount of the proceeds to pay all of the Indebtedness, and shall pay the balance to Grantor. Any proceeds which have not been disbursed within six (6) months after their receipt and which Grantor has not committed to the repair or restoration of the Collateral shall be used to prepay the Indebtedness. Grantor hereby appoints Lender as its attorney-in-fact with full power and authority to endorse in Grantor's name any check or draft representing the proceeds of any insurance on the Collateral and to settle or compromise in Grantor's name any claims with respect to such insurance.

Insurance Reserves. Lender may require Grantor to maintain with Lender reserves for payment of insurance premiums, which reserves shall be created by monthly payments from Grantor of a sum estimated by Lender to be sufficient to produce, at least fifteen (15) days before the premium due date, amounts at least equal to the insurance premiums to be paid. If fifteen (15) days before payment is due, the reserve funds are insufficient, Grantor shall upon demand pay any deficiency to Lender. The reserve funds shall be held by Lender as a general deposit and shall constitute a non-interest-bearing account which Lender may satisfy by payment of the insurance premiums required to be paid by Grantor as they become due. Lender does not hold the reserve funds in trust for Grantor, and Lender is not the agent of Grantor for payment of the insurance premiums required to be paid by Grantor. The responsibility for the payment of premiums shall remain Grantor's sole responsibility.

Insurance Reports. Grantor, upon request of Lender, shall furnish to Lender reports on each existing policy of insurance showing such information as Lender may reasonably request including the following: (1) the name of the insurer; (2) the risks insured; (3) the amount of the policy; (4) the property insured; (5) the then current value on the basis of which insurance has been obtained and the manner of determining that value; and (6) the expiration date of the policy. In addition, Grantor shall upon request by Lender (however not more often than annually) have an independent appraiser satisfactory to Lender determine, as applicable, the cash value or replacement cost of the Collateral.

Financing Statements. Grantor authorizes Lender to file a UCC financing statement, or alternatively, a copy of this Agreement to perfect Lender's security interest. At Lender's request, Grantor additionally agrees to sign all other documents that are necessary to perfect, protect, and continue Lender's security interest in the Property. Grantor will pay all filing fees, title transfer fees, and other fees and costs involved unless prohibited by law or unless Lender is required by law to pay such fees and costs. Grantor irrevocably appoints Lender to execute documents necessary to transfer title if there is a default. Lender may file a copy of this Agreement as a financing statement.

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**GRANTOR'S RIGHT TO POSSESSION AND TO COLLECT ACCOUNTS.** Until default and except as otherwise provided below with respect to accounts, Grantor may have possession of the tangible personal property and beneficial use of all the Collateral and may use it in any lawful manner not inconsistent with this Agreement or the Related Documents, provided that Grantor's right to possession and beneficial use shall not apply to any Collateral where possession of the Collateral by Lender is required by law to perfect Lender's security interest in such Collateral. Until otherwise notified by Lender, Grantor may collect any of the Collateral consisting of accounts. At any time and even though no Event of Default exists, Lender may exercise its rights to collect the accounts and to notify account debtors to make payments directly to Lender for application to the Indebtedness. If Lender at any time has possession of any Collateral, whether before or after an Event of Default, Lender shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral if Lender takes such action for that purpose as Grantor shall request or as Lender, in Lender's sole discretion, shall deem appropriate under the circumstances, but failure to honor any request by Grantor shall not of itself be deemed to be a failure to exercise reasonable care. Lender shall not be required to take any steps necessary to preserve any rights in the Collateral against prior parties, nor to protect, preserve or maintain any security interest given to secure the Indebtedness.

**LENDER'S EXPENDITURES.** If any action or proceeding is commenced that would materially affect Lender's interest in the Collateral or if Grantor fails to comply with any provision of this Agreement or any Related Documents, including but not limited to Grantor's failure to discharge or pay when due any amounts Grantor is required to discharge or pay under this Agreement or any Related Documents, Lender on Grantor's behalf may (but shall not be obligated to) take any action that Lender deems appropriate, including but not limited to discharging or paying all taxes, liens, security interests, encumbrances and other claims, at any time levied or placed on the Collateral and paying all costs for insuring, maintaining and preserving the Collateral. All such expenditures incurred or paid by Lender for such purposes, with the exception of insurance premiums paid by Lender with respect to motor vehicles, but including the payment of attorneys' fees and expenses, will then bear interest at the rate charged under the Note from the date incurred or paid by Lender to the date of repayment by Grantor. All such expenses will become a part of the Indebtedness and, at Lender's option, will (A) be payable on demand; (B) be added to the balance of the Note and be apportioned among and be payable with any installment payments to become due during either (1) the term of any applicable insurance policy; or (2) the remaining term of the Note; or (C) be treated as a balloon payment which will be due and payable at the Note's maturity. The Agreement also will secure payment of these amounts. Such right shall be in addition to all other rights and remedies to which Lender may be entitled upon the occurrence of any Event of Default.

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

Payment Default. Grantor fails to make any payment when due under the Indebtedness.

Other Defaults. Grantor fails to comply with or to perform any other term, obligation, covenant or condition contained in this Agreement or in any of the Related Documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Grantor.

Default in Favor of Third Parties. Grantor defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Grantor's property or ability to perform Grantor's obligations under this Agreement or any of the Related Documents.

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

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

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

Creditor or Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Grantor or by any governmental agency against any collateral securing the Indebtedness. This includes a garnishment of any of Grantor's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Grantor as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Grantor gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any guarantor, endorser, surety, or accommodation party of any of the Indebtedness or guarantor, endorser, surety, or accommodation party dies or becomes incompetent or revokes or disputes the validity of, or liability under, any Guaranty of the Indebtedness.

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

Insecurity. Lender in good faith believes itself insecure.

Cure Provisions. If any default, other than a default in payment, is curable and if Grantor has not been given a notice of a breach of the same provision of this Agreement within the preceding twelve (12) months, it may be cured if Grantor, after Lender sends written notice to Grantor demanding cure of such default: (1) cures the default within fifteen (15) days; or (2) if the cure requires more than fifteen (15) days, immediately initiates steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

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**RIGHTS AND REMEDIES ON DEFAULT.** If an Event of Default occurs under this Agreement, at any time thereafter, Lender shall have all the rights of a secured party under the New York Uniform Commercial Code. In addition and without limitation, Lender may exercise any one or more of the following rights and remedies:

**Accelerate Indebtedness.** Lender may declare the entire Indebtedness, including any prepayment penalty which Granter would be required to pay, immediately due and payable, without notice of any kind to Granter.

**Assemble Collateral.** Lender may require Granter to deliver to Lender all or any portion of the Collateral and any and all certificates of title and other documents relating to the Collateral. Lender may require Granter to assemble the Collateral and make it available to Lender at a place to be designated by Lender. Lender also shall have full power to enter upon the property of Granter to take possession of and remove the Collateral. If the Collateral contains other goods not covered by this Agreement at the time of repossession, Granter agrees Lender may take such other goods, provided that Lender makes reasonable efforts to return them to Granter after repossession.

**Sell the Collateral.** Lender shall have full power to sell, lease, transfer, or otherwise deal with the Collateral or proceeds thereof in Lender's own name or that of Granter. Lender may sell the Collateral at public auction or private sale. Unless the Collateral threatens to decline speedily in value or is of a type customarily sold on a recognized market, Lender will give Granter, and other persons as required by law, reasonable notice of the time and place of any public sale, or the time after which any private sale or any other disposition of the Collateral is to be made. However, no notice need be provided to any person who, after Event of Default occurs, enters into and authenticates an agreement waiving that person's right to notification of sale. The requirements of reasonable notice shall be met if such notice is given at least ten (10) days before the time of the sale or disposition. All expenses relating to the disposition of the Collateral, including without limitation the expenses of retaking, holding, insuring, preparing for sale and selling the Collateral (including legal fees and costs), shall become a part of the Indebtedness secured by this Agreement and payable from the proceeds of the disposition of the Collateral, and shall be payable on demand, with interest at the Note rate from date of expenditure until repaid.

**Appoint Receiver.** Lender shall have the right to have a receiver appointed to take possession of all or any part of the Collateral, with the power to protect and preserve the Collateral, to operate the Collateral preceding foreclosure or sale, and to collect the rents from the Collateral and apply the proceeds, over and above the cost of the receivership, against the Indebtedness. Lender's right to the appointment of a receiver shall exist whether or not the apparent value of the Collateral exceeds the Indebtedness by a substantial amount. The right to a receiver shall be given to Lender regardless of the solvency of Granter and without any requirement to give notice to Granter.

