FORM 10-K
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year June 30, 1999

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ________________ to _________________
Commission File Number 0-19266

ALLIED HEALTHCARE PRODUCTS, INC.
[EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER]

DELAWARE (STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	25-1370721 (I.R.S. EMPLOYER IDENTIFICATION NO.)
1720 SUBLETTE AVENUE ST. LOUIS, MISSOURI (ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	63110 (ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE (314) 771-2400

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

Title of each class	Name of each exchange on which registered

None

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:
Common Stock
Preferred Stock
Preferred Stock Purchase Rights
(Title of class)

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes. X No.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

As of September 22, 1999, the aggregate market value of the voting stock held by non-affiliates (4,448,341 shares) of the Registrant was $12,788,980 (based on the closing price, on such date, of $2.875 per share).

As of September 22, 1999, there were 7,806,682 shares of common stock, $0.01 par value (the "Common Stock"), outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Proxy Statement dated October 1, 1999 (portion) (Part III)

ALLIED HEALTHCARE PRODUCTS, INC.

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PART I

ITEM 1. BUSINESS

GENERAL

Allied Healthcare Products, Inc. ("Allied" or the "Company") manufactures a variety of respiratory products used in the health care industry in a wide range of hospital and alternate site settings, including sub-acute care facilities, home health care and emergency medical care. The Company's product lines include respiratory care products, medical gas equipment and emergency medical products. The Company believes that it maintains significant market shares in selected product lines.

The Company's products are marketed under well-recognized and respected brand names to hospitals, hospital equipment dealers, hospital construction contractors, home health care dealers, emergency medical products dealers and others. Allied's product lines include:

RESPIRATORY CARE PRODUCTS
- respiratory care/anesthesia products
- home respiratory care products

MEDICAL GAS EQUIPMENT
- medical gas system construction products
- medical gas system regulation devices
- disposable oxygen and specialty gas cylinders
- portable suction equipment

EMERGENCY MEDICAL PRODUCTS
- respiratory/resuscitation products
- trauma and patient handling products

SIGNIFICANT 1999/RECENT EVENTS

The following list includes significant events that are further discussed in the Management Discussion and Analysis (MDA) section and in the Consolidated Financial Statements in this Form 10-K:

- August 1998 announcement by the Company to close its B&F facility in Toledo, Ohio and the consolidation of those operations into St. Louis, Missouri during the second quarter of fiscal 1999.
- The Company obtained a term loan from LaSalle National Bank in August 1998 and subsequently amended its Foothill Capital loan agreement in September 1998 to reduce interest costs and fees.
- Product recall of aluminum oxygen regulators in February 1999.
- April 1999 announcement of John D. Weil as Chairman of the Board of Directors, succeeding the late Dennis W. Sheehan. Also the appointment of Brent D. Baird as Director of the Company.
- Sale of Hospital Systems, Inc., the Company's headwall division, in May 1999.
- July 1999 resignation of President, Chief Executive Officer and Director Uma Nandan Aggarwal and subsequent announcement of his successor in August 1999, Earl R. Refsland as President, Chief Executive Officer and Director of the Company.

The Company's principal executive offices are located at 1720 Sublette Avenue, St. Louis, Missouri 63110, and its telephone number is (314) 771-2400.

MARKETS AND PRODUCTS

In fiscal 1999, respiratory care products, medical gas equipment and emergency medical products represented approximately 32%, 54% and 14% respectively, of the Company's net sales. The Company operates in a single industry segment and its principal products are described in the following table:

PRODUCT	DESCRIPTION	PRINCIPAL BRAND NAMES	PRIMARY USERS
RESPIRATORY CARE PRODUCTS			
Respiratory Care/Anesthesia Products	Large volume compressors; ventilator calibrators; humidifiers and mist tents	Timeter	Hospitals and sub-acute facilities
Home Respiratory Care Products	O2 cylinders; pressure regulators; nebulizers; portable large volume compressors; portable suction equipment and disposable respiratory products	Timeter; B&F; Schuco	Patients at home
MEDICAL GAS EQUIPMENT			
Construction Products	In-wall medical gas system components; central suction pumps and compressors and headwalls	Chemetron; Oxequip	Hospitals and sub-acute facilities
Regulation Devices	Flowmeters; vacuum regulators; pressure regulators and related products	Chemetron; Oxequip; Timeter	Hospitals and sub-acute facilities
Disposable Cylinders	Disposable oxygen and gas cylinders	Lif-O-Gen	First aid providers and specialty gas distributors
Suction Equipment	Portable suction equipment and disposable suction canisters	Gomco; Allied; Schuco	Hospitals; sub-acute facilities and home care products
EMERGENCY MEDICAL PRODUCTS			
Respiratory/Resuscitation	Demand resuscitation valves; bag mask resuscitators; emergency transport ventilators and oxygen regulators	LSP; Omni-Tech	Emergency service providers
Trauma and Patient Handling Products	Spine immobilization products; pneumatic anti-shock garments and trauma burn kits	LSP	Emergency service providers

RESPIRATORY CARE PRODUCTS

MARKET. Respiratory care products are used in the treatment of acute and chronic respiratory disorders such as asthma, emphysema, bronchitis and pneumonia. The Company believes that the sales of respiratory care products will increase due to the growth in the aging population, increase in acute and chronic respiratory disorders and improved technology for the early diagnosis and treatment of these disorders.

Respiratory care products are used in both hospitals and alternate care settings. Sales of respiratory care products are made through distribution channels focusing on hospitals and other sub-acute facilities. Sales of home respiratory care products are made through durable medical equipment dealers through telemarketing, independent sales representatives, and by contract sales with national chains. The Company holds a significant share of the U.S. market and selected foreign markets for certain respiratory care products.

RESPIRATORY CARE/ANESTHESIA PRODUCTS. The Company manufactures and sells a broad range of products for use in respiratory care and anesthesia delivery. These products include large volume air compressors, calibration equipment, humidifiers, croup tents, equipment dryers, CO_2 absorbent and a complete line of respiratory disposable products such as oxygen tubing, face masks, cannulas and ventilator circuits.

HOME RESPIRATORY CARE PRODUCTS. Home respiratory care products represent one of Allied's potential growth areas. Allied's broad line of home respiratory care products include, aluminum oxygen cylinders, oxygen regulators, pneumatic nebulizers, portable suction equipment and the full line of respiratory disposable products.

MEDICAL GAS EQUIPMENT

MARKET. The market for the medical gas equipment consists of hospitals, alternate care settings and surgery centers. The medical gas equipment group is broken down into three separate categories; construction products, regulation devices and suction equipment, and disposable cylinders.

CONSTRUCTION PRODUCTS. Allied's medical gas system construction products consist of in-wall medical system components, central station pumps and compressors and headwalls. These products are typically installed during construction or renovation of a health care facility and are built in as an integral part of the facility's physical plant. Typically, the contractor for the facility's construction or renovation purchases medical gas system components from manufacturers and ensures that the design specifications of the health care facility are met.

Allied's in-wall components, including outlets, manifolds, alarms, ceiling columns and zone valves, serve a fundamental role in medical gas delivery systems.

Central station pumps and compressors are individually engineered systems consisting of compressors, reservoirs, valves and controls designed to drive a hospital's medical gas and suction systems. Each system is designed specifically for a given hospital or facility by the Company, which purchases pumps and compressors from suppliers. The Company's sales of pumps and compressors are driven, in large part, by its share of the in-wall components market.

Headwalls are prefabricated wall units for installation in patient rooms and intensive care areas which house medical gas, suction and electrical outlets, and fixtures for monitoring equipment. These prefabricated walls also incorporate designs for lighting and nurse call systems. Headwalls are built to customer design specifications and eliminate the need for time-consuming installation of fixtures, and outlets and related piping and wiring directly into the hospital wall.

The Company's construction products are sold primarily to hospitals, alternate care settings and hospital construction contractors. The Company believes that it holds a major share of the U.S. market for its construction products, that these products are installed in more than three thousand hospitals in the United States and that its installed base of equipment in this

market will continue to generate follow-on sales. Since hospitals typically do not have more than one medical gas system, the manufacturer of the existing installed system has a competitive advantage in follow-on sales of such products to a hospital in which its systems are installed. The Company believes that most hospitals and sub-acute care facility construction spending is for expansion or renovation of existing facilities. Many hospital systems and individual hospitals undertake major renovations to upgrade their operations to improve the quality of care they provide, reduce costs and attract patients and personnel. The Company expects its installed equipment base to continue to provide the Company with a significant competitive advantage in the hospital renovation market.

REGULATION DEVICES AND SUCTION EQUIPMENT. The Company's medical gas system regulation products include flowmeters, vacuum regulators and pressure regulators, as well as related adapters, fittings and hoses which measure, regulate, monitor and help transfer medical gases from walled piping or equipment to patients in hospital rooms, operating theaters or intensive care areas. The Company's leadership position in the in-wall components market provides a competitive advantage in marketing medical gas system regulation devices that are compatible with those components. Hospitals that procure medical gas system regulation devices from the Company's competitors were previously required to utilize adapters in order to use Allied's in-wall components. However, in August 1996, the Company introduced its patented Connect II universal outlet, the first such outlet to allow a hospital to utilize medical gas system regulation devices and in-wall components produced by different manufacturers.

Portable suction equipment is typically used when in-wall suction is not available or when medical protocol specifically requires portable suction. The Company also manufactures disposable suction canisters, which are clear containers used to collect the fluids suctioned by in-wall or portable suction systems. The containers have volume calibrations which allow the medical practitioner to measure the volume of fluids suctioned.

The market for regulation devices and suction equipment is hospital and sub-acute care facilities. Sales of these products are made through the same distribution channel as our respiratory care products. The Company believes that it holds a significant share of the U.S. market in both regulation devices and suction equipment.

DISPOSABLE CYLINDERS. Disposable oxygen cylinders are designed to provide oxygen for short periods of time in emergency situations. Since they are not subjected to the same pressurization as standard containers, they are much lighter and less expensive than standard gas cylinders. The Company markets filled disposable oxygen cylinders through industrial safety distributors and similar customers, principally to first aid providers, restaurants, industrial plants and other customers that require oxygen for infrequent emergencies. The Company also markets disposable cylinders to specialty gas manufacturers for use by substance abuse compliance personnel.

EMERGENCY MEDICAL PRODUCTS

Emergency medical products are used in the treatment of trauma-induced injuries. The Company's emergency medical products provide patients resuscitation or ventilation during cardiopulmonary resuscitation or respiratory distress as well as immobilization and treatment for burns. The Company believes that the trauma care venue for health care services is positioned for growth in light of the continuing trend towards providing health care outside the traditional hospital setting. The Company also expects that other countries will develop trauma care systems in the future, although no assurance can be given that such systems will develop or that they will have a favorable impact on the Company. Sales of emergency medical products are made through specialized emergency medical products distributors.

The Company believes it is a market share leader with respect to certain of its emergency medical products, including demand resuscitation systems, bag masks and related products, emergency transport ventilators, precision oxygen regulators, minilators, multilators and humidifiers. The emergency medical products are broken down into two account groups: respiratory/resuscitator products and trauma patient handling products.

RESPIRATORY/RESUSCITATION PRODUCTS. The Company's respiratory/resuscitation products include demand resuscitation valves, portable resuscitation systems, bag masks and related products, emergency transport ventilators, precision oxygen regulators, minilators, multilators and humidifiers.

Demand resuscitation valves are designed to provide 100% oxygen to breathing or non-breathing patients. In an emergency situation, they can be used with a mask or tracheotomy tubes and operate from a standard regulated oxygen system. The Company's portable resuscitation systems provide fast, simple and effective means of ventilating a non-breathing patient during cardiopulmonary resuscitation and 100% oxygen to breathing patients on demand with minimal inspiratory effort. The Company also markets a full line of disposable and reusable bag mask resuscitators, which are available in a variety of adult and child-size configurations. Disposable mouth-to-mask resuscitation systems have the added advantage of reducing the risk of transmission of communicable diseases.

The Company's autovent transport ventilator can meet a variety of needs in different applications ranging from typical emergency medical situations to more sophisticated air and ground transport. Each autovent is accompanied by a patient valve which provides effective ventilation during cardiopulmonary resuscitation or respiratory distress. When administration of oxygen is required at the scene of a disaster, in military field hospitals or in a multiple-victim incident, Allied's minilators and multilators are capable of providing oxygen to one or a large number of patients.

To complement the family of respiratory/resuscitation products, the Company offers a full line of oxygen products accessories. This line of accessory products includes reusable aspirators, tru-fit masks, disposable cuffed masks and related accessories.

TRAUMA AND PATIENT HANDLING PRODUCTS. The Company's trauma and patient handling products include spine immobilization products, pneumatic anti-shock garments and trauma burn kits. Spine immobilization products include a backboard that is designed for safe immobilization of injury victims and provides a durable and cost effective means of emergency patient transportation and extrication. The infant/pediatric immobilization board is durable and scaled for children. The half back extractor/rescue vest is useful for both suspected cervical/spinal injuries and for mountain and air rescues. The Company's pneumatic anti-shock garments are used to treat victims experiencing hypovolemic shock. Allied's trauma burn kits contain a comprehensive line of products for the treatment of trauma and burns.

SALES AND MARKETING

Allied sells its products primarily to respiratory care/anesthesia product distributors, hospital construction contractors, emergency medical equipment dealers and directly to hospitals. The Company maintains a sales force of 39 sales professionals, all of whom are full-time employees of the Company.

The sales force includes 27 medical gas specialists, 5 emergency specialists and 7 international sales representatives. In addition, a director of corporate and national accounts is responsible for pursuing business with large national group purchasing organizations, large homecare national chains and OEM sales. Five product managers are responsible for the marketing activities of these product lines.

The 27 medical gas specialists are responsible for sales of all Allied products with the exception of emergency products within their territory. Sales of products are accomplished through respiratory care/anesthesia distributors for the regulation devices, suction equipment, respiratory care/anesthesia products and disposable cylinders. The homecare products are sold primarily through our own in house telemarketing and manufacturers rep groups across the country. Construction products are sold direct to hospital construction contractors and through distributors.

Emergency medical specialists are responsible for sales of respiratory/resuscitation products, trauma and patient handling products. These products are principally sold to ambulance companies, fire departments and emergency medical systems volunteer organizations through specialized emergency medical products distributors.

The Company's director of national accounts is responsible for marketing Allied's products to national hospital groups, managed care organizations and other health care providers and to national chains of durable medical equipment

suppliers through sales efforts at the executive level. Generally, the national account representatives secure a commitment from the purchaser to buy a specified quantity of Allied's products over a defined time period at a discounted price based on volume.

INTERNATIONAL

Allied's international business represents an area of growth that the Company has been emphasizing. The Asian situation which has slowed incoming orders in 1999 has begun to turn around and we are now seeing activity in all product groupings.

Allied's net sales to foreign markets totaled 18% of the Company's net sales in fiscal 1999. International sales are made through a network of doctors, agents and U.S. exporters who distribute the Company's products throughout the world. Allied has market presence in Canada, Mexico, Central and South America, Europe, the Middle East and the Far East.

MANUFACTURING

Allied's manufacturing processes include fabrication, electro-mechanical assembly operations and plastics manufacturing. A significant part of Allied's manufacturing operations involves electro-mechanical assembly of proprietary products and the Company is vertically integrated in most elements of metal machining and fabrication. Most of Allied's hourly employees are involved in machining, metal fabrication, plastics manufacturing and product assembly.

Allied manufactures small metal components from bar stock in a machine shop which includes automatic screw machines, horizontal lathes and drill presses. Additionally, five computer controlled machining centers were purchased and installed during fiscal 1997 in the Company's St. Louis, Missouri facility. This $1.5 million investment has substantially modernized the Company's metal machining capabilities and has resulted in reduced product costs from shorter set-up times, elimination of secondary operations in component manufacturing, reduced inventory levels, reductions in scrap and improvements in quality. The Company makes larger metal components from sheet metal using computerized punch presses, brake presses and shears. In its plastics manufacturing processes, the Company utilizes both extrusion and injection molding. The Company believes that its production facilities and equipment are in good condition and sufficient to meet planned increases in volume over the next few years and that conditions in local labor markets should permit the implementation of additional shifts and days operated to meet any future increased production capacity requirements.

The Company also invested $1.1 million, in fiscal 1997, for molds and injection-molding machinery to expand the production capacity and gain efficiencies in manufacturing of its B&F disposable product line. In August 1999, Allied announced the closing of its Toledo, Ohio facility and subsequent consolidation of the production of its B&F disposable product line into the St. Louis facility. This move was completed during the second quarter of fiscal 1999. See further discussion of the closure of the Toledo operation in the following MDA section of this Form 10-K.

RESEARCH AND DEVELOPMENT

In 1999 the Company expended $1.3 million in research and development activities. Excluding the divested ventilation products division, research and development expenditures in 1998 were approximately $1.1 million. The Company expects to continue to increase its research and development efforts in order to keep pace with technological advances.

During fiscal 1999, the Company introduced several new products that resulted from its research and development programs. A new version of the Connect II gas outlet targeted at the ambulance market was introduced which can also supply medical gas equipment in operating rooms as well as headwalls in patient rooms. The new Chemetron Model 3000 medical gas manifold utilizes microprocessor technology to provide a modern and more reliable means to ensure continuous gas delivery in hospitals. A new version of the Gomco suction pump utilizes a rotary pump to provide high flow and vacuum levels in a mobile, stand type housing. Cost reduced

versions of oxygen flowmeters and medical gas adapters allow these products to compete more effectively in the marketplace. In response to the market shift from aluminum to brass oxygen regulators, the Company introduced new all brass oxygen regulators. In addition, the Company has introduced Carbolime, a carbon dioxide absorbent that complements Baralyme carbon dioxide absorbent currently marketed by the Company.