**Collect Revenues, Apply Accounts.** Lender, either itself or through a receiver, may collect the payments, rents, income, and revenues from the Collateral. Lender may at any time in Lender's discretion transfer any Collateral into Lender's own name or that of Lender's nominee and receive the payments, rents, income, and revenues therefrom and hold the same as security for the Indebtedness or apply it to payment of the Indebtedness in such order of preference as Lender may determine. Insofar as the Collateral consists of accounts, general intangibles, insurance policies, instruments, chattel paper, choses in action, or similar property, Lender may demand, collect, receipt for, settle, compromise, adjust, sue for, foreclose, or realize on the Collateral as Lender may determine, whether or not Indebtedness or Collateral is then due. For these purposes, Lender may, on behalf of and in the name of Granter, receive, open and dispose of mail addressed to Granter; change any address to which mail and payments are to be sent; and endorse notes, checks, drafts, money orders, documents of title, instruments and items pertaining to payment, shipment, or storage of any Collateral. To facilitate collection, Lender may notify account debtors and obligors on any Collateral to make payments directly to Lender.

**Obtain Deficiency.** If Lender chooses to sell any or all of the Collateral, Lender may obtain a judgment against Granter for any deficiency remaining on the Indebtedness due to Lender after application of all amounts received from the exercise of the rights provided in this Agreement. Granter shall be liable for a deficiency even if the transaction described in this subsection is a sale of accounts or chattel paper.

**Other Rights and Remedies.** Lender shall have all the rights and remedies of a secured creditor under the provisions of the Uniform Commercial Code, as may be amended from time to time. In addition, Lender shall have and may exercise any or all other rights and remedies it may have available at law, in equity, or otherwise.

**Election of Remedies.** Except as may be prohibited by applicable law, all of Lender's rights and remedies, whether evidenced by this Agreement, the Related Documents, or by any other writing, shall be cumulative and may be exercised singularly or concurrently. Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Granter under this Agreement, after Granter's failure to perform, shall not affect Lender's right to declare a default and exercise its remedies.

**MISCELLANEOUS PROVISIONS.** The following miscellaneous provisions are a part of this Agreement:

**Amendments.** This Agreement, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Agreement. No alteration of or amendment to this Agreement shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

**Attorneys' Fees; Expenses.** Granter agrees to pay upon demand all of Lender's costs and expenses, including Lender's reasonable attorneys' fees and Lender's legal expenses, incurred in connection with the enforcement of this Agreement. Lender may hire or pay someone else to help enforce this Agreement, and Granter shall pay the costs and expenses of such enforcement. Costs and expenses include Lender's reasonable attorneys' fees and legal expenses whether or not there is a lawsuit, including reasonable attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. Granter also shall pay all court costs and such additional fees as may be directed by the court.

**Caption Headings.** Caption headings in this Agreement are for convenience purposes only and are not to be used to interpret or define the provisions of this Agreement.

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Governing Law. This Agreement will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of New York without regard to its conflicts of law provisions. This Agreement has been accepted by Lender in the State of New York.

No Waiver by Lender. Lender shall not be deemed to have waived any rights under this Agreement unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Agreement shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Agreement. No prior waiver by Lender, nor any course of dealing between Lender and Grantor, shall constitute a waiver of any of Lender's rights or of any of Grantor's obligations as to any future transactions. Whenever the consent of Lender is required under this Agreement, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

Notices. Any notice required to be given under this Agreement shall be given in writing, and shall be effective when actually delivered, when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified or registered mail postage prepaid, directed to the addresses shown near the beginning of this Agreement. Any party may change its address for notices under this Agreement by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. For notice purposes, Grantor agrees to keep Lender informed at all times of Grantor's current address. Unless otherwise provided or required by law, if there is more than one Grantor, any notice given by Lender to any Grantor is deemed to be notice given to all Grantors.

Power of Attorney. Grantor hereby appoints Lender as Grantor's irrevocable attorney-in-fact for the purpose of executing any documents necessary to perfect, amend, or to continue the security interest granted in this Agreement or to demand termination of filings of other secured parties. Lender may at any time, and without further authorization from Grantor, file a carbon, photographic or other reproduction of any financing statement or of this Agreement for use as a financing statement. Grantor will reimburse Lender for all expenses for the perfection and the continuation of the perfection of Lender's security interest in the Collateral. Grantor authorizes Lender to file a financing statement covering the Collateral without Grantor's signature pursuant to Uniform Commercial Code Section 9-402(2)(e).

Severability. If a court of competent jurisdiction finds any provision of this Agreement to be illegal, invalid, or unenforceable as to any circumstance, that finding shall not make the offending provision illegal, invalid, or unenforceable as to any other circumstance. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Agreement. Unless otherwise required by law, the illegality, invalidity, or unenforceability of any provision of this Agreement shall not affect the legality, validity or enforceability of any other provision of this Agreement.

Successors and Assigns. Subject to any limitations stated in this Agreement on transfer of Grantor's interest, this Agreement shall be binding upon and inure to the benefit of the parties, their successors and assigns. If ownership of the Collateral becomes vested in a person other than Grantor, Lender, without notice to Grantor, may deal with Grantor's successors with reference to this Agreement and the Indebtedness by way of forbearance or extension without releasing Grantor from the obligations of this Agreement or liability under the Indebtedness.

Survival of Representations and Warranties. All representations, warranties, and agreements made by Grantor in this Agreement shall survive the execution and delivery of this Agreement, shall be continuing in nature, and shall remain in full force and effect until such time as Grantor's Indebtedness shall be paid in full.

Time is of the Essence. Time is of the essence in the performance of this Agreement.

Waive Jury. All parties to this Agreement hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by any party against any other party.

DEFINITIONS. The following capitalized words and terms shall have the following meanings when used in this Agreement. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Agreement shall have the meanings attributed to such terms in the Uniform Commercial Code:

Agreement. The word "Agreement" means this Commercial Security Agreement, as this Commercial Security Agreement may be amended or modified from time to time, together with all exhibits and schedules attached to this Commercial Security Agreement from time to time.

Borrower. The word "Borrower" means Repro Med Systems, Inc. and includes all co-signers and co-makers signing the Note and all their successors and assigns.

Collateral. The word "Collateral" means all of Grantor's right, title and interest in and to all the Collateral as described in the Collateral Description section of this Agreement.

Environmental Laws. The words "Environmental Laws" mean any and all state, federal and local statutes, regulations and ordinances relating to the protection of human health or the environment, including without limitation the Comprehensive Environmental Response,

Compensation, and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et seq. ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986, Pub. L. No. 99-499 ("SARA"), the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq., or other applicable state or federal laws, rules, or regulations adopted pursuant thereto.

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Event of Default. The words "Event of Default" mean any of the events of default set forth in this Agreement in the default section of this Agreement.

Grantor. The word "Grantor" means Repro Med Systems, Inc..

Guaranty. The word "Guaranty" means the guaranty from guarantor, endorser, surety, or accommodation party to Lender, including without limitation a guaranty of all or part of the Note.

Hazardous Substances. The words "Hazardous Substances" mean materials that, because of their quantity, concentration or physical, chemical or infectious characteristics, may cause or pose a present or potential hazard to human health or the environment when improperly used, treated, stored, disposed of, generated; manufactured, transported or otherwise handled. The words "Hazardous Substances" are used in their very broadest sense and include without limitation any and all hazardous or toxic substances, materials or waste as defined by or listed under the Environmental Laws. The term "Hazardous Substances" also includes, without limitation, petroleum and petroleum by-products or any fraction thereof and asbestos.

Indebtedness. The word "Indebtedness" means the indebtedness evidenced by the Note or Related Documents, including all principal and interest together with all other indebtedness and costs and expenses for which Grantor is responsible under this Agreement or under any of the Related Documents. Specifically, without limitation, Indebtedness includes all amounts that may be indirectly secured by the Cross-Collateralization provision of this Agreement.

Lender. The word "Lender" means KeyBank National Association, its successors and assigns.

Note. The word "Note" means the Note dated April 14, 2020 and executed by Repro Med Systems, Inc. in the principal amount of \$3,500,000.00, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions for the note or credit agreement.

Property. The word "Property" means all of Grantor's right, title and interest in and to all the Property as described in the "Collateral Description" section of this Agreement.

Related Documents. The words "Related Documents" mean all promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the Indebtedness.

GRANTOR HAS READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS COMMERCIAL SECURITY AGREEMENT AND AGREES TO ITS TERMS. THIS AGREEMENT IS DATED APRIL 14, 2020.

GRANTOR:

REPRO MED SYSTEMS, INC.

By: /s/ Karen Fisher  
Karen Fisher, CFO of Repro Med Systems, Inc.

By: /s/ Manuel Marques  
Manuel Marques, COO of Repro Med Systems, Inc.

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Exhibit 10.3

LOAN AGREEMENT

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THIS LOAN AGREEMENT ("Agreement") is made on April 20, 2020, between the **REPRO MED SYSTEMS, INC.** and **KEYBANK NATIONAL ASSOCIATION** identified in the SBA Approval issued by the U.S. Small Business Administration ("SBA") to Lender, dated April 12, 2020 SBA Loan Number 40340571-03 ("Approval").

SBA has authorized a guaranty of a loan from Lender to Borrower under the Paycheck Protection Program (15 U.S.C. § 636(a)(36)) (the "Act") in the original principal amount of **\$1,476,508.00** (the "Loan").

In consideration of the promises in this Agreement and for other good and valuable consideration, Borrower and Lender agree as follows:

1. Subject to the terms and conditions of this Agreement, Lender agrees to make the Loan if Borrower complies with the following "Borrower Requirements". Borrower must:
    - a. Provide Lender with all certifications, documents or other information Lender is required by the Authorization to obtain from Borrower or any third party;
    - b. Execute a note and any other documents required by Lender;
    - c. Complies with the terms and conditions of this Agreement; and
    - d. Does everything necessary for Lender to comply with the terms and conditions of the Loan.
  2. Borrower represents and warrants, as of the date hereof, that:
    - a. Borrower was in business as of February 15, 2020 and had employees for which Borrower paid salaries, wages, or the equivalent and for which Borrower paid payroll taxes;
    - b. Borrower has reviewed the Act and represents, warrants and certifies to Lender that Borrower is an eligible applicant under the Act and the guidance promulgated by SBA and U.S. Department of Treasury related thereto;
    - c. The information provided in the application for the Loan and the information provided in all supporting documents and forms is true and accurate. Borrower acknowledges that knowingly making a false statement to obtain a guaranteed loan from SBA is punishable under 18 USC 1001 and 3571 by imprisonment of not more than five years and/or a fine of up to \$250,000; under 15 USC 645 by imprisonment of not more than two years and/or a fine of not more than \$5,000; and, if submitted to a Federally insured institution, under 18 USC 1014 by imprisonment of not more than thirty years and/or a fine of not more than \$1,000,000;
    - d. The amount of the Loan was calculated using tax documentation provided by Borrower to Lender. Borrower hereby represents and warrants that these tax documents are identical to those submitted by Borrower to the IRS and that the information contained therein is true, correct and complete;
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- e. Borrower shall use the Loan only for payroll costs, interest on mortgages, rent, and utilities and Borrower shall use account no. \_\_\_\_\_ to facilitate application of the Loan towards the approved costs; and
  - f. Borrower has suffered an adverse impact to its business as a result of the COVID-19 pandemic.
3. Borrower hereby acknowledges the following:
- a. Any forgiveness of the Loan amount, in full or in part, is contingent on Borrower using the Loan only for the purposes identified in this Agreement;
  - b. Any request made by Borrower to Lender for forgiveness of the Loan, in full or in part, shall include documentation verifying the use of Loan proceeds towards permitted uses, satisfactory to Lender at its sole discretion;
  - c. Any and all information and supporting documentation provided by Borrower to Lender is and shall be true, accurate and complete in all respects.
4. The terms and conditions of this Agreement:
- a. Are binding on Borrower and its successors and assigns; and
  - b. Will remain in effect after the closing of the Loan.
5. Failure to abide by any of the terms of this Agreement will constitute an event of default under the note and other loan documents.
6. If Borrower defaults on the Loan and the SBA suffers a loss, the name of the Borrower will be referred for listing in the CAIVRS database, which may affect their eligibility for further financial assistance.
7. Electronic Signatures. Each party agrees that the electronic signatures, whether digital or encrypted, of the parties included in this Agreement, if any, are intended to authenticate this writing and to have the same force and effect as manual signatures. The term “electronic signature” means any electronic sound, symbol, or process attached to or logically associated with a record and executed and adopted by a party with the intent to sign such record, including facsimile or email electronic signatures. Without limiting the generality of the foregoing, delivery of an executed counterpart’s signature page of this Agreement, by facsimile, electronic mail in portable document format (.pdf) or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, has the same effect as delivery of an executed original of this Agreement.

**[SIGNATURE PAGE FOLLOWS]**

IN WITNESS WHEREOF, the parties hereto have set their hands effective as of the date first written above.

**BORROWER:**  
**REPRO MED SYSTEMS, INC.**

By: /s/ Karen Fisher  
Karen Fisher, CFO



## Progress Payment Loan and Security Agreement

Principal Amount: \$2,500,000.00

Interest Rate: Prime + 0.00%

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**THIS PROGRESS PAYMENT LOAN AND SECURITY AGREEMENT** dated as of April 20, 2020 ("Agreement") is made by and between KEY EQUIPMENT FINANCE, A DIVISION OF KEYBANK NATIONAL ASSOCIATION, ("KEF"), and REPRO MED SYSTEMS, INC., a New York Corporation, with a principal address at 24 CARPENTER RD, CHESTER, NY 10918-1057 ("Borrower").

### RECITALS

- A. Borrower has entered into a Master Security Agreement dated as of April 20, 2020 with KEF (the "Finance Agreement"), pursuant to which KEF agrees to finance for Borrower, and Borrower agrees to finance with KEF, each item of Equipment described from time to time on schedules prepared in connection with the Finance Agreement (the Finance Agreement, together with all such schedules and addenda attached thereto, if any, are hereinafter collectively referred to as, the "Term Agreement").
- B. Borrower has entered into, or will enter into purchase agreements and/or purchase orders (the "Purchase Documentation") with various third party vendors (the "Suppliers"), pursuant to which Borrower has agreed to purchase certain equipment from such Suppliers (the "Equipment").
- C. As an accommodation during the period of time in which the Equipment is being purchased, assembled and/or tested, Borrower has requested KEF to make certain payments (each, a "Progress Payment," and collectively the "Progress Payments") to the Suppliers, prior to the commencement of periodic payments with respect to the Equipment. KEF is willing to make such Progress Payments, subject to and upon the terms and conditions set herein.
- D. Unless the context otherwise requires, all capitalized terms used herein without definition shall have the respective meanings set forth in the Term Agreement.

NOW, THEREFORE, in consideration of the foregoing premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, KEF and Borrower hereby agree as follows:

### 1) PROGRESS LOAN

- a) **Promise to Pay.** For value received, Borrower promises to pay to KEF the sum of \$2,500,000.00 in lawful money of the United States of America or so much thereof as from time to time shall have been advanced hereunder (the "Principal"), with interest thereon as provided herein ("Interest").
- b) **Payment; Interest Rate; Place of Payment.**
  - i) Interest on the balance of the Principal outstanding under this Agreement shall
    - A) accrue with respect to each advance hereunder (each, an "Advance") from the date of such Advance until paid in full
    - B) accrue at a floating rate per annum equal to the Prime Rate in effect from time to time plus 0.00% (the "Interest Rate")
    - C) be immediately and correspondingly adjusted with each change in the Prime Rate; and
    - D) be calculated on the basis of a 360-day year consisting of twelve 30-day months;

Payment of the Principal and Interest shall be made to KEF at 1000 S McCaslin Blvd, Superior, CO 80027, or at such other place as KEF may designate from time to time in writing.

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ii) "Prime Rate" means the prime rate announced from time to time in *The Wall Street Journal*. If the Prime Rate is no longer available, KEF will choose a new index that is based upon comparable information and will give Borrower notice of such new "Prime Rate."

c) **Security Interest.** As security for the payment and performance of all obligations to KEF under this Agreement, including, without limitation, Borrower's obligation to repay each Advance and all interest accrued thereon (collectively, the "Secured Obligations"), Borrower hereby grants to KEF a security interest in and to all of Borrower's right, title and interest, now existing or hereafter arising, in the Collateral. Borrower represents and warrants and covenants to KEF that:

- i) the Collateral is and shall remain free and clear of all claims, liens, encumbrances and charges whatsoever, except for the security interest granted hereby;
- ii) upon the filing of appropriate UCC-1 financing statements, KEF shall have a valid and perfected first priority security interest in the Collateral.
- iii) Borrower shall, at Borrower's expense, promptly take any action as may be necessary or desirable in order to discharge any liens (other than the security interest granted hereby) upon the Collateral

"Collateral" means the Purchase Documentation (including, without limitation, the right to purchase the Equipment thereunder), the Equipment and any and all accessions thereto and substitutions, replacements or exchanges therefor, and any and all proceeds (both cash and non-cash) and products of all of the foregoing, including without limitation insurance proceeds, claims of Borrower against third parties for damage to or loss or destruction of the Equipment, contract rights and general intangibles.

d) **Application of Payments; Usury.** Each payment received under this Agreement shall be applied first to unpaid late charges, then to Interest accrued hereunder. KEF does not intend to charge any amount in excess of the maximum amount of time price differential or interest, as applicable, permitted to be charged or collected by applicable law and any such excess amounts will be applied to payments due under this Agreement, in inverse order of maturity, with any surplus refunded to Borrower.

e) **Repayment Terms.**

i) Interest shall be due and payable monthly in arrears on the last day of each month beginning with the month in which KEF funds the first Advance hereunder to and including the earlier of the following dates (the "Outside Term Closing Date"):

(A) APRIL 3, 2021; or

(B) the date on which a prepayment is required under Section 1(f) hereof; or

(C) the periodic payment commencement date for the final transaction under, and as defined in, the Term Agreement.

ii) **NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED HEREIN, THE ENTIRE UNPAID BALANCE OF THE PRINCIPAL ADVANCED HEREUNDER, TOGETHER WITH ACCRUED AND UNPAID INTEREST THEREON AT THE INTEREST RATE, SHALL BE DUE AND PAYABLE ON THE OUTSIDE TERM CLOSING DATE.** In addition, Borrower will pay a late charge in an amount equal to five percent (5%) of any payment that is not paid on or before the date due hereunder. KEF reserves the right to require any payment on this Agreement, whether such payment represents a regular installment or a prepayment, to be paid by wired federal funds or other immediately available funds.

f) **Prepayment Terms.**

NO PREPAYMENT OF ANY PRINCIPAL ADVANCED HEREUNDER WILL BE ALLOWED UNLESS IT IS MADE (a) IN CONNECTION WITH PARTS (i) OR (ii) OF THIS SUBSECTION OR (b) TOGETHER WITH A PREPAYMENT PREMIUM OF 2% OF THE THEN OUTSTANDING PRINCIPAL BALANCE.