GOVERNMENT REGULATION

The Company's products and its manufacturing activities are subject to extensive and rigorous government regulation by federal and state authorities in the United States and other countries. In the United States, medical devices for human use are subject to comprehensive review by the United States Food and Drug Administration (the "FDA"). The Federal Food, Drug, and Cosmetic Act ("FDC Act"), and other federal statutes and regulations, govern or influence the research, testing, manufacture, safety, labeling, storage, record keeping, approval, advertising and promotion of such products. Noncompliance with applicable requirements can result in warning letters, fines, recall or seizure of products, injunction, refusal to permit products to be imported into or exported out of the United States, refusal of the government to clear or approve marketing applications or to allow the Company to enter the government supply contracts, or withdrawal of previously approved marketing applications and criminal prosecution.

The Company is required to file a premarket notification in the form of a premarket approval ("PMA") with the FDA before it begins marketing a new medical device that offers new technology that is currently not on the market. The Company also must file a premarket notification in the form of a 510(k) with the FDA before it begins marketing a new medical device that utilizes existing technology for devices that are currently on the market. The 510(k)-submission process is also required when the Company makes a change or modifies an existing device in a manner that could significantly affect the device's safety or effectiveness.

Compliance with the regulatory approval process in order to market a new or modified medical device can be uncertain, lengthy and, in some cases, expensive. There can be no assurance that necessary regulatory approvals will be obtained on a timely basis, or at all. Delays in receipt or failure to receive such approvals, the loss of previously received approvals, or failure to comply with existing or future regulatory requirements could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company manufactures and distributes a broad spectrum of respiratory therapy equipment, emergency medical equipment and medical gas equipment. To date, all of the Company's FDA clearances have been obtained through the 510(k)-clearance process. These determinations are very fact specific and the FDA has stated that, initially, the manufacturer is best qualified to make these determinations, which should be based on adequate supporting data and documentation. The FDA however, may disagree with a manufacturer's determination not to file a 510(k) and require the submission of a new 510(k) notification for the changed or modified device. Where the FDA believes that the change or modification raises significant new questions of safety or effectiveness, the agency may require a manufacturer to cease distribution of the device pending clearance of a new 510(k) notification. Certain of the Company's medical devices have been changed or modified subsequent to 510(k) marketing clearance of the original device by the FDA. Certain of the Company's medical devices, which were first marketed prior to May 28, 1976, and therefore, grandfathered and exempt from the 510(k) notification process, also have been subsequently changed or modified. The Company believes that these changes or modifications do not significantly affect the device's safety or effectiveness or make a major change or modification in the device's intended uses and, accordingly, that submission of new 510(k) notification to FDA is not required. There can be no assurance, however, that FDA would agree with the Company's determinations.

In addition, commercial distribution in certain foreign countries is subject to additional regulatory requirements and receipt of approvals that vary widely from country to country. The Company believes it is in compliance with regulatory requirements of the countries in which it sells its products.

The Company's medical device manufacturing facilities are registered with the FDA, and have received ISO 9001 Certification for the St. Louis facility and certification per the Medical Device Directive (MDD - European) for certain products in 1998. As such, the Company will be audited by FDA, ISO, and European auditors for compliance with the Good Manufacturing Practices ("GMP"), ISO and MDD regulations for medical devices. These regulations require the

Company to manufacture its products and maintain its products and documentation in a prescribed manner with respect to design, manufacturing, testing and control activities. The Company also is subject to the registration and inspection requirements of state regulatory agencies.

The Medical Device Reporting regulation requires that the Company provide information to FDA on deaths or serious injuries alleged to have been associated with the use of its devices, as well as product malfunctions that would likely cause or contribute to death or serious injury if the malfunction were to recur. The Medical Device Tracking regulation requires the Company to adopt a method of device tracking of certain devices, such as ventilators, which are life-supporting or life-sustaining devices used outside of a device user facility of which are permanently implantable devices. The regulation requires that the method adopted by the Company ensures that the tracked device can be traced from the device manufacturer to the person for whom the device is indicated (i.e., the patient). In addition, FDA prohibits a company from promoting an approved device for unapproved applications and reviews a company's labeling for accuracy. Labeling and promotional activities also are in certain instances, subject to scrutiny by the Federal Trade Commission.

There can be no assurance that any required FDA or other governmental approval will be granted, or, if granted, will not be withdrawn. Governmental regulation may prevent or substantially delay the marketing of the Company's proposed products and cause the Company to undertake costly procedures. In addition, the extent of potentially adverse government regulation that might arise from future administrative action or legislation cannot be predicted. Any failure to obtain, or delay in obtaining, such approvals could adversely affect the Company's ability to market its proposed products.

Sales of medical devices outside the United States are subject to foreign regulatory requirements that vary widely from country to country. Medical products shipped to the European Community require CE certification. Whether or not FDA approval has been obtained, approval of a device by a comparable regulatory authority of a foreign country generally must be obtained prior to the commencement of marketing in those countries. The time required to obtain such approvals may be longer or shorter than that required for FDA approval. In addition, FDA approval may be required under certain circumstances to export certain medical devices.

The Company also is subject to numerous federal, state and local laws relating to such matters as safe working conditions, manufacturing practices, environmental protections, fire hazard control and disposal of hazardous or potentially hazardous substances.

THIRD PARTY REIMBURSEMENT

The cost of a majority of medical care in the United States is funded by the U.S. Government through the Medicare and Medicaid programs and by private insurance programs, such as corporate health insurance plans. Although the Company does not receive payments for its products directly from these programs, home respiratory care providers and durable medical equipment suppliers, who are the primary customers for several of the Company's products, depend heavily on payments from Medicare, Medicaid and private insurers as a major source of revenues. In addition, sales of certain of the Company's products are affected by the extent of hospital and health care facility construction and renovation at any given time. The federal government indirectly funds a significant percentage of such construction and renovations costs through Medicare and Medicaid reimbursements. In recent years, governmentally imposed limits on reimbursement of hospitals and other health care providers have impacted spending for services, consumables and capital goods. In addition the Balanced Budget Act was signed into law in 1997 which reduced reimbursements by 25% for oxygen and oxygen equipment. A material decrease from current reimbursement levels or a material change in the method or basis of reimbursing health care providers is likely to adversely affect future sales of the Company's products.

PATENTS, TRADEMARKS AND PROPRIETARY TECHNOLOGY

The Company owns and maintains patents on several products that it believes are useful to the business and provides the Company with an advantage over its competitors.

The Company owns and maintains U.S. trademark registrations for Chemetron, Gomco, Oxequip, Lif-O-Gen, Life Support Products, Timeter, Vacutron and Schuco, its principal trademarks. Registrations for these trademarks are also owned and maintained in countries where such products are sold and such registrations are considered necessary to preserve the Company's proprietary rights therein.

COMPETITION

The Company has different competitors within each of its product lines. Many of the Company's principal competitors are larger than Allied and the Company believes that most of these competitors have greater financial and other resources than the Company. The Company competes primarily on the basis of price, quality and service. The Company believes that it is well positioned with respect to product cost, brand recognition, product reliability, and customer service to compete effectively in each of its markets.

EMPLOYEES

At June 30, 1999, the Company has 564 full-time employees and 9 part-time employees. Approximately 333 employees in the Company's principal manufacturing facility located in St. Louis, Missouri, are covered by a collective bargaining agreement that expires in May 2000. Approximately 12 employees at the Company's facility in Stuyvesant Falls, New York are also covered by a collective bargaining agreement that will expire in 2001. As indicated elsewhere in this Form 10-K, Allied's facility in Toledo was shut down and the operations consolidated into St. Louis during the second quarter of fiscal 1999. Also as indicated in this Form 10-K, the Company's division in Oakland, California was sold in May 1999.

ENVIRONMENTAL AND SAFETY REGULATION

The Company is subject to federal, state and local environmental laws and regulations that impose limitations on the discharge of pollutants into the environment and establish standards for the treatment, storage and disposal of toxic and hazardous wastes. The Company is also subject to the federal Occupational Safety and Health Act and similar state statutes. From time to time the Company has been involved in environmental proceedings involving clean up of hazardous waste. There are no such material proceedings currently pending. Costs of compliance with environmental, health and safety requirements have not been material to the Company. The Company believes it is in material compliance with all applicable environmental laws and regulations.

ITEM 2. PROPERTIES

The Company's headquarters are located in St. Louis, Missouri and the Company maintains manufacturing facilities in Missouri and New York. Set forth below is certain information with respect to the Company's manufacturing facilities.

LOCATION	SQUARE FOOTAGE (APPROXIMATE)	OWNED/ LEASED	ACTIVITIES/PRODUCTS
St. Louis, Missouri	270,000	Owned	Headquarters; medical gas equipment; respiratory care products; emergency medical products
Stuyvesant Falls, New York	30,000	Owned	CO2 absorbent

In addition, the Company also owns an additional 16.8-acre parcel of undeveloped land in Stuyvesant Falls, New York. As indicated elsewhere in this Form 10-K, Allied's facility in Toledo was shut down and the operations consolidated into St. Louis during the second quarter of fiscal 1999. Also as indicated in this Form 10-K, the Company's headwall division in Oakland, California was sold in May 1999.

ITEM 3. LEGAL PROCEEDINGS

Product liability lawsuits are filed against the Company from time to time for various injuries alleged to have resulted from defects in the manufacture and/or design of the Company's products. Several such proceedings are currently pending, which are not expected to have a material adverse effect on the Company. The Company maintains comprehensive general liability insurance coverage which it believes to be adequate for the continued operation of its business, including coverage of product liability claims.

In addition, from time to time the Company's products may be subject to product recalls in order to correct design or manufacturing flaws in such products. The Company has voluntarily effectuated the recall of its aluminum body regulators manufactured under the Life Supports Products, Inc. brand name in cooperation with the U.S. Food and Drug Administration ("FDA") under Product Recall No. Z-693/698-9 to conform with the industry wide recommendation to cease use of aluminum parts in oxygen regulators.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

Allied Healthcare Products, Inc. began trading on the NASDAQ National market under the symbol AHPI on January 14, 1992, following its initial public offering. As of September 22, 1999, there were 257 record owners of the Company's Common Stock. The following tables summarize information with respect to the high and low closing prices for the Company's Common Stock as listed on the NASDAQ National market for each quarter of fiscal 1999 and 1998, respectively. The Company currently does not pay any dividend on its Common Stock.

COMMON STOCK INFORMATION

1999	HIGH	LOW	1998	HIGH	LOW
September quarter	$4-3/16	$ 1-3/4	September quarter	$7-7/8	$ 6-3/8
December quarter	3	1-1/4	December quarter	8-1/2	7-1/4
March quarter	2	1-1/4	March quarter	8	6-7/16
June quarter	2-3/8	1-9/16	June quarter	6-1/2	4-1/4

ITEM 6. SELECTED FINANCIAL DATA

(In thousands, except per share data) Year ended June 30,	1999	1998	1997	1996	1995
STATEMENT OF OPERATIONS DATA					
Net sales	$72,799	$ 96,467	$118,118	$120,123	$111,639
Cost of sales	55,864	69,110	82,365	80,550	68,430
Gross profit	16,935	27,357	35,753	39,573	43,209
Selling, general and administrative expenses	18,733	23,889	33,910	31,449	24,849
Provision for restructuring and consolidation (1)	758	--	--	--	--
Provision for product recall (2)	1,500	--	--	--	--
Gain on sale of business (3)	(27)	(12,813)	--	--	--
Non-recurring impairment losses (4)	--	9,778	--	--	--

Income (loss) from operations	(4,029)	6,503	1,843	8,124	18,360
Interest expense	1,926	4,152	7,606	4,474	3,704
Other, net	36	198	186	350	(21)
Income (loss) before provision (benefit) for income taxes and extraordinary loss	(5,991)	2,153	(5,949)	3,300	14,677
Provision (benefit) for income taxes (5)	(1,873)	9,019	(1,428)	1,473	5,854
Income (loss) before extraordinary loss	(4,118)	(6,866)	(4,521)	1,827	8,823
Extraordinary loss on early extinguishment of debt, net of income tax benefit	--	530	--	--	--
Net income (loss)	$(4,118)	$ (7,396)	$ (4,521)	$ 1,827	$ 8,823
Basic and diluted earnings (loss) per share (6)	$ (0.53)	$ (0.95)	$ (0.58)	$ 0.25	$ 1.45
Weighted average common shares outstanding	7,807	7,805	7,797	7,378	6,067

(In thousands) June 30,	1999	1998	1997	1996	1995
BALANCE SHEET DATA					
Working capital	$22,619	$ 21,308	$ 18,743	$ 38,030	$ 2,810
Total assets	74,275	80,180	126,343	136,760	126,192
Short-term debt	908	3,443	12,891	3,849	34,420
Long-term debt (net of current portion)	16,330	14,972	34,041	49,033	34,602
Stockholders' equity	47,919	52,037	59,365	63,886	38,374

(1) See Note 3 to the June 30, 1999 Consolidated Financial Statements for further discussion.
(2) See Note 4 to the June 30, 1999 Consolidated Financial Statements for further discussion.
(3) See Notes 5 & 6 to the June 30, 1999 Consolidated Financial Statements for further discussion.
(4) See Note 7 to the June 30, 1999 Consolidated Financial Statements for further discussion.
(5) See Note 10 to the June 30, 1999 Consolidated Financial Statements for further discussion of the Company's 1998 effective tax rate.
(6) See Note 2 to the June 30, 1999 Consolidated Financial Statements for adoption of FAS 128.

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

OVERVIEW

The following discussion summarizes the significant factors affecting the consolidated operating results and financial condition of the Company for the three fiscal years ended June 30, 1999. This discussion should be read in conjunction with the consolidated financial statements, notes to the consolidated financial statements and selected consolidated financial data included elsewhere herein.

Certain statements contained herein are forward-looking statements. Actual results could differ materially from those anticipated as a result of various factors, including cyclical and other industry downturns, the effects of federal and state legislation on health care reform, including Medicare and Medicaid financing, the inability to realize the full benefit of recent capital expenditures or consolidation and rationalization activities, difficulties or delays in the introduction of new products or disruptions in selling, manufacturing and/or shipping efforts.

The results of operations for fiscal 1999 were affected by several one time, unusual items, which are discussed further below. During the second quarter of fiscal 1999 the Company closed the Toledo, Ohio facility of its disposable products division and consolidated production of the B&F line of home care products into its manufacturing facility in St. Louis, Missouri. As a result of this shutdown the Company recorded a provision for restructuring and consolidation. The Company also recorded a provision in connection with a product recall of aluminum oxygen regulators during the third quarter of fiscal 1999. Also, on May 28, 1999 the Company sold the assets of its headwall products division with the proceeds being used to pay down debt.

The results of operations for fiscal 1998 were also affected by several one time, unusual items. On October 31, 1997, the Company sold the assets of its ventilation products division for a gain. The proceeds from this sale were used to significantly pay down debt and to provide additional liquidity. The Company also recorded several non-recurring items and other charges to operations in the second quarter of fiscal 1998. Such non-recurring items reflect changes in business conditions resulting from the sale of the ventilation products division and other changes in market conditions. In addition, reserves for inventories and bad debts were increased throughout the fiscal year. As a result, the Company strengthened its balance sheet by reducing debt, reducing intangible assets, and increasing reserves. For further discussion of these non-recurring items please refer to the "Notes to Consolidated Financial Statements" section of this Form 10-K.

The review of and comparability of year to year operating results is complicated by the sale of the ventilation products division on October 31, 1997. The fiscal 1998 results include ventilation products division operations for four months in the year ended June 30, 1998, while the fiscal 1997 results include ventilation products division operations for the full year ended June 30, 1997.

The specific transactions and events impacting 1999 operating results, which make meaningful comparisons to prior years more difficult, are summarized below:

B&F CONSOLIDATION PROVISION

On August 5, 1998 the Company's Board of Directors voted to close the Toledo facility of its disposable products division and consolidate production of the B&F line of home care products into its manufacturing facility in St. Louis, Missouri. This move was announced on August 10, 1998. The move was substantially completed during the second quarter of fiscal 1999. In connection with the shutdown of the facility, Allied recorded a provision of approximately $1.0 million pre-tax, $0.6 million after tax, or $0.07 per share, in the first quarter of fiscal 1999 to cover the cost of closing the facility. The provision reflects costs of certain fixed asset impairments, employee severance benefits and other related exit costs. Subsequently, during the second quarter of fiscal 1999, the company negotiated and received a $0.2 million cash payment from the City of Toledo as partial reimbursement for closure costs. Accordingly, Allied recorded this cash payment, in the second quarter of fiscal 1999, as a reduction to the aforementioned provision resulting in a net charge of $0.8 million pre-tax, $0.5 million after tax, or $0.06 per share for the fiscal year ended June 30, 1999.

LSP OXYGEN REGULATOR RECALL

On February 4, 1999, Allied announced a recall of aluminum oxygen regulators marketed under its Life Support Products label. These products are used to regulate pressure of bottled oxygen for administration to patients under emergency situations. Following reports of regulator fires, the Company instituted a recall in May 1997, under which it provided retrofit kits to prevent contaminants from entering the regulators. The Company has also been testing regulator design with the help of the National Aeronautical and Space Administration's White Sands National Laboratories. While preliminary findings led the Company to believe the Company's products did not cause those fires, there is enough concern among the users that the Company, in cooperation with the U. S. Food and Drug Administration ("FDA"), agreed to institute a voluntary recall to replace aluminum components in the high pressure chamber of the regulators with brass components. The FDA has recommended that all regulator manufacturers cease use of aluminum in regulators. Accordingly, the Company has now introduced new brass regulators and is also offering a trade-in program to the existing users. As a result of the recall, the Company recorded a charge of $1.5 million pre-tax, $0.9 million after tax, or $0.12 per share in the second quarter of fiscal 1999. As of June 30, 1999 the Company has incurred $0.9 million for costs associated with the recall and has a reserve balance of $0.6 million for future expected costs which management estimates to be appropriate.

SALE OF HEADWALL PRODUCTS DIVISION

On May 28, 1999, the Company sold the assets of Hospital Systems, Inc. ("HSI") to David Miller (former General Manager-Hospital Systems, Inc.) for $0.5 million. The net proceeds of $0.5 million were utilized to repay a portion of its revolving credit facility. The sale of HSI, located in Oakland, California, resulted in a gain before taxes for financial reporting purposes of $0.03 million.

SUBSEQUENT EVENTS

On July 28, 1999 the Company's President, Chief Executive Officer and Director Uma Nandan Aggarwal resigned. Subsequently on August 24, 1999 the Company announced Earl R. Refsland as President, Chief Executive Officer and Director of the Company. As a result of Mr. Aggarwal's resignation, the Company is expecting to record a $0.2 million charge to operations in the first quarter of fiscal year 2000 per terms of a mutually accepted departure agreement.

On September 1, 1999 the Company's credit facility with LaSalle National Bank was amended. The amendment provides favorable changes to certain debt covenants.

FISCAL 1999 FOURTH QUARTER RESULTS OF OPERATIONS

Net sales for the three months ended June 30, 1999 were $18.6 million compared to sales of $19.5 million for the three months ended June 30, 1998. The $0.9 million decline in sales is comprised of a $1.1 million decline attributable to sales associated with the divested headwall products division, while base business sales increased $0.2 million. The net loss for the fourth quarter of fiscal 1999 was $0.7 million or $0.10 per share compared to $0.3 million or $0.04 per share loss in fiscal 1998. See also the following "Fiscal 1999 Compared to Fiscal 1998" section for a discussion of various other internal and external factors affecting operations.

Sales of respiratory care products for the fourth quarter of fiscal 1999 were $5.5 million, a decrease of $1.1 million, compared to sales of $6.6 million in the prior year same period. This decrease is primarily due to continued weak sales to the home care market, which declined $0.8 million, or 17.5%, during the fourth quarter of fiscal 1999 versus the same period of fiscal 1998. Sales of home care products, mainly the company's B&F line, continues to be impacted by the interruptions caused by the consolidation of the Toledo operations into St. Louis during the second quarter of fiscal 1999. The Company continues efforts to improve efficiency and increase stocking levels of the B&F disposable products through outsourcing arrangements that will increase customer service levels. Management believes that, in the longer term, these efforts will also lower manufacturing costs and increase the level of incoming business.

Sales of medical gas equipment for the fourth quarter of fiscal 1999 of $10.1 million was slightly above sales of $10.0 million in the prior year same period. The $0.1 million increase in sales is comprised of an increase in base business sales of $1.2 million, partially offset by a $1.1 million decline in sales of the now divested headwall products division. Sales of medical gas construction products increased $1.0 million, or 27.9%, to $4.4 million from $3.4 million in the prior year. Medical gas suction and regulation device sales in the fourth quarter of fiscal 1999 of $5.2 million were $0.2 million higher than in the prior year.

Sales of emergency medical products increased $0.2 million to $3.0 million in the fourth quarter of fiscal 1999 compared to the fourth quarter of fiscal 1998. This increase is attributable to sales of brass oxygen regulators due to a trade-in program instituted as a result of the aluminum oxygen regulator recall as discussed earlier in this MD&A section.

Gross profit for the fourth quarter of fiscal 1999 was $4.2 million, or 22.4% of sales, compared to $4.9 million or 25.0% of net sales in the fourth quarter of fiscal 1998. Continued manufacturing inefficiencies related to the consolidation of the B&F disposable products operations into St. Louis unfavorably impacted gross profit in the fourth quarter of fiscal 1999. See also the following "Fiscal 1999 compared to Fiscal 1998" section for further discussion.

Selling, General and Administrative ("SG&A") expenses were $4.5 million in the fourth quarter of fiscal 1999, a decrease of $0.4 million from the fourth quarter of fiscal 1998. Various cost containment initiatives over the past fiscal year, as well as administrative expenses savings due to the shutdown of the Toledo facility, favorably impacted SG&A expense in the fourth quarter of fiscal 1999.

The loss from operations for the fourth quarter of fiscal 1999 increased to $0.3 million compared to less than $0.1 million in the prior year same period reflecting the factors discussed above.

The Company incurred a loss before income taxes of $0.8 million in the fourth quarter of fiscal 1999 compared to a loss of $0.7 million in the same period for the prior year. The loss before taxes in the fourth quarter of fiscal 1999, as compared to the same period fiscal 1998, benefited from a $0.1 million decrease in interest expense. However, the Company recorded a tax benefit of $0.3 million in the fourth quarter of fiscal 1998 compared to a tax benefit of less than $0.1 million in the fourth quarter of fiscal 1999. For a further discussion of the Company's income taxes see the "Notes to Consolidated Financial Statements" section of this Form 10-K. Results of operations in the fourth quarter of fiscal 1999 was a net loss of $0.7 million, or $0.10 per share, compared to a net loss of $0.3 million, or $0.04 per share, in the fourth quarter of fiscal 1998.

RESULTS OF OPERATIONS

Allied manufactures and markets respiratory products, including respiratory care products, medical gas equipment and emergency medical products. Set forth below is certain information with respect to amounts and percentages of net sales attributable to respiratory care products, medical gas equipment and emergency medical products for the fiscal years ended June 30, 1999, 1998 and 1997.

Year ended June 30,	1999	
	Net Sales	% of Total Net Sales
Respiratory care products	$ 23,273	32.0%
Medical gas equipment	39,194	53.8%
Emergency medical products	10,332	14.2%
Total	$ 72,799	100.0%

Year ended June 30,	1998	
	Net Sales	% of Total Net Sales
Respiratory care products	$ 40,105	41.6%
Medical gas equipment	45,033	46.7%
Emergency medical products	11,329	11.7%
Total	$ 96,467	100.0%

Year ended June 30,	1997	
	Net Sales	% of Total Net Sales
Respiratory care products	$ 63,935	54.1%
Medical gas equipment	42,566	36.1%
Emergency medical products	11,617	9.8%
Total	$118,118	100.0%

Dollars in thousands

The following table sets forth, for the fiscal periods indicated, the percentage of net sales represented by certain items reflected in the Company's consolidated statement of operations.

Year ended June 30,	1999	1998	1997
Net sales	100.0%	100.0%	100.0%
Cost of sales	76.7	71.6	69.7
Gross profit	23.3	28.4	30.3
Selling, general and administrative expenses	25.7	24.8	28.7
Provision for restructuring and consolidation	1.0	--	--
Provision for product recall	2.1	--	--
Gain on sale of business	(0.0)	(13.3)	--
Non-recurring impairment losses	--	10.2	--
Income (loss) from operations	(5.5)	6.7	1.6
Interest expense	2.6	4.3	6.4
Other, net	0.1	0.2	0.2
Income (loss) before provision (benefit) for income taxes and extraordinary loss	(8.2)	2.2	(5.0)
Provision (benefit) for income taxes	(2.5)	9.3	(1.2)
Loss before extraordinary loss	(5.7)	(7.1)	(3.8)
Extraordinary loss on early extinguishment of debt, net of income tax benefit	--	0.6	--
Net loss	(5.7)%	(7.7)%	(3.8)%

FISCAL 1999 COMPARED TO FISCAL 1998

Net sales for fiscal 1999 of $72.8 million were $23.7 million, or 24.5%, less than net sales of $96.5 million in fiscal 1998. Of the $23.7 million decline, $10.4 million is attributable to fiscal 1998 sales generated by the ventilation products division prior to its sale in October 1997, $2.7 million is related to the now divested headwall products division, and $10.6 million relates to a decline in sales of core products. The decline in sales of core products reflected various internal and external factors.

Home care product sales, mainly the B&F line, were negatively impacted due to shipping delays caused by the closure and consolidation of the Company's Toledo facility into St. Louis. As previously discussed, this facility was closed during the second quarter of fiscal 1999 and consolidated into St. Louis. The Company continues its efforts to improve manufacturing efficiencies and realize cost savings on the B&F product line through selective outsourcing of labor intensive assembly operations. As discussed earlier management believes that, in the longer term, these efforts will lower manufacturing costs and increase the level of incoming business through improved customer service. The Company also experienced certain production and supply chain problems at its St. Louis facility that caused delays in delivery times on various products. Most of these production problems and supply chain issues have now been resolved. In addition, the Company has continued its efforts to increase margins on certain distributed products and OEM business by selecting markets and/or customers that will support more favorable pricing on these products.

Certain external issues have continued to impact the Company's operations, both in fiscal 1999 and fiscal 1998. The emphasis on cost containment by healthcare providers has resulted in significant consolidation in the healthcare environment and pricing pressures for the past several years. Home care sales have also been adversely affected by reductions in Medicare reimbursements.

While the Company is unable to predict when these macro-economic issues will be resolved, management believes that over a long-term horizon, Allied is well positioned to capitalize on the demands for its products caused by an aging population, an increase in the occurrence of lung disease, advances in treatment

of other respiratory illnesses in the home, hospital, and sub-acute care facilities and upgrading of medical treatment around the world.

Medical gas equipment sales of $39.2 million in fiscal 1999 were $5.8 million, or 12.9%, below prior year sales of $45.0 million. Of the decline, $2.7 million is related to the now divested headwall products division. Medical gas system construction sales and medical gas suction and regulation device sales experienced decreases of 7.7% and 8.2%, respectively, in fiscal 1999 compared to fiscal 1998. A $0.8 million decrease in aluminum oxygen cylinder sales contributed to the $3.1 million decrease in base business medical gas equipment sales. Medical gas construction product sales are affected by large bid orders on new hospital construction and renovation of medical facilities. Hospital consolidation has caused a decrease in large bid orders for these products.

Respiratory care product sales in fiscal 1999 of $23.3 million were $16.8 million, or 41.9%, less than sales of $40.1 million in the prior year. Of the decline, $10.4 million was attributable to revenues generated by the ventilation products division prior to its sale in October 1997 and $6.4 million relates to the Company's base respiratory product lines. Sales to the home healthcare market declined by 26.5%, primarily in the B&F disposable line, due to the factors discussed above. In addition, pricing pressures caused by the consolidation of home healthcare dealers and continued concern over potential reductions in Medicare and Medicaid reimbursement rates continued to impact sales of home healthcare products. Also contributing to the decrease in respiratory care products is the loss of air compressor OEM business to Bear Medical following its divestiture.

Emergency medical product sales in fiscal 1999 of $10.3 million were $1.0 million, or 8.7%, less than fiscal 1998 sales of $11.3 million. A decrease in OEM sales of certain emergency products contributed to most of the decrease. Business in this market is largely replacement driven and is expected to reflect the demand for replacement orders in the short term.

International sales, which are included in the product lines discussed above decreased $10.9 million, or 45.4%, to $13.1 million in fiscal 1999 compared to sales of $24.0 million in fiscal 1998. International sales declined $6.9 million due to the sale of the ventilation products division, headwall products sales decreased $1.0 million, while international sales of the base business decreased by $3.0 million. Export sales to the European Community were adversely affected by a delay in obtaining CE mark certification on certain products.

The Company continues to emphasize the importance of worldwide markets. Advances in medical protocol in various countries throughout the world combined with the Company's strong international dealer network have enabled the Company to respond to increased worldwide demand for medical products. Export sales are affected by international economic conditions and the relative value of foreign currencies.

Gross profit in fiscal 1999 was $16.9 million, or 23.3% of net sales, compared to a gross profit of $27.4 million, or 28.4% of net sales in fiscal 1998. Manufacturing inefficiencies and the inability to recognize cost savings, in a timely manner, from the consolidation of the Toledo operations into St. Louis impacted gross margins in fiscal 1999. The Company is continuing its efforts in gaining efficiency in the manufacturing of B&F products in St. Louis and is also outsourcing the assembly of certain products as previously discussed. The sale of the ventilation products division adversely impacted gross profit as a percent of sales in fiscal 1999, as ventilation products typically have a higher gross profit margin than the Company's base business products. Continued pricing pressures brought on by the consolidations and cost containment initiatives of healthcare providers further served to reduce margins as a percent to net sales.

Selling, General and Administrative ("SG&A") expenses for fiscal 1999 were $18.7 million, a decrease of $5.2 million over SG&A expenses of $23.9 million in fiscal 1998. $2.4 million of the decease in SG&A expenses in fiscal 1999 is attributable to direct expenses associated with the sale of the ventilation products division. Another $0.6 million decrease is due to administrative cost savings from the closing of the Toledo facility. The remainder of the decrease in 1999 SG&A costs can be attributed to cost reduction efforts initiated during fiscal 1999. As a percentage of net sales, fiscal 1999 SG&A expenses were 25.7% compared to 24.8% in fiscal 1998. This increase was attributable to lower sales in fiscal 1999, as discussed above.

As discussed previously in the preceding Overview section, financial results for fiscal 1999 were impacted by certain one-time, unusual transactions and events which make meaningful comparisons to prior years more difficult. These specific transactions and events include the following items:

On August 5, 1998 the Company's Board of Directors voted to close its Toledo, Ohio facility and consolidate production of the B&F line of home care products into its manufacturing facility in St. Louis, Missouri. In connection with the shutdown of the facility, Allied recorded a provision of approximately $1.0 million pre-tax, $0.6 million after tax, or $0.07 per share, in the first quarter of fiscal 1999 to cover the cost of closing the facility. The provision reflects costs of certain fixed asset impairments, employee severance benefits and other related exit costs. Subsequently, during the second quarter of fiscal 1999, the company negotiated and received a $0.2 million cash payment from the City of Toledo as partial reimbursement for closure costs. Accordingly, Allied recorded this cash payment, in the second quarter of fiscal 1999, as a reduction to the aforementioned provision resulting in a net charge of $0.8 million pre-tax, $0.5 million after tax, or $0.06 per share for the fiscal year ended June 30, 1999.

On February 4, 1999, Allied announced a recall of aluminum oxygen regulators marketed under its Life Support Products label. Following reports of regulator fires, the Company instituted a recall in May 1997, under which it provided retrofit kits to prevent contaminants from entering the regulators. While preliminary findings led the Company to believe the Company's products did not cause those fires, there is enough concern among the users that the Company, in cooperation with the U. S. Food and Drug Administration ("FDA"), agreed to institute a voluntary recall to replace aluminum components in the high pressure chamber of the regulators with brass components. The FDA has recommended that all regulator manufacturers cease use of aluminum in regulators. Accordingly, the Company has now introduced new brass regulators and is also offering a trade in program to the existing users. As a result of the recall, the Company recorded a charge of $1.5 million pre-tax, $0.9 million after tax, or $0.12 per share in the second quarter of fiscal 1999. As of June 30, 1999 the Company has incurred $0.9 million for costs associated with the recall and has a reserve balance of $0.6 million for future expected costs which management estimates to be appropriate.

On May 28, 1999, the Company sold the assets of Hospital Systems, Inc. ("HSI") to David Miller (former General Manager-Hospital Systems, Inc.) for $0.5 million. The net proceeds of $0.5 million were utilized to repay a portion of its revolving credit facility. The sale of HSI, located in Oakland, California, resulted in a gain before taxes for financial reporting purposes of $0.03 million.

Loss from operations in fiscal 1999 was $4.0 million compared to income from operations of $6.5 million in fiscal 1998. Fiscal 1999 loss from operations includes charges for the unusual items discussed above which have an unfavorable impact of $2.2 million. Fiscal 1998 income from operations included a $12.8 million gain on the sale of Bear Medical and $9.8 million of non-recurring charges mainly for goodwill write-downs attributable to the revaluation of the carrying value of various businesses. These fiscal 1998 non-recurring items had a favorable impact on operating income of $3.0 million. Without the impact of the various unusual items for both fiscal 1999 and fiscal 1998, income from operations decreased $5.3 million. Fiscal 1998 operating income also includes results from the operations of the ventilation products division for four months prior to its sale in October 1997.

Interest expense decreased $2.3 million or 53.6%, to $1.9 million in fiscal 1999 from $4.2 million in fiscal 1998. Interest expense has been significantly reduced due to the reduction in debt, which primarily reflected application of the proceeds from the sale of the ventilation products division in fiscal 1998.

The Company had a loss before taxes of $6.0 million, compared to income before taxes and extraordinary loss of $2.2 million in fiscal 1998. The Company recorded an income tax benefit of $1.9 million in fiscal 1999 compared to a provision for income taxes of $9.0 million in fiscal 1998. As previously discussed, the gain on the sale of the ventilation products division resulted in a tax provision of $9.3 million in fiscal 1998. In addition, the non-recurring

charge of $9.8 million was principally goodwill, and therefore non-deductible for income tax purposes. For further discussion of the Company's income tax calculation please refer to the "Notes to Consolidated Financial Statements" section included in this Form 10-K.

Net loss in fiscal 1999 was $4.1 million, or $0.53 per diluted share, a decrease of $3.3 million from the net loss of $7.4 million or $0.95 per diluted share in fiscal 1998. Net loss in fiscal 1998 included a $0.5 million extraordinary loss on early extinguishment of debt. Earnings per share amounts are diluted earnings per share, which are substantially the same as basic earnings per share. The weighted number of shares used in the calculation of the diluted per share loss was 7,806,682 in fiscal 1999 compared to 7,805,021 in fiscal 1998.

FISCAL 1998 COMPARED TO FISCAL 1997

Net sales for fiscal 1998 of $96.5 million were $21.6 million, or 18.3%, less than net sales of $118.1 million in fiscal 1997. $19.0 million of this decline relates to sales associated with the disposal of the ventilation products division and $2.6 million relates to a decline in sales of core products. The decline in sales of core products reflected various internal and external factors.

A large part of this decrease was caused by the Company's insistence for better margins on sales of distributed products, such as aluminum cylinders. In addition, sales force disruption caused by the sale of the ventilation products division, a decrease in large hospital construction projects and inefficiencies at the Company's Toledo facility negatively impacted revenues. This facility was closed during the second quarter of fiscal 1999.

Certain external issues first experienced in fiscal 1996 continued to impact the Company's operations in fiscal 1998. These matters were described in the preceding section "Fiscal 1999 Compared to Fiscal 1998.