- i) Borrower may prepay, the Principal outstanding hereunder without premium or penalty concurrently with each Term Closing.
- ii) If:
  - (A) Equipment with an original cost of \$100,000 or more is deemed first placed in service during a calendar quarter, or
  - (B) any Equipment is deemed first placed in service during a calendar year, then, on the final day of each respective calendar quarter or calendar year, as applicable, Borrower shall prepay that portion of the outstanding Principal equal to the cost of such Equipment, together with accrued and unpaid Interest on such prepayment amount. If all the conditions precedent set forth in Section 2(c) below have been met, KEF shall apply, and Borrower directs KEF to apply, the proceeds of the Term Agreement to such prepayment, in accordance with and subject to the terms and conditions of this Agreement.

## 2) PROGRESS PAYMENT TRANSACTION; TERM AGREEMENT TRANSACTION

- a) **Progress Payment Commencement Date.** The Progress Payments contemplated by this Agreement shall be made available to Borrower on or about April 24, 2020 (the "Initial Advance Date"), or at such other time as the parties hereto shall agree. On or before the Initial Advance Date, the following documents shall have been duly executed and delivered by the parties thereto and shall each be in full force and effect:
  - i) the Finance Agreement; and
  - ii) all other documents as may be reasonably requested by KEF.
- b) **Term Closing Date.** The closing of the transactions contemplated by the Term Agreement (the "Term Closing") shall take place on such dates as KEF and Borrower shall agree (each a "Term Closing Date"), but in no event later than the Outside Term Closing Date. In addition, on or before the Term Closing Date the following documents shall be duly executed and delivered by the parties thereto and shall each be in full force and effect:
  - i) the acknowledgement by Borrower that the Equipment has been accepted for all purposes of the Term Agreement;
  - ii) all other documents contemplated by the Term Agreement; and
  - iii) any other documents as may be reasonably requested by KEF.

In addition, on each Term Closing Date, Borrower shall pay \$2,350.00 to KEF, such amount being the fees previously agreed upon by Borrower and KEF. In conjunction with each Term Closing the Principal balance then outstanding hereunder shall be reduced by an amount equal to the cost of the Equipment that has been accepted under the Term Agreement and such Equipment shall become subject to the Term Agreement and released from the lien of this Agreement

- c) **Conditions Precedent to Investment by KEF on any Term Closing Date.** The obligation of KEF to enter into the transaction contemplated by the Term Agreement on the Term Closing Date shall be subject to the following conditions:
  - i) On or before the Term Closing Date, KEF shall have received the documents set forth in Section 2(b) hereof.
  - ii) All of Borrower's representations set forth in the Term Agreement shall be true, correct and accurate as of the Term Closing Date.
  - iii) No change shall have occurred after the date of the execution and delivery of this Agreement in applicable law or regulations thereunder or interpretations thereof by regulatory authorities that, in the opinion of KEF or its counsel, would make it illegal for KEF to enter into any transaction contemplated by this Agreement or the Term Agreement.

- iv) In the reasonable opinion of KEF, no material adverse change in the financial condition of Borrower shall have occurred since the date of this Agreement.
- v) No change in applicable tax law shall have occurred nor shall a judicial opinion on a tax issue have been rendered prior to the Term Closing Date if such change, if enacted, adopted or made effective in the same or substantially similar form of such judicial opinion, would, in the reasonable opinion of KEF, render it disadvantageous or inadvisable for KEF to enter into the transactions contemplated by this Agreement and the Term Agreement unless Borrower shall indemnify KEF to KEF's reasonable satisfaction for such change in tax law or unless Borrower agrees to an adjustment to periodic payments so as to preserve KEF's net economic return.
- vi) All approvals and consents of any trustees or holders of any indebtedness or obligations of Borrower that are required in connection with the transactions contemplated by this Agreement, the Term Agreement, and in any other agreement executed in connection herewith or therewith (collectively, the "Transaction Documents") shall have been duly obtained and be in full force and effect. In addition, all actions required to have been taken on /or prior to the Term Closing Date in connection with the transactions contemplated hereby shall have been taken.
- vii) KEF and Borrower shall have agreed on the aggregate cost of the Equipment to be financed on the Term Closing Date and the Payment instructions for each disbursement requested on the Term Closing Date
- viii) No event of Default as defined herein or in any Term Agreement shall have occurred and be continuing and no event shall have occurred that, with the giving of notice or the passage of time or both, would become an event of Default hereunder or under any Term Agreement.

### 3) PROGRESS PAYMENTS

- a) **The Progress Payments.** Subject to the terms and conditions set forth in the Transaction Documents, KEF hereby agrees to make the Progress Payments to the Suppliers upon Borrower's request at the times and in the amounts set forth in the Purchase Documentation. Progress Payments shall be made substantially in accordance with the instructions set forth in a written request (the "Drawdown Request") specifying the requested disbursement date, the aggregate cost of the Equipment to be financed on the disbursement date and the payment instructions for each disbursement requested with respect to such Progress Payment.
- b) **Incorporation of Finance Agreement.** Borrower hereby acknowledges that, with respect to the Progress Payments hereunder (and the Equipment to which such Progress Payments relate), the terms of the Finance Agreement are hereby incorporated by reference with respect to such Equipment.
- c) **Express Condition to Progress Payments.** Notwithstanding anything to the contrary contained in the Transaction Documents, KEF shall have no obligation to make any Progress Payment hereunder unless:
  - i) no event of Default (as hereinafter defined) shall have occurred and be continuing.
  - ii) KEF shall have received the following documents duly executed and delivered by the parties thereto:
    - (A) the Finance Agreement;
    - (B) this Agreement;
    - (C) a Drawdown Request;
    - (D) an original invoice, acceptable to KEF, from the supplier to whom payment is requested, countersigned by Borrower, which countersignature shall be conclusively deemed to be Borrower's certification and agreement that the Progress Payment invoiced is then due and owing and properly payable, and that all conditions precedent to the payment of such invoice have been performed and completed to the satisfaction of Borrower;

- (E) a certificate evidencing that insurance coverage as required by the Term Agreement is in effect on the date of the Progress Payment in amounts satisfactory to KEF;
  - (F) with respect to payments to Borrower to reimburse it for payments previously made to Suppliers, either (1) copies of canceled checks (front and back) or (2) if funds were wired, a copy of a wire confirmation receipt, plus copies of invoices marked "paid in full," plus for confirmation purposes, the name and telephone number of such Supplier; and
  - (G) any other instruments or documents as may be reasonably requested by KEF.
- iii) the amount of such payment, when added to all amounts previously funded hereunder, is less than or equal to the Principal;
  - iv) KEF shall have received from Borrower a drawdown fee of \$50.00 per Advance; and
  - v) KEF shall have received all items identified in item A on Exhibit A attached to this Agreement.
- d) **Limit on Drawdown Requests.** Borrower is limited to a maximum of two (2) Drawdown Requests in any calendar month.

#### 4) GENERAL MATTERS

- a) **Events of Default.** The occurrence of any of the following events shall constitute and be a Default hereunder:
- i) Borrower fails to pay any installment of Principal or Interest, or any other payment due and owing under this Agreement within ten (10) days after the same shall have become due;
  - ii) Borrower violates or fails to perform any provision, covenant or representation of this Agreement, the Finance Agreement, the Transaction Document or any other agreement with KEF or any other party;
  - iii) a material adverse change in Borrower's or any Guarantor's financial condition; or
  - iv) an event of Default as defined in the Term Agreement.
  - v) Borrower or any *guarantor* appears, or is located in any country that appears or is located in any county that appears, on any list of the U.S. Office of Foreign Assets Control or other similar list.
- b) **Remedies.** Upon the occurrence of an event of Default:
- i) KEF shall have no obligation to make any additional Progress Payments hereunder,
  - ii) KEF shall have the right to cause the entire outstanding Principal balance, together with all accrued and unpaid Interest thereon, to become immediately due and payable without notice or demand,
  - iii) Borrower shall pay on demand all costs and expenses incurred by KEF with respect to the enforcement of its rights and remedies hereunder, including, without limitation, reasonable attorneys' fees, and
  - iv) KEF shall have the right to exercise any and all remedies available to it hereunder under the Finance Agreement at law or in equity.