Medical gas equipment sales of $45.0 million in fiscal 1998 were $2.4 million, or 5.8%, over prior year sales of $42.6 million. Medical gas system construction sales, headwall sales, and medical gas suction and regulation device sales experienced increases of 0.7%, 48.0% and 2.2%, respectively, in fiscal 1998 compared to fiscal 1997. The increase in sales of these products in fiscal 1998 primarily related to shipment of orders from backlog that had accumulated prior to June 30, 1997.

Respiratory care products sales in fiscal 1998 of $40.1 million were $23.8 million, or 37.2%, under sales of $63.9 million in the prior year. Of the decline, $19.0 million was attributable to the disposal of the ventilation products division and $4.8 million relates to the Company's remaining product lines. Sales to the home healthcare market declined by 20.7%, primarily in distributed products as discussed above. In addition, pricing pressures caused by the consolidation of home healthcare dealers and continued concern over potential reductions in Medicare and Medicaid reimbursement rates continued to impact sales of home healthcare products. The Company continued to experience capacity constraints at the Toledo, Ohio facility, and as previously noted, consolidated its production to the St. Louis, Missouri facility in the second quarter of fiscal 1999.

Emergency medical products sales in fiscal 1998 of $11.3 million were $0.3 million, or 2.5%, less than fiscal 1997 sales of $11.6 million. Business in this market is driven by both replacement business, and the occurrence of natural disasters. Orders for emergency medical products in fiscal 1998 of $12.6 million were $0.6 million or 5.5% above orders of $12.0 million in the prior year.

International sales, which are included in the product lines discussed above decreased $10.5 million, or 30.4%, to $24.0 million in fiscal 1998 compared to sales of $34.5 million in fiscal 1997. International sales declined $11.3 million due to the sale of the ventilation products division while international sales of the remaining business increased by $0.8 million.

Export sales are affected by international economic conditions and the relative value of foreign currencies. In 1998, the continued devaluation of Asian currency and economic downturn reduced international shipments.

Gross profit in fiscal 1998 was $27.4 million, or 28.4% of net sales, compared to a gross profit of $35.8 million, or 30.3% of net sales in fiscal 1997. The sale of the high margin ventilation products division adversely impacted gross profit and the gross margin in fiscal 1998 since these products were part of the Company's business for only four months of fiscal 1998 compared to the full twelve months in fiscal 1997. Continued pricing pressures brought on by the consolidations and cost containment initiatives of healthcare providers and the Company's planned reductions in inventories, which resulted in reduced manufacturing throughput and lower absorption of plant overhead, further served to reduce margins as a percent to net sales. Finally, the Company increased inventory reserves by over $1.0 million in fiscal 1998. In the fourth quarter of fiscal 1997, the Company recorded certain adjustments, approximating $1 million, to the carrying value of its inventories.

Selling, General and Administrative ("SG&A") expenses for fiscal 1998 were $23.9 million, a decrease of $10.0 million over SG&A expenses of $33.9 million in fiscal 1997. Fiscal 1998 SG&A expenses were lower than the prior year due to several one-time fiscal 1997 expenditures. In fiscal 1997, the Company made strategic investments in certain SG&A activities and recorded certain one-time SG&A expenses. SG&A spending included investments in advertising and marketing literature, investments in information technology, and continued investments in research and development. In addition, the Company completed the recruiting, training and consolidation of its respiratory products salesforce and incurred duplicate costs for sales efforts to the Durable Medical Equipment Dealers (DME) in the home health care market during the transition period of shifting to telemarketing from field sales representatives. As a percentage of net sales, fiscal 1998 SG&A expenses were 24.8% compared to 28.7% in fiscal 1997. This decrease was attributable to lower SG&A expenses in fiscal 1998, as discussed above.

As discussed previously in the preceding Overview section, financial results for fiscal 1998 were impacted by certain one-time, unusual transactions and events which make meaningful comparisons to prior years more difficult. These specific transactions and events include the following items:

> On October 31, 1997 the Company sold the assets of Bear Medical Systems, Inc. ("Bear") and its subsidiary BiCore Monitoring Systems, Inc. ("BiCore") to ThermoElectron Corporation for $36.6 million plus the assumption of certain liabilities. The sale of these assets resulted in a gain before taxes for financial reporting purposes of $12.8 million and a tax provision of $9.3 million, due to non-deductibility of approximately $12.7 million goodwill associated with these businesses. The net income effect on the gain on sale of business was approximately $3.5 million or $0.45 per share.
>
> During the second quarter of fiscal 1998, the Company reevaluated the carrying value of its various businesses and recorded $9.8 million of non-recurring charges to reflect the changes in business conditions resulting from the sale of the ventilation products division and due to other changes in market conditions, which culminated during the second quarter of fiscal 1998. The elements comprising the $9.8 million of non-recurring charges consist of goodwill write-downs and other non-recurring items. See the preceding Overview section for further discussion. These non-recurring charges resulted in a minimal $0.4 million tax benefit, due to the non-deductibility for tax purposes of the $8.9 million of goodwill write-downs. The non-recurring charges, as a discrete item, resulted in a net loss of approximately $9.4 million or $1.21 per share.

Income from operations in fiscal 1998 of $6.5 million was $4.7 million, or 261%, above fiscal 1997 income from operations of $1.8 million. As a percentage of net sales, income from operations increased to 6.7% from 1.6% in fiscal 1997, due to the factors discussed above.

Interest expense decreased $3.5 million or 44.6%, to $4.2 million in fiscal 1998 from $7.6 million in fiscal 1997. In 1997, interest expense included fees paid to the Company's previous commercial bank group to obtain waivers for covenant violations, fees paid for not obtaining a commitment to reduce the bank groups indebtedness by $20.0 million by May 15, 1997, fees paid for professional services related to credit negotiations and related audits, and the amortization of prepaid loan costs. On August 8, 1997, as previously discussed, the Company refinanced its existing bank debt through a new credit facility with Foothill

Capital Corporation, and $5.0 million subordinated debt arrangement. The new financial agreements are discussed further below. The Company did not incur fees similar to the prior year in fiscal 1998. In addition, interest expense was significantly reduced due to the reduction in debt, which primarily reflected application of the proceeds from the sale of the ventilation products division. At June 30, 1998, commercial debt is $18.4 million, a decrease of $28.5 million from the June 30, 1997 debt level of $46.9 million.

The Company had income before taxes of $2.2 million, compared to a loss before taxes of $5.9 million in fiscal 1997. The Company recorded a provision for income taxes of $9.0 million for fiscal 1998 for an effective tax rate of 418.9%, compared to a tax benefit of $1.4 million in fiscal 1997 and an effective rate of 24.0%. As previously discussed, the gain on the sale of the ventilation products division resulted in a tax provision of $9.3 million. In addition, the non-recurring charge of $9.8 million was principally goodwill, and therefore non-deductible for income tax purposes.

Net loss in fiscal 1998 was $7.4 million, or $0.95 per diluted share, an increase of $2.9 million from net loss of $4.5 million or $0.58 per diluted share in fiscal 1997. Net loss in fiscal 1998 included a $0.5 million extraordinary loss on early extinguishment of debt.

Exclusive of the one-time, unusual items discussed above, the net loss for fiscal 1998 would have been $2.5 million or $0.32 per diluted share. Earnings per share amounts are diluted earnings per share, which are substantially the same as basic earnings per share. The weighted number of shares used in the calculation of the diluted per share loss was 7,805,021 in fiscal 1998 compared to 7,796,682 in fiscal 1997.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

The following tables set forth selected information concerning Allied's financial condition:

Dollars in thousands	1999	1998	1997
Cash	$ 587	$ 1,195	$ 988
Working Capital	$22,619	$21,308	$18,743
Total Debt	$17,238	$18,415	$46,932
Current Ratio	3.30:1	2.67:1	1.57:1

The Company's working capital was $22.6 million at June 30, 1999 compared to $21.3 million at June 30, 1998. The increase in working capital is primarily due to the decrease in the current portion of long term debt attributable to debt refinancing discussed further below. Accounts receivable declined to $12.6 million at June 30, 1999 down $1.6 million from $14.2 million at June 30, 1998. Accounts receivable as measured in days sales outstanding ("DSO") decreased to 62 DSO from 69 DSO during fiscal 1999 as collection efforts have improved the average time that is needed to collect from a customer. Inventories declined to $17.5 million at June 30, 1999, or $0.8 million, from $18.3 million at June 30, 1998. Of this decline, $0.4 million is related to the core business while $0.4 million of decrease is due to the sale of the headwall products division. The Company continues to focus on improving the mix of inventories and has been increasing stocking levels of high volume products while simultaneously reducing the stocking levels of low volume products. Inventories, as measured in days on hand ("DOH"), increased to 148 DOH at June 30, 1999 from 129 DOH at June 30, 1998, due to lower sales in the last five months of fiscal year 1999. Accounts payable decreased to $5.4 million at June 30, 1998, down $0.4 million from June 30, 1998 balance of $5.8 million.

The net increase/(decrease) in cash for the fiscal years ended June 30, 1999, June 30, 1998, and June 30, 1997 was $(0.6) million, $0.2 million, and $(0.5) million respectively. Net cash provided by (used by) operations was $(0.2) million, $(5.2) million, and $8.9 million for the same periods. Cash used by operations for the fiscal year ended June 30, 1999 consisted of a net loss of $4.1 million, which was offset by $3.8 million in non-cash charges to operations for amortization and depreciation, restructuring and consolidation of $0.2 million and product recall of $0.6 million. Changes in working capital and deferred tax accounts unfavorably impacted cash flow from operations by $0.7 million. Cash provided by investing activities, consisting of $1.4 million from the proceeds on the sale of the Toledo, Ohio facilities and $0.5 million of proceeds from the sale of the headwall products division, was used to fund capital expenditures of $1.1 million and reduce debt. Cash used by operations for the comparable prior year period consisted of a net loss of $7.4 million, which was offset by $4.9 million in non-cash charges to operations for amortization and depreciation, a non-cash loss on refinancing charges of $0.9 million and changes in working capital and deferred tax accounts of $9.2 million. The Company also reported a $12.8 million gain on the sale of the ventilation products division and also recorded non-recurring impairment

charges, for which the non-cash portion is $9.5 million in the fiscal year ended June 30, 1998. The Company received pre-tax proceeds of $35.4 million on the sale of the ventilation products division, reduced total debt by a net $28.5 million, and made capital expenditures of $0.6 million in the fiscal year ended June 30, 1998. The cash provided by operations for the fiscal year ended June 30, 1997 was used for net debt reduction of $8.1 million, dividends of $0.5 million and debt issuance cost of $0.7 million. The adverse results of operations during the latter half of fiscal 1996 and during fiscal 1997 impacted the Company's liquidity and the ability of the Company to continue historical levels of fixed payments. Accordingly, on August 21, 1996 the Company's Board of Directors voted to suspend quarterly dividends effective immediately subsequent to the payment of dividends for the fourth quarter of fiscal 1996. In addition, to improve the liquidity of the Company and to reduce interest expense, on August 8, 1997, the Company refinanced its existing debt.

At June 30, 1999 the Company had aggregate indebtedness of $17.2 million, including $0.9 million of short-term debt and $16.3 million of long-term debt. At June 30, 1998, the Company had aggregate indebtedness of $18.4 million, including $3.4 million of short-term debt and $15.0 million of long-term debt. During fiscal 1997, the Company paid waiver fees totaling approximately $2.2 million for the September 1996 amendment to its credit facilities, to obtain waivers for technical covenant violations at December 31, 1996 and March 31, 1997 and paid additional fees of $0.4 million in the first quarter of fiscal 1998. The Company was unsuccessful in its attempts to negotiate a long-term agreement with its previous bank syndicate. Accordingly, on August 8, 1997 the Company refinanced its existing debt through a new $46.0 million credit facility with Foothill Capital Corporation. The new credit facility, with a blended average interest rate of 10.2%, was comprised of a $25.0 million three-year revolving line of credit, three-year term loans of $10.0 million and $7.0 million, respectively, and a $4.0 million term loan maturing in February 1998. In conjunction with its new credit facilities, Allied placed an additional $5.0 million in subordinated debt, with several related parties to the Company maturing in February 1998. In addition, the Company issued 112,500 warrants at an exercise price of $7.025 per share, 62,500 of which were issued to subordinated debt holders with the balance issued to Foothill Capital Corporation. Such warrants are exerciseable at the option of the holder. The proceeds from the August 8, 1997 refinancing were used to replace the Company's outstanding debt with the previous commercial bank syndicate, and to provide additional liquidity. On October 31, 1997 the Company completed the sale of its ventilation products division. On November 3, 1997 the Company repaid two term notes and a significant portion of its revolving credit facility to Foothill. On November 4, 1997 the Company repaid its $5.0 million subordinated debt. In fiscal 1998, amendments to the Foothill credit facility were completed to reflect the impact of the significant reductions in the Company's outstanding debt and the sale of the ventilation products division. Available borrowings at June 30, 1998 under the Foothill credit facility were $6.5 million.

On August 7, 1998, the Company obtained a $5.0 million mortgage loan on its principal facility in St. Louis, Missouri with LaSalle National Bank. Under terms of this agreement the Company will make monthly principal and interest payments, with a balloon payment in 2003. Proceeds of the loan were used to reduce the obligation under the revolving credit agreement with Foothill Capital Corporation. The mortgage loan carried a fixed rate of interest of 7.75%, compared to the then current rate of 9.0% under the revolving credit agreement. In fiscal 1999, an amendment to the LaSalle credit facility was completed in the third quarter and reflected a change to the debt covenant. On September 1, 1999 a subsequent amendment to the LaSalle credit facility was completed which also changed certain debt covenants.

On September 8, 1998, the Company's credit facilities with Foothill Capital Corporation were amended. The Company's existing term loan was eliminated and replaced with an amended revolving credit facility. As amended, the revolving credit facility remained at $25.0 million. The interest rate on the facility has been reduced from the floating reference rate (8.5% at September 8, 1998) plus 0.50% to the floating reference rate plus 0.25%. The reference rate as defined in the credit agreement, is the variable rate of interest, per annum, most recently announced by Wells Fargo Bank, National Association, or any successor thereto, as its "base rate". This amendment also provides the Company with a rate of LIBOR +2.5%. Amounts outstanding under this revolving credit facility, which expires on August 8, 2000, totaled $9.5 million at September 8, 1998. The rates noted above will drop by 0.25% at the end of fiscal 1999 and

2000 if the Company is profitable. In addition, the fees charged to the Company are also reduced. An amendment to the Foothill credit facility was completed in the fourth quarter fiscal 1999. The amendments extended the favorable rate reduction based upon profitability to 2001 and 2002. Fees charged to the Company were reduced along with favorable debt covenant changes and the maturity date was extended until January 6, 2003. At June 30, 1999, $5.5 million was available under the revolving facility for additional borrowings.

Capital expenditures, net of capital leases, were $1.1 million, $0.6 million and $0.1 million in fiscal 1999, 1998 and 1997, respectively. During fiscal 1999 the Company invested $0.4 million for the consolidation of the Toledo, Ohio operation into its St. Louis, Missouri facility as previously discussed. In addition, $0.2 million was invested for upgrading computer equipment, $0.2 million for additional capacity of the computer controlled machining centers and $0.3 million for tooling. The Company believes that cash flow from operations and available borrowings under its credit facilities will be sufficient to finance fixed payments and planned capital expenditures of approximately $1.6 million in fiscal 2000.

Inflation has not had a material effect on the Company's business or results of operations. The Company makes its foreign sales in dollars and, accordingly, sales proceeds are not affected by exchange rate fluctuations, although the effect on its customers does impact the pace of incoming orders.

SEASONALITY AND QUARTERLY RESULTS

In past fiscal years, the Company has experienced seasonal increases in net sales during its second and third fiscal quarter (October 1 through March 31) which, in turn, affected net income. Such seasonal variations were likely attributable to an increase in hospital equipment purchases at the beginning of each calendar year (which coincides with many hospitals' fiscal years) and an increase in the severity of influenza during winter months.

The following table sets forth selected operating results for the eight quarters ended June 30, 1999. The information for each of these quarters is unaudited, but includes all normal recurring adjustments which the Company considers necessary for a fair presentation thereof. These operating results, however, are not necessarily indicative of results for any future period. Further, operating results may fluctuate as a result of the timing of orders, the Company's product and customer mix, the introduction of new products by the Company and its competitors, and overall trends in the health care industry and the economy. While these patterns have an impact on the Company's quarterly operations, the Company is unable to predict the extent of this impact in any particular period.

Three months ended,	June 30, 1999	March 31, 1999	Dec. 31, 1998	Sept. 30, 1998	June 30, 1998	March 31, 1998	Dec. 31, 1997	Sept. 30, 1997
Net sales	$ 18,621	$ 19,227	$ 17,092	$ 17,859	$ 19,476	$ 22,785	$ 24,033	$ 30,173
Gross profit	4,165	4,940	3,423	4,407	4,878	6,507	6,743	9,229
Income (loss) from operations	(323)	339	(2,601)	(1,444)	(29)	1,100	3,455	1,977
Net income (loss)	(738)	(189)	(1,912)	(1,279)	(315)	241	(6,684)	(638)
Basic and diluted earnings (loss) per share	(0.10)	(0.02)	(0.25)	(0.16)	(0.04)	0.03	(0.86)	(0.08)

Dollars in thousands, except per share data

ACCOUNTING PRONOUNCEMENTS

In June 1997 the Financial Accounting Standards Board issued Statement of Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" (FAS 131), which is effective for the Company in fiscal 1999. FAS 131 requires that companies report certain information if specific requirements are met about the Company's operating segments including information about services, geographic areas of operation, and major customers. The Company has adopted FAS 131 for fiscal 1999 and has determined that it operates in a single segment. Please see Note 17 of the "Notes to Consolidated Financial Statements" section of this Form 10-K for further discussion.

YEAR 2000

The Company utilizes software and related computer technologies essential to its operations. The Company has established a plan, utilizing internal resources, to assess the potential impact of the changeover to the year 2000 on the Company's systems and operations and to implement solutions to address this issue. In October 1996, the Company converted its corporate offices and its manufacturing operation to a new fully-integrated software system. The date methodology of this software is not sensitive to year 2000 problems. However, the Company is in the process of implementing testing procedures to insure year 2000 readiness. System modifications or reprogramming have been minor in nature. The Company has also analyzed other internal computerized processes, including, but not limited to, manufacturing, engineering, personal computer network, and other facility management systems for potential year 2000 issues. Systems identified as being impacted by the changeover to the year 2000 are being modified or replaced. The Company estimates that the year 2000 conversion effort is over 80% complete and expects all critical systems will be year 2000 compliant by November 1999.

The Company has not separately distinguished between costs incurred specifically to assure year 2000 compliance and normal expenditures needed to maintain or upgrade existing systems to current technology levels. The Company believes that any such costs expended were not material. The Company does not expect to incur any significant costs on the remaining year 2000 compliance efforts.

The Company is dependent on various third parties to conduct its business operations. These third parties are customers and vendors of raw material and components used in the production process. The Company's revenues are not dependent upon any single or any few number of customers. The Company employs a large number of vendors, without concentration of critical vendors. The Company believes that vendors could be replaced if they fail to meet the Company's demand for components. None of the Company's products or components of Company products use date sensitive technology. Therefore, the Company believes that third party risk involving the changeover to year 2000 is relatively small. However, while reasonable actions are being taken to mitigate the risk of unanticipated costs and/or business interruptions due to year 2000 problems in its internal systems, or those of its vendors, there can be no assurance that the Company will not experience any costs and/or disruptions from any other external year 2000 failures. The magnitude of any such costs and/or disruptions and the possible impact on the Company's consolidated results of operations, is unpredictable. In addition, while efforts to date have focused on mitigating year 2000 problems, the Company plans to evaluate the reasonable potential risks to determine the extent of contingency planning and resources that are appropriate.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of Allied Healthcare Products, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of changes in stockholders' equity, and of cash flows present fairly, in all material respects, the financial position of Allied Healthcare Products, Inc. and its subsidiaries at June 30, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 1999, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/ PricewaterhouseCoopers LLP

St. Louis, Missouri
August 11, 1999, except for Note 18, which is
as of September 1, 1999

CONSOLIDATED STATEMENT OF OPERATIONS

Year ended June 30,	1999	1998	1997
Net sales	$72,799,372	$ 96,466,860	$118,117,518
Cost of sales	55,864,554	69,110,274	82,364,405
Gross profit	16,934,818	27,356,586	35,753,113
Selling, general and administrative expenses	18,733,227	23,888,131	33,909,510
Provision for restructuring and consolidation	758,467	--	--
Provision for product recall	1,500,000	--	--
Gain on sale of business	(27,246)	(12,812,927)	--
Non-recurring impairment losses	--	9,778,259	--
Income (loss) from operations	(4,029,630)	6,503,123	1,843,603
Other expenses:			
Interest expense	1,925,757	4,151,986	7,606,129
Other, net	35,984	198,329	186,291
	1,961,741	4,350,315	7,792,420
Income (loss) before provision (benefit) for income taxes and extraordinary loss	(5,991,371)	2,152,808	(5,948,817)
Provision (benefit) for income taxes	(1,872,976)	9,018,488	(1,427,716)
Loss before extraordinary loss	(4,118,395)	(6,865,680)	(4,521,101)
Extraordinary loss on early extinguishment of debt, net of income tax benefit of $373,191	--	530,632	--
Net loss	$(4,118,395)	$ (7,396,312)	$ (4,521,101)
Basic and diluted loss per share:			
Loss before extraordinary loss	$ (0.53)	$ (0.88)	$ (0.58)
Extraordinary loss	--	(0.07)	--
Loss per share	$ (0.53)	$ (0.95)	$ (0.58)

See accompanying Notes to Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET

June 30,	1999	1998
ASSETS		
Current assets:		
Cash	$ 587,457	$ 1,194,813
Accounts receivable, net of allowance for doubtful accounts of $834,883 and $1,035,833, respectively	12,601,165	14,227,314
Inventories	17,499,822	18,341,340
Income taxes receivable	1,635,866	--
Other current assets	138,360	273,832
Total current assets	32,462,670	34,037,299
Property, plant and equipment, net	14,287,037	17,525,906
Goodwill, net	27,210,653	28,026,064
Other assets, net	314,828	590,933
Total assets	$ 74,275,188	$ 80,180,202
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 5,434,303	$ 5,807,349
Current portion of long-term debt	907,649	3,442,797
Accrual for product recall	594,725	--
Other accrued liabilities	2,906,636	3,479,215
Total current liabilities	9,843,313	12,729,361
Long-term debt	16,330,185	14,971,775
Deferred tax liability-noncurrent	182,608	441,589
Commitments and contingencies (Notes 9 and 15)		
Stockholders' equity:		
Preferred stock; $.01 par value; 1,500,000 shares authorized; no shares issued and outstanding		
Series A preferred stock; $.01 par value; 200,000 shares authorized; no shares issued and outstanding		
Common stock; $.01 par value; 30,000,000 shares authorized; 7,806,682 shares issued and outstanding at June 30, 1999 and 1998	101,102	101,102
Additional paid-in capital	47,014,621	47,014,621
Retained earnings	21,534,787	25,653,182
Common stock in treasury, at cost	(20,731,428)	(20,731,428)
Total stockholders' equity	47,919,082	52,037,477
Total liabilities and stockholders' equity	$ 74,275,188	$ 80,180,202

See accompanying Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	Preferred Stock	Common stock	Additional paid-in capital	Retained earnings	Treasury stock
Balance, June 30, 1996	$ -	$101,002	$46,945,971	$37,570,595	$(20,731,428)
Net loss for the year ended June 30, 1997	--	--	--	(4,521,101)	--
Balance, June 30, 1997	--	101,002	46,945,971	33,049,494	(20,731,428)
Issuance of common stock	--	100	68,650	--	--
Net loss for the year ended June 30, 1998	--	--	--	(7,396,312)	--
Balance, June 30, 1998	--	101,102	47,014,621	25,653,182	(20,731,428)
Net loss for the year ended June 30, 1999	--	--	--	(4,118,395)	--
Balance, June 30, 1999	$ -	$101,102	$47,014,621	$21,534,787	$(20,731,428)

See accompanying Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended June 30,	1999	1998	1997
Cash flows from operating activities:			
Net loss	$ (4,118,395)	$ (7,396,312)	$ (4,521,101)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities, excluding the effects of acquisitions:			
Depreciation and amortization	3,781,063	4,881,890	5,572,188
Provision for restructuring and consolidation	217,926	--	--
Provision for product recall	594,725	--	--
Gain on sale of Hospital Systems, Inc.	(27,246)	--	--
Gain on sale of Bear Medical	--	(12,812,927)	--
Loss on refinancing of long-term debt	--	903,823	--
Noncash portion of non-recurring impairment losses	--	9,496,452	--
Decrease in accounts receivable, net	1,626,149	2,887,344	2,871,621
Decrease in inventories	407,134	2,412,551	1,993,499
Decrease (increase) in income taxes receivable	(1,635,866)	--	2,285,224
Decrease in other current assets	133,307	696,056	1,168,686
Increase (decrease) in accounts payable	(373,046)	(6,671,539)	943,936
Increase (decrease) in other accrued liabilities	(572,440)	(1,688,283)	1,027,393
Increase (decrease) in deferred income taxes - noncurrent	(258,981)	2,106,658	(2,451,982)
Net cash provided by (used in) operating activities	(225,670)	(5,184,287)	8,889,464
Cash flows from investing activities:			
Capital expenditures, net	(1,061,309)	(644,080)	(58,610)
Proceeds on sale of Toledo, Ohio facilities	1,393,287	--	--
Proceeds on sale of Hospital Systems, Inc. - Net of disposal costs	495,178	--	--
Proceeds on sale of Bear Medical - Net of disposal costs	--	35,362,286	--
Net cash provided by (used in) investing activities	827,156	34,718,206	(58,610)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	5,000,000	26,000,000	5,000,000
Payment of long-term debt	(7,411,458)	(37,267,757)	(4,662,785)
Borrowings under revolving credit agreement	88,063,847	128,862,400	27,365,170
Payments under revolving credit agreement	(86,829,127)	(146,033,153)	(35,810,605)
Proceeds from issuance of common stock	--	68,750	--
Debt issuance costs	(32,104)	(957,782)	(677,563)
Dividends paid on common stock	--	--	(545,768)
Net cash used in financing activities	(1,208,842)	(29,327,542)	(9,331,551)
Net increase (decrease) in cash and equivalents	(607,356)	206,377	(500,697)
Cash and equivalents at beginning of period	1,194,813	988,436	1,489,133
Cash and equivalents at end of period	$ 587,457	$ 1,194,813	$ 988,436
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest	$ 2,046,103	$ 5,256,981	$ 6,614,365
Income taxes	$ 541,756	$ 5,380,817	$ 138,339
Supplemental schedule of noncash investing and financing activities:			
Equipment acquired through capital leases	--	--	$ 2,157,967

See accompanying Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

Allied Healthcare Products, Inc. (the Company or Allied) is a manufacturer of respiratory products used in the health care industry in a wide range of hospital and alternate site settings, including post-acute care facilities, home health care and trauma care. The Company's product lines include respiratory care products, medical gas equipment and emergency medical products. See Note 5 regarding sale of the Company's architectural products division on May 28, 1999.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by Allied are described below. The policies utilized by the Company in the preparation of the financial statements conform to generally accepted accounting principles, and require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany transactions and balances are eliminated.

REVENUE RECOGNITION

Revenue from the sale of the Company's products is recognized upon shipment to the customer. Costs and related expenses to manufacture the Company's products are recorded as cost of sales when the related revenue is recognized.

CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Company considers all highly liquid investments with a maturity of three months or less when acquired to be cash equivalents. Book cash overdrafts on the Company's disbursement accounts totaling $1,247,188 and $2,012,427 at June 30, 1999 and 1998, respectively, are included in accounts payable.

CONCENTRATIONS OF CREDIT RISK

The Company performs ongoing credit evaluations of its customers and generally does not require collateral. The Company maintains reserves for potential credit losses and historically such losses have been within management's expectations. The Company's customers can be grouped into three main categories: medical equipment distributors, construction contractors and health care institutions. At June 30, 1999 the Company believes that it has no significant concentration of credit risk.

INVENTORIES

Inventories are stated at the lower of cost, determined using the last-in, first-out (LIFO) method, or market. If the first-in, first-out (FIFO) method (which approximates replacement cost) had been used in determining cost, inventories would have been $2,411,909 and $2,066,220 higher at June 30, 1999 and 1998, respectively. Inventories include the cost of materials, direct labor and manufacturing overhead.

Inventory amounts are net of a reserve for obsolete and excess inventory of $1,936,402 and $2,189,000 at June 30, 1999 and 1998, respectively.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is carried at cost and is depreciated using the straight-line method over the estimated useful lives of the assets which range from 3 to 36 years. Properties held under capital leases are recorded at the present value of the non-cancelable lease payments over the term of the lease and are amortized over the shorter of the lease term or the estimated useful lives of the assets. Expenditures for repairs, maintenance and renewals are charged to income as incurred. Expenditures which improve an asset or extend its estimated useful life are capitalized. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

GOODWILL

The excess of the purchase price over the fair value of net assets acquired in business combinations is capitalized and amortized on a straight-line basis over the estimated period benefited, not to exceed 40 years. The amortization period for all acquisitions to date ranges from 20 to 40 years. Amortization expense for the years ended June 30, 1999, 1998 and 1997 was $816,411, $1,077,959, and $1,473,164 respectively. Accumulated amortization at June 30, 1999 and 1998 was $6,315,687 and $5,499,276 respectively. The carrying value of goodwill is assessed for recoverability by management based on an analysis of future expected cash flows from the underlying operations of the Company. See Note 7 regarding goodwill impairment and related non-recurring charges recorded in the second quarter of the fiscal year ended June 30, 1998. Management believes that there has been no further impairment at June 30, 1999 to the remaining carrying value of goodwill.

OTHER ASSETS

Other assets are primarily comprised of debt issuance costs. Such costs are being amortized on a straight-line basis over the life of the related obligations.

INCOME TAXES

The Company accounts for income taxes under Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (FAS 109). Under FAS 109, the deferred tax provision is determined using the liability method, whereby deferred tax assets and liabilities are recognized based upon temporary differences between the financial statement and income tax bases of assets and liabilities using presently enacted tax rates.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs are charged to income in the year incurred and are included in selling, general and administrative expenses. Research and development expense for the years ended June 30, 1999, 1998 and 1997 was $1,315,593, $1,688,071 and $3,684,702, respectively.

EARNINGS PER SHARE

Basic earnings per share are based on the weighted average number of shares of common stock outstanding during the year. Diluted earnings per share are based on weighted averaged number of shares of common stock and common stock equivalents outstanding during the year. The number of basic and diluted shares outstanding for the years ended June 30, 1999, 1998 and 1997 was 7,806,682, 7,805,021, and 7,796,682 shares, respectively. Options under the Company's employee's and director's stock option plans are not included as common stock equivalents for earnings per share purposes since they did not have a material dilutive effect.

In March 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings per Share" (FAS 128), which requires public entities to present both basic and diluted earnings per share amounts on the face of their financial statements, replacing the former calculations of primary and fully diluted earnings per share. The Company adopted FAS 128 effective with its fiscal 1998 second quarter. All prior period

earnings per share amounts have been restated. The adoption of FAS 128 did not have a material effect on current or previously reported earnings per common share.

EMPLOYEE STOCK-BASED COMPENSATION

The Company accounts for employee stock options and variable stock awards in accordance with Accounting Principles Board No. 25, "Accounting for Stock Issued to Employees" (APB 25). Under APB 25, the Company applies the intrinsic value method of accounting. For employee stock options accounted for using the intrinsic value method, no compensation expense is recognized because the options are granted with an exercise price equal to the market value of the stock on the date of grant. For variable stock awards accounted for using the intrinsic value method, compensation cost is estimated and recorded each period from the date of grant to the measurement date based on the market value of the stock at the end of each period.

During fiscal 1996, Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (FAS 123), became effective for the Company. FAS 123 prescribes the recognition of compensation expense based on the fair value of options or stock awards determined on the date of grant. However, FAS 123 allows companies to continue to apply the valuation methods set forth in APB 25. For companies that continue to apply the valuation methods set forth in APB 25, FAS 123 mandates certain pro forma disclosures as if the fair value method had been utilized. See Note 12 for additional discussion.

3. B&F CONSOLIDATION PROVISION

On August 5, 1998 the Company's Board of Directors voted to close the Toledo facility of its disposable products division and consolidate production of the B&F line of home care products into its manufacturing facility in St. Louis, Missouri. This move was announced on August 10, 1998. The move was substantially completed during the second quarter of fiscal 1999. In connection with the shutdown of the facility, Allied recorded a provision of approximately $1.0 million pre-tax, $0.6 million after tax, or $0.07 per share, in the first quarter of fiscal 1999 to cover the cost of closing the facility. The provision reflects costs of certain fixed asset impairments, employee severance benefits and other related exit costs. Subsequently, during the second quarter of fiscal 1999, the company negotiated and received a $0.2 million cash payment from the City of Toledo as partial reimbursement for closure costs. Accordingly, Allied recorded this cash payment, in the second quarter of fiscal 1999, as a reduction to the aforementioned provision resulting in a net charge of $0.8 million pre-tax, $0.5 million after tax, or $0.06 per share for the fiscal year ended June 30, 1999.

4. LSP OXYGEN REGULATOR RECALL

On February 4, 1999, Allied announced a recall of aluminum oxygen regulators marketed under its Life Support Products label. These products are used to regulate pressure of bottled oxygen for administration to patients under emergency situations. Following reports of regulator fires, the Company instituted a recall in May 1997, under which it provided retrofit kits to prevent contaminants from entering the regulators. The Company has also been testing regulator design with the help of the National Aeronautical and Space Administration's White Sands National Laboratories. While preliminary findings led the Company to believe the Company's products did not cause those fires, there is enough concern among the users that the Company, in cooperation with the U. S. Food and Drug Administration ("FDA"), agreed to institute a voluntary recall to replace aluminum components in the high pressure chamber of the regulators with brass components. The FDA has recommended that all regulator manufacturers cease use of aluminum in regulators. Accordingly, the Company has now introduced new brass regulators and is also offering a trade-in program to the existing users. As a result of the recall, the Company recorded a charge of $1.5 million pre-tax, $0.9 million after tax, or $0.12 per share in the second quarter of fiscal 1999.

A reconciliation of activity with respect to the Company's product recall is as follows:

Provision, December 31, 1998	$1,500,000
Product costs for retrofitting and replacement	(784,831)
Administrative costs incurred	(120,444)
Ending Balance, June 30, 1999	$ 594,725

5. SALE OF HEADWALL PRODUCTS DIVISION

On May 28, 1999, the Company sold the assets of Hospital Systems, Inc. ("HSI") to David Miller (former General Manager-Hospital Systems, Inc.) for $0.5 million. The net proceeds of $0.5 million were utilized to repay a portion of its revolving credit facility. The sale of HSI, located in Oakland, California, resulted in a gain before taxes for financial reporting purposes of $0.03 million.

Had the divestiture occurred on July 1, 1998, consolidated pro forma net sales, net loss, and loss per share for the year ended June 30, 1999 would have been $69.6 million, $(4.3) million and $(0.55), respectively.

6. SALE OF BEAR VENTILATION PRODUCTS DIVISION

On October 31, 1997, the Company sold the assets of Bear Medical Systems, Inc. ("Bear") and its subsidiary BiCore Monitoring Systems, Inc. ("BiCore"), collectively referred to as the ventilation products division, to Thermo-Electron Corporation for $36.6 million plus the assumption of certain liabilities. The net proceeds of $29.5 million, after expenses, including federal and state taxes paid, were utilized to repay a significant portion of its term notes and to repay all of its subordinated debt. The sale of the ventilation products division resulted in a gain, before taxes, for financial reporting purposes of $12.8 million. This gain, as a discrete item, resulted in a tax provision of $9.3 million. The relatively higher effective tax rate on this transaction resulted because approximately $12.7 million of goodwill associated with these businesses was not deductible for income tax purposes.