The remedies of KEF provided herein shall be cumulative and concurrent and may be pursued singly, successively or concurrently at the sole discretion of KEF and may be exercised as often as occasion therefor shall occur. The failure to exercise, or any delay in the exercise of, any right or remedy shall in no event be construed as a waiver, release or exhaustion of any such remedies.

c) **Waiver. BORROWER HEREBY WAIVES:**

- i) **PRESENTMENT FOR PAYMENT, DEMAND, NOTICE OF DEMAND, NOTICE OF NON- PAYMENT, NOTICE OF PROTEST AND PROTEST, AND HEREBY CONSENTS TO ANY AND ALL EXTENSIONS OF TIME, RENEWALS, WAIVERS OR MODIFICATIONS OF ANY AND ALL SUBSTITUTIONS OR RELEASES OF SECURITY OR OF ANY PARTY PRIMARILY OR SECONDARILY LIABLE HEREUNDER OR FOR ANY OF THE OBLIGATIONS HEREUNDER;**
- ii) **ANY RIGHT TO TRIAL BY JURY IN ANY LITIGATION WITH RESPECT TO THIS AGREEMENT OR ANY OTHER TRANSACTION DOCUMENT, OR THE VALIDITY, PROTECTION, INTERPRETATION, COLLECTION OR ENFORCEMENT HEREOF OR THEREOF, OR ANY OTHER CLAIM OR DISPUTE HOWEVER ARISING BETWEEN OR AMONG BORROWER, ANY GUARANTOR AND KEF; AND**
- iii) **ANY DEFENSE OR COUNTERCLAIM (IN EACH CASE IN CONNECTION WITH THE EXERCISE BY BORROWER OF IT'S RIGHTS AND REMEDIES UNDER THIS AGREEMENT OR ANY OTHER TRANSACTION DOCUMENT) OR SET OFF WHATSOEVER WITH RESPECT TO THE OBLIGATION TO MAKE ANY PAYMENT OF PRINCIPAL OR INTEREST HEREUNDER OR THEREUNDER, IT BEING UNDERSTOOD AND AGREED THAT THE OBLIGATION TO MAKE SUCH PAYMENT IS ABSOLUTE AND UNCONDITIONAL IRRESPECTIVE OF THE PERFORMANCE OF THE PARTIES HEREUNDER.**

d) **Representations and Warranties of Borrower.** In addition to the representations and warranties set forth in the Finance Agreement, Borrower hereby represents and warrants to KEF that:

- i) the Equipment shall be located at, and except as otherwise provided in the Term Agreement, shall not be removed from, the Equipment Location identified on Exhibit A attached hereto;
- ii) except as set forth in item C on Exhibit A Borrower owns the Equipment Location free and clear of all liens;
- iii) the loan is for commercial and business purposes and the Equipment will be used solely for such purposes and not for personal, family, or household purposes;
- iv) neither the Borrower nor, to the Borrower's knowledge, any director, officer, agent, employee or affiliate of the Borrower is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("OFAC"); and
- v) the Borrower will not directly or indirectly use the proceeds of the Loan, or lend, contribute or otherwise make available such proceeds to any affiliate or other person or entity, for the purpose of financing the activities of any person currently subject to any U.S. sanctions administered by OFAC

e) **Fees.** Borrower will pay promptly upon receipt of invoices submitted by KEF from time to time all reasonable fees and expenses of KEF incurred in connection with the transactions contemplated by this Agreement and the other Transaction Documents, including without limitation, Uniform Commercial Code search and filing fees and the fees and expenses of KEF's outside counsel.

f) **Miscellaneous. THIS AGREEMENT IS BEING DELIVERED IN, AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF, THE STATE OF NEW YORK, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW OR CONFLICT OF LAWS (OTHER THAN SECTION 5- 1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW). ANY ACTION BETWEEN THE PARTIES ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY, INCLUDING NON-CONTRACTUAL CLAIMS, SHALL BE BROUGHT IN ANY STATE OR FEDERAL COURT LOCATED IN THE STATE OF NEW YORK; PROVIDED, THAT AT KEF'S SOLE OPTION, KEF MAY BRING AN ACTION IN THE STATE WHERE BORROWER OR THE EQUIPMENT IS LOCATED. BORROWER IRREVOCABLY WAIVES OBJECTIONS TO THE JURISDICTION OF SUCH COURTS AND WAIVES ANY ARGUMENT THAT VENUE IN ANY SUCH FORUM IS NOT CONVENIENT.** This Agreement may be executed in any number of counterparts, each executed counterpart constituting an original and in each case such counterparts shall constitute but one and the same instrument. KEF may at any time assign or otherwise transfer or negotiate this Agreement in whole or in part, without any notice to Borrower and this Agreement shall be binding upon,

and inure to the benefit of, the parties hereto and their respective successors and assigns. This Agreement, together with the other Transaction Documents collectively constitute the entire understanding and agreement between Borrower and KEF with respect to the matters addressed herein and therein, and there is no understanding or agreement, oral or written, which is not set forth herein or therein.

- g) **UCC Filings. BORROWER HEREBY AUTHORIZES KEF TO AUTHENTICATE AND/OR FILE ALL FINANCING STATEMENTS AND AMENDMENTS THAT IN KEF'S SOLE DISCRETION ARE DEEMED NECESSARY OR PROPER TO SECURE OR PROTECT KEF'S INTEREST IN THE COLLATERAL IN ALL APPLICABLE JURISDICTIONS.** Borrower hereby ratifies, to the extent permitted by law, all that KEF shall lawfully and in good faith do or cause to be done by reason of and in compliance with this section. Borrower shall provide written notice to KEF at least 30 days prior to any contemplated change in Borrower's name, jurisdiction of organization or chief executive office address.

**IN WITNESS WHEREOF**, KEF and Borrower have executed this Progress Payment Loan and Security Agreement as of the day and year first written above.

Borrower:  
REPRO MED SYSTEMS, INC.

**KEF:**  
KEY EQUIPMENT FINANCE, A DIVISION OF KEYBANK  
NATIONAL ASSOCIATION

By: /s/ Karen Fisher

By: /s/ Jodi Mackinnon

Name: KAREN FISHER

Name: Jodi Mackinnon

Title: CFO

Title: Vice President

**EXHIBIT A**

**A. Additional Closing Requirements:** None

**B. Equipment Location:**  
24 Carpenter Rd, Chester, NY 10918-1057



## **Master Security Agreement**

**THIS MASTER SECURITY AGREEMENT** (this "Agreement") dated as of April 20, 2020 is made by and between REPRO MED SYSTEMS, INC., a New York Corporation, with a principal address at 24 CARPENTER RD, CHESTER, NY 10918-1057 ("Borrower"), and KEY EQUIPMENT FINANCE, A DIVISION OF KEYBANK NATIONAL ASSOCIATION, having an office at 1000 S MCCASLIN BLVD, Superior, CO 800279437 ("KEF").

1. **Financing.** This Agreement provides terms and conditions that the parties intend to apply to various loan transactions secured by personal property. Each such loan transaction shall be evidenced by (a) a Collateral Schedule that explicitly incorporates the provisions of this Agreement and that sets forth the description of the specific collateral securing Borrower's obligations to KEF ("Collateral Schedule") and (b) a Promissory Note evidencing the amount to be repaid by Borrower to KEF ("Note").

2. **Definitions.** Unless the context otherwise requires, as used in this Agreement the following terms shall have the respective meanings indicated below and shall be equally applicable to both the singular and the plural forms thereof. Any term used in this Agreement and not defined herein shall have the meaning provided in the Uniform Commercial Code ("UCC") in effect in the State identified in Section 21 below.

"**Collateral**" means the Equipment and any other property described on a Collateral Schedule, all substitutions, replacements or exchanges therefor, and all proceeds (both cash and non-cash and including insurance proceeds) receivable or received from the sale, lease, license, collection, use, exchange or other disposition of the Collateral.

"**Default Rate**" means the lesser of eighteen percent per annum or the maximum rate permitted by law.

"**Equipment**" means each item of property designation from time to time by Borrower and financed by KEF which is described on a Collateral Schedule, together with all replacement parts, accessions, additions and accessories incorporated therein or affixed thereto including, without limitation, any software that is a component or integral part of, or is included or used in connection with, any item of Equipment, but with respect to such software, only to the extent of Borrower's interest therein, if any.

"**Guarantor**" means any guarantor of the Secured Obligations.

"**Installment(s)**" means the periodic payments due to repay each Note, and, where the context requires, all additional amounts as may from time to time be payable under any provision of the Loan Documents.

"**Loan Documents**" means, with respect to each loan transaction, collectively, this Agreement, a Note, a Certificate of Acceptance, a Collateral Schedule and all other documents prepared by KEF and now or hereafter executed in connection therewith.