Had the divestiture occurred on July 1, 1997, consolidated pro forma net sales, net loss, and loss per share for the year ended June 30, 1998 would have been $86.0 million, $(12.1) million, and $(1.55), respectively.

7. GOODWILL IMPAIRMENT

In the second quarter of fiscal 1998, the Company reevaluated the carrying value of its various businesses and recorded $9.8 million of non-recurring charges to reflect the changes in business conditions resulting from the sale of the ventilation product division and due to other changes in market conditions discussed below, which culminated during the second quarter of fiscal 1998.

Goodwill writedowns, which were determined pursuant to the Company's impairment policy as described in Note 2, approximating $8.9 million, were comprised of the following:

$4.4 million associated with the partial goodwill writedown related to the B&F disposable products business. Continuing weakness in financial results of the business due to various continuing operational issues, market condition changes in the home healthcare market including pressures on pricing, and overall weakness in financial results of the national home healthcare chains caused Allied to reevaluate and adjust the carrying value of this business.

$2.4 million associated with the writedown of goodwill for Allied's headwall business which continues to experience weakness in financial results due to market conditions.

$1.6 million associated with the writedown of Omni-Tech Medical, Inc. goodwill. This transportation ventilator business is directly related to the divested Bear ventilation products division and is not anticipated to contribute to the ongoing operations of the Company.

$0.5 million associated with the write-down of goodwill for the Design Principles Inc. backboard business. Increased costs have significantly eroded the margins of this business necessitating a reevaluation of the carrying value of its goodwill.

Management believes that there has been no further impairment at June 30, 1999 to the remaining carrying value of goodwill.

In addition to the non-cash goodwill write-downs, the other non-recurring items include:

$0.5 million of consulting fees related to a cooperative purchasing study.

$0.4 million for the writedown of leasehold improvements and a reserve for the remaining lease payments for B&F's Mt. Vernon, Ohio facility which was closed as part of the Company's rationalization initiatives. The tenant subletting this facility is operating under Chapter 11 reorganization protection.

8. FINANCING

Long-term debt consisted of the following at June 30, 1999 and 1998:

	1999	1998
UNSUBORDINATED DEBT		
Notes payable to bank or other financial lending institution, secured by virtually all assets of the Company		
Term loan - principal due in varying monthly maturities ranging from $27,714 to $40,518 with remaining balance due August 1, 2003	$ 4,714,669	
Revolving credit facility - aggregate revolving commitment of $25,000,000; principal due at maturity on January 6, 2003	10,618,532	$ 9,383,812
Term loan payable to financial institution - paid in fiscal 1998		5,800,000
Other	32,819	45,840
	15,366,020	15,229,652
SUBORDINATED DEBT		
Capital lease obligations	1,871,814	2,429,920
Industrial Development Revenue Bonds - paid in fiscal 1999		755,000
	1,871,814	3,184,920
	17,237,834	18,414,572
Less-Current portion of long-term debt, including $523,523 and $676,357 of capital lease obligations at June 30, 1999 and June 30, 1998 respectively	(907,649)	(3,442,797)
	$16,330,185	$14,971,775

On August 7, 1998, the Company borrowed approximately $5.0 million from LaSalle National Bank. The borrowing was secured by a first security interest in the Company's St. Louis facility. The loan requires monthly principal and interest payments of $0.06 million, with a final payment of all principal and interest remaining unpaid due at maturity on August 1, 2003. Interest is fixed at 7.75% annum. Proceeds from the borrowing were used to pay down existing debt, which bore a higher interest rate. The loan agreement includes certain debt covenants, which the Company must comply with over the term of the loan, and for which the Company was in compliance at June 30, 1999.

On September 8, 1998, the Company's credit facilities with Foothill Capital Corporation were amended. The Company's existing term loan was eliminated and replaced with an amended revolving credit facility. As amended, the revolving credit facility remains at $25.0 million. The interest rate on the facility has been reduced from the floating reference rate (8.00% at June 30, 1999) plus 0.50% to the floating reference rate plus 0.25%. The reference rate, as defined in the credit agreement, is the variable rate of interest, per annum, most recently announced by Wells Fargo Bank, National Association, or any successor thereto, as its "base rate". This amendment also provides the Company with a rate of LIBOR + 2.50%. Interest rates on the reference rate and LIBOR will drop by 0.25% at the end of fiscal 2000 if the Company is profitable. In addition, the fees charged to the Company were reduced along with certain debt covenants for which the Company was in compliance at June 30, 1999.

On March 3, 1999, the Company purchased the remaining $505,000 of its outstanding Missouri Industrial Revenue Bonds. The bonds, which bore a variable interest rate, had a final maturity date of April 1, 2001 and were repaid early using borrowings from the Company's revolving credit facility.

On March 24, 1999, the Company's credit facility with LaSalle National Bank was amended. The amendment provided for favorable changes to certain debt covenants.

On June 28, 1999, the Company's credit facilities with Foothill Capital Corporation were amended. The amendment provides for favorable interest rate reduction, based upon annual profitability, for fiscal years 2001 and 2002. The amendment also extended the maturity date to January 6, 2003 along with a favorable change to certain debt covenants.

Aggregate maturities of long-term debt, excluding capital leases, for each of the fiscal years subsequent to June 30, 1999 are as follows:

Fiscal Year	Revolving Credit Facility	Term	Other	Total
2000		$ 367,551	$ 16,575	$ 384,126
2001		397,070	16,244	413,314
2002		428,959		428,959
2003	$10,618,532	463,411		11,081,943
2004		3,057,678		3,057,678
	$10,618,532	$ 4,714,669	$ 32,819	$15,366,020

9. LEASE COMMITMENTS

The Company leases certain of its electronic data processing and manufacturing equipment under non-cancelable lease agreements. These agreements extend for a period of up to 60 months and contain purchase or renewal options on a month-to-month basis. The leases are reflected in the consolidated financial statements as capitalized leases in accordance with the requirements of Statement of Financial Accounting Standards No. 13 (FAS 13), "Accounting for Leases". In addition, the Company leases certain office equipment under noncancelable operating leases. These leases are reflected in the consolidated financial statements as operating leases in accordance with FAS 13.

Minimum lease payments under long-term capital leases and the operating leases at June 30, 1999 are as follows:

	Capital Leases	Operating Leases
2000	$ 737,250	$ 145,090
2001	737,250	53,340
2002	779,851	53,340
2003	--	53,340
2004	--	44,450
Total minimum lease payments	2,254,351	$ 349,560
Less amount representing interest	(382,537)	
Present value of net minimum lease payments, including current portion of $523,523	$1,871,814	

Rental expense incurred on the operating leases in fiscal 1999, 1998 and 1997 totaled $118,990, $381,024, and $686,168, respectively.

10. INCOME TAXES

The provision (benefit) for income taxes consisted of the following:

	1999	1998	1997
Current Payable:			
Federal	$(1,497,541)	$4,249,382	--
State	--	1,957,403	--
Total Current	(1,497,541)	6,206,785	--
Deferred:			
Federal	(113,472)	2,451,228	$(1,214,731)
State	(261,963)	360,475	(212,985)
Total Deferred	(375,435)	2,811,703	(1,427,716)
	$(1,872,976)	$9,018,488	$(1,427,716)

Income taxes were 31.3%, 418.9%, and (24.0)% of pre-tax earnings (losses) in 1999, 1998 and 1997, respectively. A reconciliation of income taxes, with the amounts computed at the statutory federal rate follows:

	1999	1998	1997
Computed tax at federal statutory rate	$(2,037,066)	$ 731,955	$(2,022,597)
State income taxes, net of federal tax benefit	(172,876)	1,611,155	(160,989)
Non deductible goodwill	277,240	7,925,827	491,854
Other, net	59,726	(1,250,449)	264,016
Total	$(1,872,976)	$ 9,018,488	$(1,427,716)

The increase in the dollar amount of reconciling items during fiscal year 1998 relates to the effect of the sale of the Bear ventilation products division. The increase in the income tax provision was primarily attributable to the non-deductible portion of goodwill associated with the sale, and the effect of state income taxes associated with the transaction.

The deferred tax assets and deferred tax liabilities recorded on the balance sheet as of June 30, 1999 and 1998 are as follows:

	At June 30, 1999		At June 30, 1998	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Current:				
Bad debts	$ 325,604	--	$ 403,975	--
Accrued liabilities	347,903	--	103,369	--
Inventory	--	$ 926,154	--	$ 876,444
	673,507	926,154	507,344	876,444
Non Current:				
Depreciation	--	52,629	--	65,685
Other property basis	--	10,857	--	399,611
Intangible assets	380,762	--	363,331	--
Net operating loss carryforward	264,274	--	--	--
Other	--	438,767	--	14,233
	645,036	502,253	363,331	479,529
Valuation allowance	(325,391)	--	(325,391)	--
Total deferred taxes	$ 993,152	$ 1,428,407	$ 545,284	$ 1,355,973

11. RETIREMENT PLAN

The Company offered several retirement savings plans under Section 401(k) of the Internal Revenue Code to certain eligible salaried employees. Each employee may elect to enter a written salary deferral agreement under which a portion of such employee's pre-tax earnings may be contributed to the plan.

During the fiscal years ended June 30, 1999, 1998 and 1997, the Company made contributions of $359,087, $464,227 and $601,338, respectively.

12. SHAREHOLDERS EQUITY

The Company has established a 1991 Employee Non-Qualified Stock Option Plan as well as a 1994 Employee Stock Option Plan (Employee Plans). The Employee Plans provide for the granting of options to the Company's executive officers and key employees to purchase shares of common stock at prices equal to the fair market value of the stock on the date of grant. Options to purchase up to 800,000 shares of common stock may be granted under the Employee Plans. Options currently outstanding entitle the holders to purchase common stock at prices ranging between $1.88 and $16.00, subject to adjustment. Options shall become exercisable with respect to one-fourth of the shares covered thereby on each anniversary of the date of grant, commencing on the second anniversary of the date granted, except certain options granted under the 1994 Employee Stock Option Plan which become exercisable when the fair market value of common stock exceeds required levels. The right to exercise the options expires in ten years, from the date of grant, or earlier if an option holder ceases to be employed by the Company.

In addition, the Company has established a 1991 Directors Non-Qualified Stock Option Plan and a 1995 Directors Non-Qualified Stock Option Plan (Directors Plans). The Directors Plan provides for the granting of options to the Company's Directors who are not employees of the Company to purchase shares of common stock at prices equal to the fair market value of the stock on the date of grant. Options to purchase up to 250,000 shares of common stock may be granted under the Directors Plans. Options currently outstanding entitle the holders to purchase common stock at prices ranging between $1.88 and $18.25,

subject to adjustment. Options shall become exercisable with respect to one-fourth of the shares covered thereby on each anniversary of the date of grant, commencing on the second anniversary of the date granted, except for certain options granted under the 1995 Directors Non-Qualified Stock Option Plan which become exercisable with respect to all of the shares covered thereby one year after the grant date. The right to exercise the options expires in ten years from the date of grant, or earlier if an option holder ceases to be a Director of the Company.

A summary of stock option transactions in 1999, 1998 and 1997, respectively, pursuant to the Employee Plans and the Directors Plans follows:

	Summary of Stock Options	
	Average Price	Shares Subject To Option
June 30, 1996	$ 13.79	413,600
Options Granted	6.90	358,000
Options Exercised	--	--
Options Canceled	11.47	(177,100)
June 30, 1997	$ 9.22	594,500
Exercisable at June 30, 1997		163,700
June 30, 1997	$ 9.22	594,500
Options Granted	7.63	173,500
Options Exercised	6.88	(10,000)
Options Canceled	11.23	(132,550)
June 30, 1998	$ 8.39	625,450
Exercisable at June 30, 1998		160,138
June 30, 1998	$ 8.39	625,450
Options Granted	1.97	54,000
Options Exercised	--	--
Options Canceled	10.54	(149,700)
June 30, 1999	$ 7.13	529,750
Exercisable at June 30, 1999		148,500

Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," requires companies to measure employee stock compensation plans based on the fair value method of accounting. However, the Statement allows the alternative of continued use of Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," with pro-forma disclosure of net income and earnings per share determined as if the fair value based method had been applied in measuring compensation cost. The Company adopted the new standard in the fiscal year ending June 30, 1997, and elected the continued use of APB Opinion No. 25. Pro forma disclosures have not been provided, as the effect on fiscal year 1999, 1998 and 1997 net earnings was immaterial.

In conjunction with the refinancing, 62,500 warrants were issued to the holders of the subordinated notes payable and 50,000 warrants were issued to the commercial lender providing the revolving credit facilities and the term loan facilities. Each warrant entitles the holder to purchase one share of common stock at $7.025 per share through August 7, 2002.

13. EXPORT SALES

Export sales for the years ended June 30, 1999, 1998 and 1997 are comprised as follows (in thousands):

	1999	1998	1997
Europe	$ 2,500	$ 5,700	$ 9,300
Canada	1,800	1,900	2,600
Latin America	3,400	5,900	6,300
Middle East	1,200	1,600	3,200
Far East	2,600	6,000	9,400
Other	1,600	2,900	3,700
	$13,100	$24,000	$34,500

14. SUPPLEMENTAL BALANCE SHEET INFORMATION

	June 30,	
	1999	1998
INVENTORIES		
Work in progress	$ 779,027	$ 2,424,041
Component parts	13,848,272	14,820,526
Finished goods	2,872,523	1,096,773
	$ 17,499,822	$ 18,341,340
PROPERTY, PLANT AND EQUIPMENT		
Machinery and equipment	$ 14,905,236	$ 13,836,067
Buildings	11,644,429	13,442,979
Land and land improvements	934,216	989,516
Property held under capital leases	4,518,761	5,220,926
Total property, plant and equipment at cost	32,002,642	33,489,488
Less accumulated depreciation and amortization, including $2,741,859 and $2,551,105 respectively, related to property held under capital leases	(17,715,605)	(15,963,582)
	$ 14,287,037	$ 17,525,906
OTHER ACCRUED LIABILITIES		
Accrued compensation expense	$ 1,211,251	$ 1,295,354
Accrued interest expense	98,669	219,015
Accrued income tax	985,711	942,036
Other	611,005	1,022,810
	$ 2,906,636	$ 3,479,215

15. COMMITMENTS AND CONTINGENCIES

From time to time, the Company becomes party to various claims and legal actions arising during the ordinary course of business. Management believes that the Company's costs and any potential judgments resulting from such claims and actions would be covered by the Company's product liability insurance, except for deductible limits and self-insured retention. The Company intends to

defend such claims and actions in cooperation with its insurers. It is management's opinion that, in any event, their outcome would not have a material effect on the Company's financial position, cash flows or results of operations.

16. QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized quarterly financial data for fiscal 1999 and 1998 appears below (all amounts in thousands except per share data):

	Net Sales	
	1999	1998
First Quarter	$17,859	$30,173
Second Quarter	17,092	24,033
Third Quarter	19,227	22,785
Fourth Quarter	18,621	19,476
Total Year	$72,799	$96,467

	Gross Profit	
	1999	1998
First Quarter	$ 4,407	$ 9,229
Second Quarter	3,423	6,743
Third Quarter	4,940	6,507
Fourth Quarter	4,165	4,878
Total Year	$16,935	$27,357

	Net Income (Loss)	
	1999	1998
First Quarter	(1,279)	(638)
Second Quarter	(1,912)	(6,684)
Third Quarter	(189)	241
Fourth Quarter	(738)	(315)
Total Year	$(4,118)	$(7,396)

	Earnings (Loss) Per Share	
	1999	1998
First Quarter	$ (.16)	$ (.08)
Second Quarter	(.25)	(.86)
Third Quarter	(.02)	.03
Fourth Quarter	(.10)	(.04)
Total Year	$ (.53)	$ (.95)

17. SEGMENT INFORMATION

The Company operates in one segment consisting of the manufacturing, marketing and distribution of a variety of respiratory products used in the health care industry to hospitals, hospital equipment dealers, hospital construction contractors, home health care dealers and emergency medical product dealers. The Company's product lines include respiratory care products, medical gas equipment and emergency medical products. The Company does not have any one single customer that represents more than 10 percent of total sales.

18. SUBSEQUENT EVENTS

On July 28, 1999 the Company's President, Chief Executive Officer and Director Uma Nandan Aggarwal resigned. Subsequently on August 24, 1999 the Company announced Earl R. Refsland as President, Chief Executive Officer and Director of the Company. As a result of Mr. Aggarwal's resignation, the Company is expecting to record a $0.2 million charge to operations in the first quarter of fiscal year 2000 per terms of a mutually accepted separation agreement.

On September 1, 1999 the Company's credit facility with LaSalle National Bank was amended. The amendment provides favorable changes to certain debt covenants.

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

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

A definitive proxy statement is expected to be filed with the Securities and Exchange Commission on or about October 1, 1999. The information required by this item is set forth under the caption "Election of Directors" on pages 2 through 3, under the caption "Executive Officers" on page 11 and under the caption Section 16(a) Beneficial Ownership Reporting Compliance on page 21 of the definitive proxy statement, which information is incorporated herein by reference thereto.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is set forth under the caption "Executive Compensation" on pages 12 through 13 of the definitive proxy statement, which information is incorporated herein by reference thereto.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item is set forth under the caption "Security Ownership of Certain Beneficial Owners and Management" on pages 7 through 8 of the definitive proxy statement, which information is incorporated herein by reference thereto.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

1. FINANCIAL STATEMENTS

The following consolidated financial statements of the Company and its subsidiaries are included in response to Item 8:

Consolidated Statement of Operations for the years ended June 30, 1999, 1998 and 1997

Consolidated Balance Sheet at June 30, 1999 and 1998

Consolidated Statement of Changes in Stockholders' Equity for the years ended June 30, 1999, 1998 and 1997

Consolidated Statement of Cash Flows for the years ended June 30, 1999, 1998 and 1997

Notes to Consolidated Financial Statements

Report of Independent Accountants

2. FINANCIAL STATEMENT SCHEDULES

Report of Independent Accountants on Financial Statement Schedule

Valuation and Qualifying Accounts and Reserves for the Years Ended June 30, 1999, 1998 and 1997

All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

3. EXHIBITS

The exhibits listed on the accompanying Index to Exhibits are filed as part of this Report.