"**Secured Obligations**" means all of the following obligations of Borrower, whether direct or indirect, absolute or contingent, matured or unmatured, originally contracted with KEF or another party, and now or hereafter owing to or acquired in any manner partially or totally by KEF or in which KEF may have acquired a participation, contracted by Borrower alone or jointly or severally: (a) Borrower's obligations hereunder and under the Notes, (b) any and all indebtedness, obligations, liabilities, contracts, indentures, agreements, warranties, covenants, guaranties, representations, provisions, terms, and conditions of whatever kind, now existing or hereafter arising, and however evidenced, that are now or hereafter owed, incurred or executed by Borrower to, in favor of, or with KEF, and including any partial or total extension, restatement, renewal, amendment, and substitution thereof or therefor; (c) any and all claims of whatever kind of KEF against Borrower, now existing or hereafter arising; and (d) any and all of KEF's fees, costs and expenses related to the foregoing.

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"Supplier" means the manufacturer or the vendor of the Equipment, as set forth on each Collateral Schedule.

"Term" means the term of each Note.

3. **Grant of Security.** In consideration of one or more loans, advances or other financial accommodations at any time made or extended by KEF to or for the account of Borrower, and to secure the prompt payment and performance in full when due of the Secured Obligations, Borrower hereby pledges, assigns, transfers and hypothecates to KEF and grants to KEF a continuing security interest in, all of Borrower's right, title and interest in and to the Collateral.

4. **Perfection of Security Interest.** (a) Borrower hereby authorizes KEF to authenticate and/or file all UCC financing statements and amendments that in KEF's sole discretion are deemed necessary or proper to secure or protect KEF's interest in the Collateral in all applicable jurisdictions. Borrower hereby ratifies, to the extent permitted by law, all that KEF shall lawfully and in good faith do or cause to be done by reason of and in compliance with this section. Borrower shall provide written notice to KEF at least thirty days prior to any contemplated change in Borrower's name, jurisdiction of organization or chief executive office address.

(b) Borrower shall have possession of the Collateral except where expressly otherwise provided in this Agreement or where KEF chooses to perfect its security interest by possession in addition to the filing of a financing statement. If any of the Collateral is at any time in the possession of a third party, Borrower will join with KEF in notifying such third party of KEF's security interest and obtaining an acknowledgment from such third party that it is holding the Collateral for the benefit of KEF.

(c) If any lien or encumbrance other than KEF's shall attach to Equipment, Borrower shall (i) give KEF immediate written notice thereof and (ii) promptly, at Borrower's sole cost and expense, take such action as may be necessary to discharge such lien.

(d) Borrower will not create any Chattel Paper with respect to the Equipment without placing a legend on the Chattel Paper acceptable to KEF indicating that KEF has a security interest in the Chattel Paper.

5. **Delivery and Acceptance.** If requested by KEF, Borrower shall execute and deliver to KEF a Certificate of Acceptance for the Equipment described on such Collateral Schedule and, in such event, **KEF SHALL HAVE NO OBLIGATION TO ADVANCE ANY FUNDS TO BORROWER UNLESS AND UNTIL KEF SHALL HAVE RECEIVED A CERTIFICATE OF ACCEPTANCE RELATING TO THE EQUIPMENT EXECUTED BY BORROWER.**

6. **Payments.** Borrower shall pay each Note on the terms set forth therein. All Installments shall be payable when due and be paid to KEF at 1000 South McCaslin Boulevard, Superior, CO 80027, or as otherwise directed by KEF in writing. Lender does not intend to charge any amount in excess of the maximum amount of time price differential or interest, as applicable, permitted to be charged or collected by applicable law and any such excess amounts will be applied to payments due under each loan, in inverse order of maturity, with any surplus refunded to Borrower.

7. **Location; Inspection.** Equipment shall be delivered to the location ("Equipment Location") specified in a Collateral Schedule and shall not be removed therefrom without KEF's prior written consent. KEF shall have the right to enter upon the premises where the Collateral is located and inspect the Collateral at any reasonable time. At KEF's request, Borrower shall (a) affix permanent labels in a prominent place on Equipment stating KEF's interest in the Equipment, (b) keep such labels in good repair and condition and (c) provide KEF with an inventory listing of all labeled Equipment within thirty days of such request.

8 . **Use; Alterations.** Borrower shall use Equipment lawfully and only in the manner for which it was designed and intended and so as to subject it only to ordinary wear and tear. Borrower shall comply with all applicable laws. Borrower shall immediately notify KEF, in writing, upon becoming aware of any existing or threatened investigation, claim or action by any governmental authority that could adversely affect Equipment, KEF or this Agreement. Borrower, at its own expense, shall make such alterations, additions or modifications to Equipment as may be required from time to time to meet the requirements of applicable law or a governmental body (each, a "Required Alteration"). All such Required Alterations shall immediately, and without further act, be deemed to constitute "Equipment" and be fully subject to this Agreement as if originally financed hereunder. Borrower shall not make any other alterations to Equipment without KEF's prior written consent.

9. **Repairs and Maintenance.** Borrower, at Borrower's sole cost and expense, shall (a) keep Equipment in good repair, operating condition, appearance and working order in compliance with the manufacturer's recommendations and Borrower's standard practices (but in no event less than industry practices), (b) properly service all components of Equipment following the manufacturer's written operating and servicing procedures, (c) enter into and keep in full force and effect during the Term a maintenance agreement covering the Equipment with the manufacturer, or a manufacturer- approved maintenance organization, to maintain, service and repair such Equipment, as otherwise required herein (but an alternate source of maintenance may be used by Borrower with KEF's prior written consent), (d) upon KEF's request furnish KEF with an executed copy of any such maintenance agreement, and (e) replace any part of the Equipment that becomes unfit or unavailable for use from any cause (whether or not such replacement is covered by a maintenance agreement) with a replacement part that, in KEF's sole opinion, is of the same manufacture, value, remaining useful life and utility as the replaced part immediately preceding the replacement, assuming that such replaced part was in the condition required by this Agreement. Replacement parts shall be free and clear of all liens, constitute Equipment and be fully subject to this Agreement as if originally financed hereunder.

10. **Lease and Assignment.** (a) **BORROWER SHALL NOT, WITHOUT KEF'S PRIOR WRITTEN CONSENT, (i) SELL, ASSIGN, TRANSFER, PLEDGE, HYPOTHECATE OR OTHERWISE DISPOSE OF THE COLLATERAL OR ANY INTEREST THEREIN, (ii) RENT OR LEND EQUIPMENT TO ANYONE OR (iii) PERMIT EQUIPMENT TO BE USED BY ANYONE OTHER THAN BORROWER OR BORROWER'S AFFILIATES AND THEIR RESPECTIVE QUALIFIED EMPLOYEES. BORROWER ACKNOWLEDGES IT REMAINS PRIMARILY LIABLE FOR ALL OBLIGATIONS ARISING HEREUNDER NOTWITHSTANDING USE BY AN AFFILIATE.**

(b) KEF, at any time with or without notice to Borrower, may sell, transfer, assign and/or grant a security interest in all or any part of KEF's interest in the Loan Documents or any Equipment (each, a "KEF Transfer"). Any purchaser, transferee, assignee or secured party of KEF (each a "KEF Assignee") shall have and may exercise all of KEF's rights under the applicable Loan Documents and hereunder with respect to the Equipment to which any such KEF Transfer relates, and Borrower shall not assert against any KEF Assignee any claim that Borrower may have against KEF; *provided*, Borrower may assert any such claim in a separate action against KEF. Upon receipt of written notice of a KEF Transfer, Borrower shall promptly acknowledge in writing its obligations under the applicable Note and hereunder, shall comply with the written directions or demands of any KEF Assignee and shall make all payments due under the applicable Note as directed in writing by the KEF Assignee. Following such KEF Transfer, the term "KEF" shall be deemed to include or refer to each KEF Assignee. Borrower will provide reasonable assistance to KEF to complete any transaction contemplated by this subsection (b).

(c) Subject to the restriction on assignment contained in subsection (a), the Loan Documents shall inure to the benefit of, and be binding upon, the successors and assigns of the parties thereto including, without limitation, each person who becomes bound thereto as a "new debtor" as set forth in the UCC.

**11. Risk of Loss; Damage to Equipment.** (a) Borrower shall bear the entire risk of loss (including without limitation, theft, destruction, disappearance of or damage to Equipment from any cause whatsoever), whether or not insured against, during the Term of each Note. No such loss shall relieve Borrower of the obligation to pay Installments or of any other obligation under any Loan Documents.

(b) If any Equipment is lost, stolen or damaged beyond repair, or is confiscated or seized, or to use and/or title thereof is requisitioned to someone other than Borrower (any such event being a "Total Loss"), Borrower shall immediately notify KEF of such event. On the next Installment payment date following the occurrence of the Total Loss, at KEF's option, Borrower shall either (i) replace the Equipment that suffered a Total Loss with equipment that is free of all liens and, in KEF's sole opinion, is of the same manufacture, value, remaining useful life and utility as the replaced Equipment immediately preceding the replacement, assuming such replaced Equipment was in the condition required by this Agreement or (ii) pay to KEF any unpaid Installments and other charges due prior to the payment date specified in such notice plus an amount, with respect to an item of Equipment, equal to the pro rata portion of the Installments attributable to such item of Equipment under the Loan Documents after discounting those Installments to present worth as of the payment date specified in the notice on the basis of a per annum rate of discount equal to three percent from the respective dates upon which the Installments would have been paid but for the operation of this clause, together with interest on such amount at the Default Rate from the payment date specified in the notice to the date of actual payment.