4. REPORTS ON FORM 8-K

Form 8-K dated as of February 4, 1999 (announcing the recall of all oxygen regulators sold under the Life Supports Products brand to replace aluminum components in the unit's high-pressure chambers with brass components).

Form 8-K dated as of April 2, 1999 (announcing the naming of a new member of the board of directors, Mr. Brent D. Baird, and announcing that current director, John D. Weil, has been named the new chairman of the board of directors).

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ALLIED HEALTHCARE PRODUCTS, INC.
By:

/s/ Earl R. Refsland

Earl R. Refsland
President and Chief Executive Officer

Dated : September 27, 1999

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on September 27, 1999.

SIGNATURES	TITLE
* John D. Weil	Chairman of the Board
* Earl R. Refsland	President, Chief Executive Officer and Director (principal Executive Officer)
* David A. Gee	Director
* Robert E. Lefton	Director
* William A. Peck	Director
* Brent D. Baird	Director
* James B. Hickey, Jr.	Director

* By: /s/ Earl R. Refsland

Earl R. Refsland
Attorney-in-Fact

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* Such signature has been affixed pursuant to the following Power of Attorney.

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that the person whose signature appears below constitutes and appoints Earl R. Refsland as his true and lawful attorney-in fact and agent, each with full power of substitution, for him and in his name, place and stead, in any and all capacities, to sign the 1999 Annual Report on Form 10-K of Allied Healthcare Products, Inc., and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto each said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite as fully to all intents and purposes as he might or could do in person, and ratifying and confirming all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

REPORT OF INDEPENDENT ACCOUNTANTS ON FINANCIAL STATEMENT SCHEDULE

To the Board of Directors of
Allied Healthcare Products, Inc.

Our audits of the consolidated financial statements referred to in our report dated August 11, 1999, except for Note 18, which is as of September 1, 1999, appearing in the 1999 Annual Report to Shareholders of Allied Healthcare Products, Inc. (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the Financial Statement Schedule listed in item 14(a)(2) of this Form 10-K. In our opinion, this Financial Statement Schedule presents fairly, in all material aspects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP

St. Louis, Missouri
August 11, 1999, except for Note 18,
Which is as of September 1, 1999

ALLIED HEALTHCARE PRODUCTS, INC.
RULE 12-09 VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

COLUMN A	COLUMN B	COLUMN C		COLUMN D		COLUMN E
DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COSTS AND EXPENSES	CHARGED TO ACCOUNTS OTHER - DESCRIBE	DEDUCTIONS - DESCRIBE		BALANCE AT END OF PERIOD
FOR THE YEAR ENDED JUNE 30, 1999						
Reserve For Doubtful Accounts	$(1,035,833)	$ (175,496)		$ 376,446	(1)	$ (834,883)
Inventory Allowance For Obsolescence And Excess Quantities	$(2,189,000)	$ (200,000)		$ 452,598	(2)	$(1,936,402)
FOR THE YEAR ENDED JUNE 30, 1998						
Reserve For Doubtful Accounts	$(1,225,326)	$ (264,165)		$ 453,658	(3)	$(1,035,833)
Inventory Allowance For Obsolescence And Excess Quantities	$(1,689,000)	$ (1,112,000)		$ 612,000	(4)	$(2,189,000)
FOR THE YEAR ENDED JUNE 30, 1997						
Reserve For Doubtful Accounts	$ (422,517)	$ (1,058,999)		$ 256,190	(1)	$(1,225,326)
Inventory Allowance For Obsolescence And Excess Quantities	$(1,812,542)	$ (154,357)		$ 277,899	(5)	$(1,689,000)

(1) Decrease due to bad debt write-offs, bad debt recoveries and changes in estimate.

(2) Decrease due to inventory disposed of and changes in estimate. Additional decrease of $228,928 due to the sale of Hospital Systems, Inc.

(3) Decrease due to bad debt write-offs, bad debt recoveries and changes in estimate. Additional decrease of $129,814 due to the sale of Bear Medical Systems, Inc.

(4) Increase due to changes in estimate. Offsetting decrease of $612,000 due to the sale of Bear Medical Systems, Inc.

(5) Decrease due to inventory disposed of and changes in estimate.

INDEX TO EXHIBITS

EXHIBIT NO.	DESCRIPTION
3.1	Amended and Restated Certificate of Incorporation of the Registrant (filed as Exhibit 3(1) to the Company's Registration Statement on Form S-1, as amended, Registration No. 33-40128, filed with the Commission on May 8, 1991 (the "Registration Statement") and incorporated herein by reference)
3.2	By-Laws of the Registrant (filed as Exhibit 3(2) to the Registration Statement and incorporated herein by reference)
4.1	Certificate of Designations, Preferences and Rights of Series A Preferred Stock of Allied Healthcare Products, Inc. dated August 21, 1996 (filed with the Commission as Exhibit 4(1) to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1997 (the "1997 Form 10-K") and incorporated herein by reference)
10.1	NCG Trademark License Agreement, dated April 16, 1982, between Liquid Air Corporation and Allied Healthcare Products, Inc. (filed as Exhibit 10(24) to the Registration Statement and incorporated herein by reference)
10.2	Allied Healthcare Products, Inc. 1991 Employee Non-Qualified Stock Option Plan (filed as Exhibit 10(26) to the Registration Statement and incorporated herein by reference)
10.3	Employee Stock Purchase Plan (filed as Exhibit 10(3) to the Company's Annual Report on Form 10-K for the year ended June 30, 1998 (the "1998 Form 10-K") and incorporated by reference)
10.4	Allied Healthcare Products, Inc. 1994 Employee Stock Option Plan (filed with the Commission as Exhibit 10(39) to the Company's Annual Report on Form 10-K for the year ended June 30, 1994 (the "1994 Form 10-K") and incorporated herein by reference)
10.5	Allied Healthcare Products, Inc. 1995 Directors Non-Qualified Stock Option Plan (filed with the Commission as Exhibit 10(25) to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1995 (the "1995 Form 10-K") and incorporated herein by reference)
10.6	Allied Healthcare Products, Inc. Amended 1994 Employee Stock Option Plan (filed with the Commission as Exhibit 10(28) to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1996 (the "1996 Form 10-K") and incorporated herein by reference)
10.7	Employment Agreement dated November 19, 1996 by and between Allied Healthcare Products, Inc. and Uma N. Aggarwal (filed as Exhibit 10(1) to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 1996 and incorporated herein by reference)
10.8	Option Agreement dated November 19, 1996 by and between Allied Healthcare Products, Inc. and Uma N. Aggarwal (filed as Exhibit 10(2) to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 1996 and incorporated herein by reference)

EXHIBIT NO.	DESCRIPTION
10.9	Option Agreement dated November 19, 1996 between Allied Healthcare Products, Inc. and Uma N. Aggarwal (filed as Exhibit 10(3) to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 1996 and incorporated herein by reference)
10.10	Letter Agreement dated December 16, 1997 between Allied Healthcare Products, Inc. and Barry F. Baker (filed as Exhibit 10(4) to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 1996 and incorporated herein by reference)
10.11	Loan and Security Agreement, dated as of August 7, 1997 by and among Allied Healthcare Products, Inc., B&F Medical Products, Inc., Bear Medical Systems, Inc., Hospital Systems, Inc., Life Support Products, Inc., and BiCore Monitoring Systems, Inc., as Borrowers, and Foothill Capital Corporation (filed with the Commission as Exhibit 10(31) to the 1997 Form 10-K and incorporated herein by reference)
10.12	Warrant dated August 7, 1997 issued by Allied Healthcare Products, Inc. in favor of Woodbourne Partners, L.P. (filed with the Commission as Exhibit 10(36) to the 1997 Form 10-K and incorporated herein by reference)
10.13	Warrant dated August 7, 1997 issued by Allied Healthcare Products, Inc. in favor of Donald E. Nickelson (filed with the Commission as Exhibit 10(37) to the 1997 Form 10-K and incorporated herein by reference)
10.14	Warrant dated August 7, 1997 issued by Allied Healthcare Products, Inc. in favor of Dennis W. Sheehan (filed with the Commission as Exhibit 10(38) to the 1997 form 10-K and incorporated herein by reference)
10.15	Agreement effective as of June 1, 1997 between Allied Healthcare Products, Inc. and District No. 9 International Association of Machinists and Aerospace Workers (filed with the Commission as Exhibit 10(39) to the 1997 Form 10-K and incorporated herein by reference)
10.16	Asset Purchase Agreement by and between BM Acquisition Corp., ThermoElectron Corporation, Bear Medical Systems, Inc. BiCore Monitoring Systems, Inc., Allied Healthcare Products AG, Bear Medical Systems Foreign Sales Corporation and Allied Healthcare Products, Inc. (filed with the Commission as Exhibit 2.1 to the Form 8-K filed on November 14, 1997 and incorporated herein by reference)
10.17	Amendment Number One to Loan and Security Agreement dated as of March 3, 1998 among Allied Healthcare Products, Inc., B&F Medical Products, Inc., Hospital Systems, Inc. and Life Support Products, Inc. as Borrowers, and Foothill Capital Corporation (filed with the Commission as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998 and incorporated herein by reference)
10.18	Loan and Security Agreement, dated as of August 7, 1998 by and between Allied Healthcare Products, Inc. and LaSalle National Bank (filed with the Commission as Exhibit 10(24) to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1998 (the "1998 Form 10-K") and incorporated herein by reference)

EXHIBIT NO.	DESCRIPTION
10.19	Amendment Number Two to Loan and Security Agreement dated as of September 10, 1998 among Allied Healthcare Products, Inc., B&F Medical Products, Inc., Hospital Systems, Inc. and Life Support Products, Inc. as Borrowers, and Foothill Capital Corporation (filed with the Commission as Exhibit 10(25) to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1998 (the "1998 Form 10-K") and incorporated herein by reference)
10.20	Letter Agreement dated February 11, 1999 between Allied Healthcare Products, Inc. and Gabriel S. Kohn
10.21	Letter Agreement dated February 11, 1999 between Allied Healthcare Products, Inc. and David A. Grabowski
10.22	Letter Agreement dated March 16, 1999 between Allied Healthcare Products, Inc. and Thomas A. Jenuleson
10.23	Amendment Number One to Amended and Restated Loan and Security Agreement dated as of June 28, 1999 among Allied Healthcare Products, Inc., B&F Medical Products, Inc. and Life Support Products, Inc. as Borrowers, and Foothill Capital Corporation
10.24	Asset Purchase Agreement dated May 28, 1999 by and between Allied Healthcare Products, Inc. and Hospital Systems, Inc. and David Miller
10.25	Employment Agreement dated August 24, 1999 by and between Allied Healthcare Products, Inc. and Earl Refsland
10.26	Allied Healthcare Products, Inc. 1999 Incentive Stock Plan
13	Annual Report to Stockholders
21	Subsidiaries of the Registrant
23	Consent of PricewaterhouseCoopers, LLP
24	Powers of Attorney
27	Financial Data Schedule

EXHIBIT 10.20

ALLIED HEALTHCARE PRODUCTS, INC.
1720 Sublette Avenue
St. Louis, Missouri 63110

February 11, 1999

Mr. Gabe Kohn
Vice President
Engineering & Operations
Allied Healthcare Products, Inc.
1720 Sublette
St. Louis, Missouri 63110

Dear Mr. Kohn:

Allied Healthcare Products, Inc. (the "Company") considers the establishment and maintenance of a sound and vital management to be essential to protecting and enhancing the best interests of the Company and its shareholders. In this connection, the Company recognizes that, as is the case with many publicly held corporations, the possibility of a change in control may exist and that such possibility, and the uncertainty and questions which it may raise among management, may result in the departure or distraction of management personnel to the detriment of the Company and its shareholders. Accordingly, the Company's Board of Directors has determined that appropriate steps should be taken, to reinforce and encourage the continued attention and dedication of members of the Company's management, including yourself, to their assigned duties without distraction in the fact of the potentially disturbing circumstances arising from the possibility of a change in control of the Company.

In order to induce you to remain in the employ of the company, this letter agreement sets forth the severance benefits which the Company agrees will be provided to you in the event your employment with the Company is terminated subsequent to a "change in control of the Company" (as defined in Section 2 hereof) under the circumstances described below.

1. TERM. This Agreement shall commence on the date hereof and shall continue until December 31, 2000; provided, however, that commencing on January 1, 2001 and each January 1st thereafter, the term of this Agreement shall automatically be extended for one additional year unless at least 30 days prior to such January 1st date, the Company shall have given notice that it does not wish to extend this Agreement, and provided, further, that following a change in control of the Company (as hereinafter defined) the term of this Agreement shall automatically extend to the date which is two years following such change in control.

2. CHANGE IN CONTROL. No benefits shall be payable hereunder unless there shall have been a change in control of the Company, as set forth below, and your employment by the Company shall thereafter have been terminated in accordance with Section 3 below. For purposes of this Agreement, a "change in control of the Company" shall mean a change in control of a nature that would be required to be reported in response to Item 5(f) of Schedule 14A promulgated under the Securities Exchange Act of 1934, as amended ("Exchange Act"); provided that, without limitation, such a change in control shall be deemed to have occurred if (i) any "person" (as such term is used in Section 13(d) and 14(d)(2) of the Exchange Act) is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing a majority of the ownership, directly or indirectly, of securities of the Company representing a majority of the combined voting power of the Company's then outstanding securities; or (ii)

during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors of the Company (the "Board") cease for any reason to constitute at least a majority thereof unless the election, or the nomination for election by the Company's shareholders, of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period.

3. TERMINATION FOLLOWING CHANGE OF CONTROL. If any of the events described in Section 2 hereof constituting a change in control of the Company shall have occurred, you shall be entitled to the benefits provided in Section 4 hereof upon the subsequent termination of your employment within a period of two (2) years following such change in control unless such termination is (a) because of your death or Retirement, (b) by the Company for Cause or Disability, or (c) by you other than for Good Reason.

(i) Disability; Retirement.

(A) If, as a result of your incapacity due to physical or mental illness, you shall have been absent from your duties with the Company on a full time basis for 130 consecutive business days, and within thirty (30) days after written notice of termination is given you shall not have returned to the full time performance of your duties, the Company may terminate this Agreement for "Disability."

(B) Termination by the Company or you of your employment based on "Retirement" shall mean termination in accordance with the Company's retirement policy, including early retirement, generally applicable to its salaried employees or in accordance with any retirement arrangement established with your consent with respect to you.

(ii) Cause. The Company may terminate your employment for Cause. For the purposes of this Agreement, the Company shall have "Cause" to terminate your employment hereunder upon (A) the willful and continued failure by you to substantially perform your duties with the Company (other than any such failure resulting from your incapacity due to physical or mental illness), after a demand for substantial performance is delivered to you by the Board which specifically identifies the manner in which the Board believes that you have not substantially performed your duties, or (B) the willful engaging by you in gross misconduct materially and demonstrably injurious to the Company. For purposes of this paragraph, no act, or failure to act, on your part shall be considered "willful" unless done, or omitted to be done, by you not in good faith and without reasonable belief that your action or omission was in the best interest of the Company. Notwithstanding the foregoing, you shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than two-thirds of the entire membership of the Board at a meeting of the Board called and held for the purpose (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Board), finding that in the good faith opinion of the Board you were guilty of conduct set forth above in clauses (A) or (B) of the first sentence of this paragraph and specifying the particulars thereof in detail.

(iii) Good Reason. You may terminate your employment for Good Reason. For purposes of this Agreement "Good Reason" shall mean:

(A) without your express written consent, the assignment to you of any duties materially inconsistent with your positions, duties, responsibilities and status with the Company immediately prior to a change in control;

(B) a reduction by the Company in your base salary as in effect on the date hereof or as the same may be increased from time to time;

(C) the Company's requiring you to be based anywhere other than the Company's facility where you performed your duties for the Company immediately prior to a change in control; and,

(D) the failure by the Company to continue to effect any benefit or compensation plan, pension plan, life insurance plan, health and accident plan or disability plans in which you are participating at the time of a change in control of the Company (or plans providing you with substantially similar

benefits), the taking of any action by the Company which would adversely affect your participation in or materially reduce your benefits under any of such plans or deprive you of any material fringe benefit enjoyed by you at the time of the change in control, or the failure by the Company to provide you with the number of paid vacation days to which you are then entitled on the basis of years of service with the Company in accordance with the Company's normal vacation policy in effect on the date hereof;

(E) the failure of the Company to obtain the assumption of the agreement to perform this Agreement by any successor as contemplated in paragraph 5 hereof; or

(F) any purported termination of your employment which is not effected pursuant to a Notice of Termination satisfying the requirements of subparagraph (iv) below (and, if applicable, subparagraph (ii) above); and for the purposes of this Agreement, no such purported termination shall be effective.

(iv) Notice of Termination. Any termination by the Company pursuant to subparagraphs (i) or (ii) above or by you pursuant to subparagraph (iii) above shall be communicated by written Notice of Termination to the other party hereto. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated.

(v) Date of Termination. "Date of Termination" shall mean (A) if this Agreement is terminated by Disability, thirty (30) days after Notice of Termination is given (provided that you shall not have returned to the performance of your duties on a full-time basis during such thirty (30) days period), (b) if your employment is terminated pursuant to subparagraph (iii) above, the date specified in the Notice of Termination, and (C) if your employment is terminated for any other reason, the date on which a Notice of Termination is given; provided that if within thirty (30) days after any Notice of Termination one party notifies the other party that a dispute exists concerning the termination, the Date of Termination shall be the date on which the dispute is finally determined, either by mutual written agreement of the parties, by a binding and final arbitration award or by a final judgment, order or decree of a court of competent jurisdiction (the time for appeal therefrom having expired and no appeal having been perfected).