(c) If KEF elects to allow replacement of Equipment as set forth in subsection (b)(i) above, such replacement equipment shall become Equipment subject to this Agreement and the security interest granted to KEF hereunder, and KEF shall release its interest in the applicable Equipment in its then condition and location, "AS IS" and "WHERE IS," without any warranties, express or implied. Alternatively, upon KEF's receipt of the amounts specified in subsection (b)(ii) above, KEF shall release its interest in the applicable Equipment, in its then condition and location, "AS IS" and "WHERE IS," without any warranties, express or implied.

**12. Insurance.** (a) Borrower shall, at all times during the Term of each Note and at Borrower's own cost and expense, maintain (i) insurance against all risks of physical loss or damage to Equipment for the full replacement value thereof, and

(ii) commercial general liability insurance (including blanket contractual liability coverage and products liability coverage) for personal and bodily injury and property damage per occurrence as stated in each Collateral Schedule.

(b) All insurance policies required hereunder shall include terms, and be with insurance carriers, reasonably satisfactory to KEF. Without limiting the generality of the foregoing, each policy shall include the following terms: (i) all physical damage insurance shall name KEF and its assigns as loss payee, (ii) all liability insurance shall name KEF and its assigns as additional insureds, (iii) the policy shall not be canceled or altered without at least thirty days' advance notice to KEF and its assigns and (iv) coverage shall not be invalidated against KEF or its assigns because of any violation of any condition or warranty contained in any policy or application therefor by Borrower or by reason of any action or inaction of Borrower. On each anniversary of the date on which KEF funds any Note hereunder, and during the term hereof, Borrower shall deliver to KEF certificates or other proof of insurance satisfactory to KEF evidencing the coverage required by this section.

**13. Taxes.** Borrower shall pay when due and shall indemnify and hold harmless KEF (on an after-tax basis) from and against any and all taxes, fees, withholdings, levies, imposts, duties, assessments and charges of every kind and nature whatsoever (including any related penalties and interest) imposed upon or against KEF, any KEF Assignee, Borrower or any Collateral by any governmental authority in connection with, arising out of or otherwise related to Collateral, the Loan Documents or any Installments and receipts or earnings arising therefrom and excepting only all Federal, state and local taxes on or measured by KEF's net income.

14. **KEF's Right to Perform for Borrower.** If Borrower fails to perform any of its obligations contained herein, KEF may (but shall not be obligated to) itself perform such obligations, and the amount of the reasonable costs and expenses of KEF incurred in connection with such performance, together with interest on such amount from the date said amounts are expended at the Default Rate, shall be payable by Borrower to KEF upon demand. No such performance by KEF shall be deemed a waiver of any rights or remedies of KEF or be deemed to cure any Default of Borrower hereunder.

15. **Default; Remedies.** (a) As used herein, the term "Default" means any of the following events: (i) Borrower fails to pay any Installment or other amount due under a Note within ten days after the same shall have become due; (ii) Borrower becomes insolvent or makes an assignment for the benefit of its creditors; (iii) a receiver, trustee, conservator or liquidator of Borrower of all or a substantial part of Borrower's assets is appointed with or without the application or consent of Borrower; (iv) a petition is filed by or against Borrower under any bankruptcy, insolvency or similar law; (v) Borrower violates or fails to perform any provision of either this Agreement or any other loan, credit agreement, lease or any acquisition or purchase agreement with KEF or any other party; (vi) any warranty or representation made by Borrower herein proves to have been false or misleading when made; (vii) there is a material adverse change in Borrower's financial condition since the funding of any Note; (viii) Borrower merges or consolidates with any other corporation or entity, or sells, leases or disposes of all or substantially all of its assets without the prior written consent of KEF; (ix) Borrower, if an individual, dies or, if not an individual, is dissolved; (x) a change in control occurs in Borrower; (xi) Borrower appears, or is located in any country that appears, on any list of the U.S. Office of Foreign Assets Control or other similar list; (xii) any filing by Borrower of a termination statement for any financing statement filed by KEF while any obligations are owed by Borrower under a Note; and (xiii) any of the events listed in subsections (ii) through (xi) above occurs with respect to any Guarantor. A Default with respect to any Note shall, at KEF's option, constitute a Default for all Notes and any other agreements between KEF and Borrower.

(b) Upon the occurrence of a Default, KEF may declare any or all of the Secured Obligations to be immediately due and payable, without demand or notice to Borrower or any Guarantor, and KEF shall have the immediate right to enforce its rights with all Collateral Schedules. The obligation and liabilities accelerated thereby shall bear interest (both before and after any judgment) until paid in full at the Default Rate. Should there occur a Default, and if a voluntary or involuntary petition under the United States Bankruptcy Code is filed by or against Borrower while such Default remains uncured, the Secured Obligations shall be automatically accelerated and due and payable and interest thereon at the Default Rate shall automatically apply as of the date of the first occurrence of the Default, without any notice, demand or action of any type on the part of KEF (including any action evidencing the acceleration or imposition of the Default Rate). The fact that KEF has, prior to the filing of the voluntary or involuntary petition under the United States Bankruptcy Code, acted in a manner which is inconsistent with the acceleration and imposition of such rate shall not constitute a waiver of this provision or estop KEF from asserting or enforcing KEF's rights hereunder.

(c) In addition, and after a Default, KEF may do any one or more of the following as EF in its sole discretion shall elect: (i) proceed by appropriate court action to enforce performance by Borrower of the related Note or to recover damages, including incidental and consequential damages, for the breach thereof; (ii) cause Borrower, at its expense, to promptly assemble the Collateral and deliver the same to KEF at such place as KEF may designate in writing; (iii) enter upon the premises of Borrower or other premises where any Collateral may be located and, without notice to Borrower and with or without legal process, take possession of and remove all or any such Collateral without liability to Borrower by reason of such entry or taking possession; (iv) sell the Collateral at public or private sale or hold, keep idle or lease to others any Collateral; and (v) exercise any other right or remedy available to KEF under applicable law. Borrower shall be liable for all reasonable costs, expenses, and legal fees incurred in enforcing KEF's rights under this Agreement, before or in connection with litigation or arbitration and for any deficiency in the disposition of the Equipment. KEF's recovery hereunder shall in no event exceed the maximum recovery permitted by law.

(d) If a Default occurs, Borrower hereby agrees that ten days' prior notice to Borrower of any public sale or of the time after which a private sale may be negotiated shall be conclusively deemed reasonable notice. None of KEF's rights or remedies hereunder are intended to be exclusive, but each shall be cumulative and in addition to any other right or remedy referred to hereunder or otherwise available to KEF at law or in equity, and no express or implied waiver by KEF of any Default shall constitute a waiver of any other Default or a waiver of any of KEF's rights.

(e) With respect to any exercise by KEF of its right to recover and/or dispose of any Collateral, Borrower acknowledges and agrees that KEF may dispose of Collateral on an "AS IS, WHERE IS" basis, in compliance with applicable law and with such preparation (if any) as KEF determines to be commercially reasonable. Borrower shall remain liable for any deficiency in the disposition of the Collateral, and any purchase by KEF of the Collateral may be through a credit to some or all of Borrower's obligations under any Note.

16. **Notices.** All notices and other communications hereunder shall be in writing and shall be transmitted by hand, overnight courier or certified mail (return receipt requested), US postage prepaid. Such notices and other communications shall be addressed to the respective party at the address first set forth above or at such other address as any party may, from time to time, designate by notice duly given in accordance with this section. Such notices and other communications shall be effective upon receipt or, in the case of mailing in accordance with the terms of this section, the earlier of receipt or three days after mailing.

17. **Indemnity.** Borrower shall indemnify and hold harmless KEF and each KEF Assignee, on an after tax basis, from and against any and all liabilities, causes of action, claims, suits, penalties, damages, losses, costs or expenses (including attorneys' fees), obligations, liabilities, demands and judgments (collectively, a "Liability") arising out of or in any way related to: (a) Borrower's failure to perform any covenant under the Loan Documents, (b) the untruth of any representation or warranty made by Borrower under the Loan Documents or (c) injury to persons, property or the environment including any Liability based on strict liability in tort, negligence, breach of warranties or Borrower's failure to comply fully with applicable law or regulatory requirements; *provided*, that the foregoing indemnity shall not extend to any Liability to the extent resulting solely from the gross negligence or willful misconduct of KEF.

18. **Fees and Expenses.** Borrower shall pay all reasonable costs and expenses of KEF, including, without limitation, attorneys' and other professional fees, returned check or non-sufficient funds charges, the fees of any collection agencies and appraisers and all other costs and expenses related to any sale or lease of Equipment (including storage costs) incurred by KEF in enforcing any of the terms, conditions or provisions hereof or in protecting KEF's rights hereunder.

19. **Financial and Other Data; Covenants.** (a) During the Term hereof, Borrower shall furnish KEF (i) as soon as available, and in any event within one hundred twenty days after the last day of each fiscal year, financial statements of Borrower and each Guarantor and (ii) from time to time as KEF may reasonably request, other financial reports, information or data (including federal and state income tax returns) and quarterly or interim financial statements of Borrower and each Guarantor. All such information shall be audited (or if audited information is not available, compiled or reviewed) by an independent certified public accountant.

(b) For so long as any financial covenants shall be in effect in any agreement between Borrower and KEYBANK NATIONAL ASSOCIATION (as amended, restated or modified after the date hereof, the "Financial Covenants"), the Borrower shall comply with all such Financial Covenants.

(c) If any agreement (or any part thereof) containing Financial Covenants shall expire, or be canceled or terminated, or otherwise cease to be binding upon Borrower during the Term of a Note (a "Terminating Event"), Borrower agrees that the Financial Covenants in effect under such agreement immediately before the Terminating Event shall continue to be in effect under such Note(s) as if the Terminating Event had not occurred. It is the express intention of KEF and BORROWER that the Financial Covenants shall continue to be effective with respect to all Notes between KEF and Borrower until the date on which Borrower's obligations under the Note are fully paid and performed.

**20. Representations and Warranties of Borrower.** Borrower represents and warrants that as of the date hereof and as of the date of execution of each Note: (a) the address stated above is the chief place of business and chief executive office of Borrower, Borrower's full and accurate legal name is as stated above and the information describing Borrower set forth under Borrower's signature below is accurate in all respects; (b) Borrower is either (i) an individual and the sole proprietor of its business which is located at the address set forth above and doing business only under the names disclosed herein, or (ii) a limited liability company or corporation duly organized and validly existing in good standing under the laws of the state of its organization or incorporation, or (iii) a general or limited partnership organized under the laws of the state of its principal place of business set forth in this Agreement and the individual general partner executing this Agreement has the full authority to represent, sign for and bind Borrower in all respects; (c) the execution, delivery and performance of this Agreement, each Note, each Collateral Schedule and all related instruments and documents (i) have been duly authorized by all necessary action on the part of Borrower, (ii) do not require the approval of any stockholder, partner, manager, trustee, or holder of any obligations of Borrower except such as have been duly obtained, and (iii) do not contravene any law, governmental rule, regulation or order binding on or applicable to Borrower, or contravene the operating agreement, charter or by-laws of Borrower, or constitute a default under, or result in the creation of any lien or encumbrance upon the property of Borrower under, any indenture, mortgage, contract or other agreement to which Borrower is a party or by which it or its property is bound; (d) the Loan Documents, when entered into constitute legal, valid and binding obligations of Borrower enforceable against Borrower in accordance with their terms; (e) there are no actions or proceedings to which Borrower is a party, and there are no threatened actions or proceedings of which Borrower has knowledge, before any governmental authority which, either individually or in the aggregate, would adversely affect the financial condition of Borrower or the ability of Borrower to perform its obligations hereunder; (f) Borrower is not in default under any obligation for the payment of borrowed money, for the deferred purchase price of property or for the payment of any rent under any agreement which, either individually or in the aggregate, would adversely affect the financial condition of Borrower or the ability of Borrower to perform its obligations hereunder; (g) the financial statements of Borrower (copies of which have been furnished to KEF) have been prepared in accordance with generally accepted accounting principles consistently applied and fairly present Borrower's financial condition and the results of its operations as of the date of and for the period covered by such statements, and since the date of such statements there has been no material adverse change in such conditions or operations, (h) the Equipment is, and shall at all times remain, fully removable personal property notwithstanding any affixation or attachment to real property or improvements, (i) Borrower is, and will continue to be, the sole owner of the Collateral and shall at all times keep the Collateral free and clear from all liens and encumbrances of any kind or nature other than those created by, through or under KEF, (j) it has good, valid and marketable title to the Collateral, (k) the security interest in the Collateral granted to KEF hereunder, when properly perfected by filing, shall constitute a valid and perfected first priority security interest in the Collateral; (l) the loan is for commercial and business purposes and the Collateral will be used solely for such purposes and not for personal, family, or household purposes, (m) the Collateral is not subject to, and Borrower will not grant or permit to exist, any liens or claims on or against the Collateral whether senior, superior, junior, subordinate or equal to the security interest granted to KEF hereby, or otherwise, (n) neither the Borrower nor, to the Borrower's knowledge, any director, officer, agent, employee or affiliate of the Borrower is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("OFAC"), and (o) the Borrower will not directly or indirectly use the proceeds of the Agreement, or lend, contribute or otherwise make available such proceeds to any affiliate or other person or entity, for the purpose of financing the activities of any person currently subject to any U.S. sanctions administered by OFAC.

**21. Miscellaneous; Governing Law.** (a) Time is of the essence with respect to the Loan Documents. Any failure of KEF to require strict performance by Borrower or any waiver by KEF of any provision of the Loan Documents shall not be construed as a consent or waiver of any other provision of such Loan Documents. This Agreement will be binding upon KEF only if executed by a duly

authorized officer or representative of KEF at KEF's address set forth above. An authorized signer of Borrower shall execute the Loan Documents on Borrower's behalf. Any provision of a Loan Document that is prohibited or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions thereof. Captions are intended for convenience of reference only, and shall not be construed to define, limit or describe the scope or intent of any provisions hereof. Borrower will promptly execute or otherwise authenticate and deliver to KEF such further documents, instruments, assurances and other records and take such further action as KEF may reasonable request in order to carry out the intent and purposes of the Loan Documents and to establish and protect the rights and remedies created or intended to be created in favor of KEF hereunder and thereunder.

**(b) EACH OF THE LOAN DOCUMENTS IS BEING DELIVERED IN, AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF, THE STATE OF NEW YORK, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW OR CONFLICT OF LAWS (OTHER THAN SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW). ANY ACTION BETWEEN THE PARTIES ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY, INCLUDING NON-CONTRACTUAL CLAIMS, SHALL BE BROUGHT IN ANY STATE OR FEDERAL COURT LOCATED IN THE STATE OF NEW YORK; PROVIDED, THAT AT KEF'S SOLE OPTION, KEF MAY BRING AN ACTION IN THE STATE WHERE BORROWER OR THE EQUIPMENT IS LOCATED. BORROWER IRREVOCABLY WAIVES OBJECTIONS TO THE JURISDICTION OF SUCH COURTS AND WAIVES ANY ARGUMENT THAT VENUE IN ANY SUCH FORUM IS NOT CONVENIENT. KEF AND BORROWER HEREBY EACH WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THE COLLATERAL OR THE LOAN DOCUMENTS. THIS WAIVER IS MADE KNOWINGLY, WILLINGLY AND VOLUNTARILY BY KEF AND BORROWER WHO EACH ACKNOWLEDGE THAT NO REPRESENTATIONS HAVE BEEN MADE BY ANY INDIVIDUAL TO INDUCE THIS WAIVER OF TRIAL BY JURY OR IN ANY WAY TO MODIFY OR NULLIFY ITS EFFECT. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO ANY OF THE LOAN DOCUMENTS.**

**22. More than One Borrower.** If more than one person or entity executes the Loan Documents as "Borrower", the obligations of "Borrower" shall be deemed joint and several and all references to "Borrower" shall apply both individually and jointly.

**23. Separate Borrowings.** Each Note and Collateral Schedule shall constitute a complete and separate loan and security agreement, independent of all other Notes and Collateral Schedules, and without any requirement of being accompanied by an originally executed copy of this Agreement. If any term or condition of any Note or Collateral Schedule conflicts or is inconsistent with any term or condition of this Agreement, the terms and conditions of such Note or Collateral Schedule shall govern.

**24. Execution in Counterparts.** One originally executed copy of the Collateral Schedule shall be denominated "Originally Executed Copy No. 1 of originally executed copies." If more than one copy of the Collateral Schedule is executed by Borrower and KEF, all such other copies shall be consecutively numbered with numbers greater than 1. Only Originally Executed Copy No. 1 shall constitute Chattel Paper.

**25. Entire Agreement.** Each Note, together with all other Loan Documents, constitutes the entire understanding or agreement between KEF and Borrower with respect to the financing of the Equipment covered by the related Collateral Schedule, and there is no understanding or agreement, oral or written, which is not set forth herein or therein. No Loan Document may be amended except by a writing signed by KEF and Borrower. Delivery of an executed Loan Document by facsimile or any other reliable means shall be deemed as effective for all purposes as delivery of a manually executed copy. Borrower shall provide to KEF the manually executed original of any Loan Document delivered by facsimile within five days.



**Borrower:**  
REPRO MED SYSTEMS, INC.

**KEF:**  
KEY EQUIPMENT FINANCE, A DIVISION OF  
KEYBANK NATIONAL ASSOCIATION

By: /s/ Karen Fisher

By: /s/ Jodi Mackinnon

Name: KAREN FISHER

Name: Jodi Mackinnon

Title: CFO

Title: Vice President