4. COMPENSATION UPON TERMINATION OR DURING DISABILITY.

(i) During any period that you fail to perform your duties hereunder as a result of incapacity due to physical or mental illness, you shall continue to receive your full base salary at the rate then in effect until this Agreement is terminated pursuant to paragraph 3(i) hereof. Thereafter, your benefits shall be determined in accordance with the Company's long term disability plan, or a substitute plan then in effect.

(ii) If your employment shall be terminated for Cause, the Company shall pay you your full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given and the Company shall have no further obligations to you under this Agreement.

(iii) If the Company shall terminate your employment other than pursuant to paragraph 3(i) or 3(ii) hereof or if you shall terminate your employment for Good Reason, then the Company shall pay to you as severance pay in lump sum on the fifth day following the Date of Termination, the following amounts:

(A) your full base salary through Date of Termination at the rate in effect at the time Notice of Termination is given;

(B) in lieu of any further salary payments to you for periods subsequent to the Date of Termination, an amount equal to the product of (a) the sum of your annual base salary at the rate in effect as of the Date of Termination multiplied by (b) the number one (1),

(C) the Company shall also pay all legal fees and expenses incurred by you as a result of such termination (including all such fees and expenses, if any, incurred in contesting or disputing any such termination or in seeking to obtain or enforce any right or benefit provided by this Agreement.)

(iv) Unless you are terminated for Cause, the Company shall maintain in full force and effect, for the continued benefit of you for one year after the Date of Termination, all employee benefit plans and programs or arrangements in which you were entitled to participate immediately prior to the Date of Termination provided that your continued participation is possible under the general terms and provisions of such plans and programs. In the event that your participation in any such plan or program is barred, the Company shall arrange to provide you with benefits substantially similar to those which you are entitled to receive under such plans and programs. At the end of the period of coverage, you shall have the option to have assigned to you at no cost and with no apportionment of prepaid premiums, any assignable insurance policy owned by the Company and relating specifically to you.

(v) You shall not be required to mitigate the amount of any payment provided for in this paragraph 4 by seeking other employment or otherwise, nor shall the amount of any payment provided for in this paragraph 4 be reduced by any compensation earned by you as the result of employment by another employer after the Date of Termination, or otherwise.

5. <u>SUCCESSORS, BINDING AGREEMENT</u>

(i) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise)to all or substantially all of the business and/or assets of the Company, by agreement in form and substance satisfactory to you, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle you to compensation form the Company in the same amount and on the same terms as you would be entitled hereunder if you terminated your employment for Good Reason, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which executes and delivers the agreement provided for in this paragraph 5 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

(ii) This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If you should die while any amounts would still be payable to you hereunder if you had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to your devisee, legatee, or other designee or, if there be no such designee, to your estate.

6. <u>NOTICE</u>. For the purposes of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, addressed to the

respective addresses set forth on the first page of this Agreement, provided that all notices to the Company shall be directed to the attention of the Chief Executive Officer of the Company with a copy to the Secretary of the Company, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

7. MISCELLANEOUS. No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by you and such officer as may be specifically designated by the Board of Directors of the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior to subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Missouri.

8. VALIDITY. The invalidity or unenforceability of any provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

9. COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

10. ARBITRATION. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in St. Louis, Missouri in accordance with the rules of the American Arbitration Association then in effect. Notwithstanding the pendency of any such dispute or controversy, the Company will continue to pay you your full compensation in effect when the notice giving rise to the dispute was given (including, but not limited to, base salary) and continue you as a participant in all compensation, benefit and insurance plans in which you were participating when the notice giving rise to the dispute was given, until the dispute is finally resolved in accordance with paragraph 3(v) hereof. Amounts paid under this paragraph are in addition to all other amounts due under this Agreement and shall not be offset against or reduce any other amounts due under this Agreement. Judgment may be entered on the arbitrator's award in any court having jurisdiction; provided, however, that you shall be entitled to seek specific performance of your right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement.

If this letter correctly sets forth our agreement on the subject matter hereof, kindly sign and return to the Company the enclosed copy of this letter which will then constitute our agreement on this subject.

Sincerely,

ALLIED HEALTHCARE PRODUCTS, INC.

By /s/ Uma Aggarwal

Uma Aggarwal, President and
Chief Executive Officer

AGREED TO THIS 22nd DAY

OF FEBRUARY, 1999.

/s/ Gabriel S. Kohn
- ---------------------

EXHIBIT 10.21

ALLIED HEALTHCARE PRODUCTS, INC.
1720 Sublette Avenue
St. Louis, Missouri 63110

February 11, 1999

Mr. Dave Grabowski
Vice President
Sales & Marketing
Allied Healthcare Products, Inc.
1720 Sublette Avenue
St. Louis, Missouri 63110

Dear Mr. Grabowski:

Allied Healthcare Products, Inc. (the "Company") considers the establishment and maintenance of a sound and vital management to be essential to protecting and enhancing the best interests of the Company and its shareholders. In this connection, the Company recognizes that, as is the case with many publicly held corporations, the possibility of a change in control may exist and that such possibility, and the uncertainty and questions which it may raise among management, may result in the departure or distraction of management personnel to the detriment of the Company and its shareholders. Accordingly, the Company's Board of Directors has determined that appropriate steps should be taken, to reinforce and encourage the continued attention and dedication of members of the Company's management, including yourself, to their assigned duties without distraction in the fact of the potentially disturbing circumstances arising from the possibility of a change in control of the Company.

In order to induce you to remain in the employ of the company, this letter agreement sets forth the severance benefits which the Company agrees will be provided to you in the event your employment with the Company is terminated subsequent to a "change in control of the Company" (as defined in Section 2 hereof) under the circumstances described below.

1. <u>TERM</u>. This Agreement shall commence on the date hereof and shall continue until December 31, 2000; provided, however, that commencing on January 1, 2001 and each January 1st thereafter, the term of this Agreement shall automatically be extended for one additional year unless at least 30 days prior to such January 1st date, the Company shall have given notice that it does not wish to extend this Agreement, and provided, further, that following a change in control of the Company (as hereinafter defined) the term of this Agreement shall automatically extend to the date which is two years following such change in control.

2. <u>CHANGE IN CONTROL</u>. No benefits shall be payable hereunder unless there shall have been a change in control of the Company, as set forth below, and your employment by the Company shall thereafter have been terminated in accordance with Section 3 below. For purposes of this Agreement, a "change in control of the Company" shall mean a change in control of a nature that would be required to be reported in response to Item 5(f) of Schedule 14A promulgated under the Securities Exchange Act of 1934, as amended ("Exchange Act"); provided that, without limitation, such a change in control shall be deemed to have occurred if (i) any "person" (as such term is used in Section 13(d) and 14(d)(2) of the Exchange Act) is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing a majority of the ownership, directly or indirectly, of securities of the Company representing a majority of the combined voting power of the Company's then outstanding securities; or (ii) during any period of two consecutive years, individuals who at the beginning of

such period constitute the Board of Directors of the Company (the "Board") cease for any reason to constitute at least a majority thereof unless the election, or the nomination for election by the Company's shareholders, of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period.

3. TERMINATION FOLLOWING CHANGE OF CONTROL. If any of the events described in Section 2 hereof constituting a change in control of the Company shall have occurred, you shall be entitled to the benefits provided in Section 4 hereof upon the subsequent termination of your employment within a period of two (2) years following such change in control unless such termination is (a) because of your death or Retirement, (b) by the Company for Cause or Disability, or (c) by you other than for Good Reason.

(i) Disability; Retirement.

(A) If, as a result of your incapacity due to physical or mental illness, you shall have been absent from your duties with the Company on a full time basis for 130 consecutive business days, and within thirty (30) days after written notice of termination is given you shall not have returned to the full time performance of your duties, the Company may terminate this Agreement for "Disability."

(B) Termination by the Company or you of your employment based on "Retirement" shall mean termination in accordance with the Company's retirement policy, including early retirement, generally applicable to its salaried employees or in accordance with any retirement arrangement established with your consent with respect to you.

(ii) Cause. The Company may terminate your employment for Cause. For the purposes of this Agreement, the Company shall have "Cause" to terminate your employment hereunder upon (A) the willful and continued failure by you to substantially perform your duties with the Company (other than any such failure resulting from your incapacity due to physical or mental illness), after a demand for substantial performance is delivered to you by the Board which specifically identifies the manner in which the Board believes that you have not substantially performed your duties, or (B) the willful engaging by you in gross misconduct materially and demonstrably injurious to the Company. For purposes of this paragraph, no act, or failure to act, on your part shall be considered "willful" unless done, or omitted to be done, by you not in good faith and without reasonable belief that your action or omission was in the best interest of the Company. Notwithstanding the foregoing, you shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than two-thirds of the entire membership of the Board at a meeting of the Board called and held for the purpose (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Board), finding that in the good faith opinion of the Board you were guilty of conduct set forth above in clauses (A) or (B) of the first sentence of this paragraph and specifying the particulars thereof in detail.

(iii) Good Reason. You may terminate your employment for Good Reason. For purposes of this Agreement "Good Reason" shall mean:

(A) without your express written consent, the assignment to you of any duties materially inconsistent with your positions, duties, responsibilities and status with the Company immediately prior to a change in control;

(B) a reduction by the Company in your base salary as in effect on the date hereof or as the same may be increased from time to time;

(C) the Company's requiring you to be based anywhere other than the Company's facility where you performed your duties for the Company immediately prior to a change in control; and,

(D) the failure by the Company to continue to effect any benefit or compensation plan, pension plan, life insurance plan, health and accident plan or disability plans in which you are participating at the time of a change in control of the Company (or plans providing you with substantially similar

benefits), the taking of any action by the Company which would adversely affect your participation in or materially reduce your benefits under any of such plans or deprive you of any material fringe benefit enjoyed by you at the time of the change in control, or the failure by the Company to provide you with the number of paid vacation days to which you are then entitled on the basis of years of service with the Company in accordance with the Company's normal vacation policy in effect on the date hereof;

(E) the failure of the Company to obtain the assumption of the agreement to perform this Agreement by any successor as contemplated in paragraph 5 hereof; or

(F) any purported termination of your employment which is not effected pursuant to a Notice of Termination satisfying the requirements of subparagraph (iv) below (and, if applicable, subparagraph (ii) above); and for the purposes of this Agreement, no such purported termination shall be effective.

(iv) Notice of Termination. Any termination by the Company pursuant to subparagraphs (i) or (ii) above or by you pursuant to subparagraph (iii) above shall be communicated by written Notice of Termination to the other party hereto. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated.

(v) Date of Termination. "Date of Termination" shall mean (A) if this Agreement is terminated by Disability, thirty (30) days after Notice of Termination is given (provided that you shall not have returned to the performance of your duties on a full-time basis during such thirty (30) days period), (b) if your employment is terminated pursuant to subparagraph (iii) above, the date specified in the Notice of Termination, and (C) if your employment is terminated for any other reason, the date on which a Notice of Termination is given; provided that if within thirty (30) days after any Notice of Termination one party notifies the other party that a dispute exists concerning the termination, the Date of Termination shall be the date on which the dispute is finally determined, either by mutual written agreement of the parties, by a binding and final arbitration award or by a final judgment, order or decree of a court of competent jurisdiction (the time for appeal therefrom having expired and no appeal having been perfected).

4. COMPENSATION UPON TERMINATION OR DURING DISABILITY.

(i) During any period that you fail to perform your duties hereunder as a result of incapacity due to physical or mental illness, you shall continue to receive your full base salary at the rate then in effect until this Agreement is terminated pursuant to paragraph 3(i) hereof. Thereafter, your benefits shall be determined in accordance with the Company's long term disability plan, or a substitute plan then in effect.

(ii) If your employment shall be terminated for Cause, the Company shall pay you your full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given and the Company shall have no further obligations to you under this Agreement.

(iii) If the Company shall terminate your employment other than pursuant to paragraph 3(i) or 3(ii) hereof or if you shall terminate your employment for Good Reason, then the Company shall pay to you as severance pay in lump sum on the fifth day following the Date of Termination, the following amounts:

(A) your full base salary through Date of Termination at the rate in effect at the time Notice of Termination is given;

(B) in lieu of any further salary payments to you for periods subsequent to the Date of Termination, an amount equal to the product of (a) the sum of your annual base salary at the rate in effect as of the Date of Termination multiplied by (b) the number one (1),

(C) the Company shall also pay all legal fees and expenses incurred by you as a result of such termination (including all such fees and expenses, if any, incurred in contesting or disputing any such termination or in seeking to obtain or enforce any right or benefit provided by this Agreement.)

(iv) Unless you are terminated for Cause, the Company shall maintain in full force and effect, for the continued benefit of you for one year after the Date of Termination, all employee benefit plans and programs or arrangements in which you were entitled to participate immediately prior to the Date of Termination provided that your continued participation is possible under the general terms and provisions of such plans and programs. In the event that your participation in any such plan or program is barred, the Company shall arrange to provide you with benefits substantially similar to those which you are entitled to receive under such plans and programs. At the end of the period of coverage, you shall have the option to have assigned to you at no cost and with no apportionment of prepaid premiums, any assignable insurance policy owned by the Company and relating specifically to you.

(v) You shall not be required to mitigate the amount of any payment provided for in this paragraph 4 by seeking other employment or otherwise, nor shall the amount of any payment provided for in this paragraph 4 be reduced by any compensation earned by you as the result of employment by another employer after the Date of Termination, or otherwise.

5. SUCCESSORS, BINDING AGREEMENT

(i) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise)to all or substantially all of the business and/or assets of the Company, by agreement in form and substance satisfactory to you, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle you to compensation form the Company in the same amount and on the same terms as you would be entitled hereunder if you terminated your employment for Good Reason, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which executes and delivers the agreement provided for in this paragraph 5 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

(ii) This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If you should die while any amounts would still be payable to you hereunder if you had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to your devisee, legatee, or other designee or, if there be no such designee, to your estate.

6. NOTICE. For the purposes of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth on the first page of this Agreement, provided that all notices to the Company shall be directed to the attention of the Chief Executive Officer of the Company with a copy to the Secretary of the Company, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

7. MISCELLANEOUS. No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by you and such officer as may be specifically designated by the Board of Directors of the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at

the same or at any prior to subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Missouri.

8. VALIDITY. The invalidity or unenforceability of any provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

9. COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

10. ARBITRATION. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in St. Louis, Missouri in accordance with the rules of the American Arbitration Association then in effect. Notwithstanding the pendency of any such dispute or controversy, the Company will continue to pay you your full compensation in effect when the notice giving rise to the dispute was given (including, but not limited to, base salary) and continue you as a participant in all compensation, benefit and insurance plans in which you were participating when the notice giving rise to the dispute was given, until the dispute is finally resolved in accordance with paragraph 3(v) hereof. Amounts paid under this paragraph are in addition to all other amounts due under this Agreement and shall not be offset against or reduce any other amounts due under this Agreement. Judgment may be entered on the arbitrator's award in any court having jurisdiction; provided, however, that you shall be entitled to seek specific performance of your right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement.

If this letter correctly sets forth our agreement on the subject matter hereof, kindly sign and return to the Company the enclosed copy of this letter which will then constitute our agreement on this subject.

Sincerely,

ALLIED HEALTHCARE PRODUCTS, INC.

By /s/ Uma Aggarwal

Uma Aggarwal, President and
Chief Executive Officer

AGREED TO THIS 23RD DAY

OF FEBRUARY, 1999.

/s/ David Grabowski

EXHIBIT 10.22

ALLIED HEALTHCARE PRODUCTS, INC.
1720 Sublette Avenue
St. Louis, Missouri 63110

March 16, 1999

Mr. Thomas A. Jenuleson
Chief Financial Officer
Allied Healthcare Products, Inc.
1720 Sublette
St. Louis, Missouri 63110

Dear Mr. Jenuleson:

Allied Healthcare Products, Inc. (the "Company") considers the establishment and maintenance of a sound and vital management to be essential to protecting and enhancing the best interests of the Company and its shareholders. In this connection, the Company recognizes that, as is the case with many publicly held corporations, the possibility of a change in control may exist and that such possibility, and the uncertainty and questions which it may raise among management, may result in the departure or distraction of management personnel to the detriment of the Company and its shareholders. Accordingly, the Company's Board of Directors has determined that appropriate steps should be taken, to reinforce and encourage the continued attention and dedication of members of the Company's management, including yourself, to their assigned duties without distraction in the fact of the potentially disturbing circumstances arising from the possibility of a change in control of the Company.

In order to induce you to remain in the employ of the company, this letter agreement sets forth the severance benefits which the Company agrees will be provided to you in the event your employment with the Company is terminated subsequent to a "change in control of the Company" (as defined in Section 2 hereof) under the circumstances described below.

1. TERM. This Agreement shall commence on the date hereof and shall continue until December 31, 2000; provided, however, that commencing on January 1, 2001 and each January 1st thereafter, the term of this Agreement shall automatically be extended for one additional year unless at least 30 days prior to such January 1st date, the Company shall have given notice that it does not wish to extend this Agreement, and provided, further, that following a change in control of the Company (as hereinafter defined) the term of this Agreement shall automatically extend to the date which is two years following such change in control.

2. CHANGE IN CONTROL. No benefits shall be payable hereunder unless there shall have been a change in control of the Company, as set forth below, and your employment by the Company shall thereafter have been terminated in accordance with Section 3 below. For purposes of this Agreement, a "change in control of the Company" shall mean a change in control of a nature that would be required to be reported in response to Item 5(f) of Schedule 14A promulgated under the Securities Exchange Act of 1934, as amended ("Exchange Act"); provided that, without limitation, such a change in control shall be deemed to have occurred if (i) any "person" (as such term is used in Section 13(d) and 14(d)(2) of the Exchange Act) is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing a majority of the ownership, directly or indirectly, of securities of the Company representing a majority of the combined voting power of the Company's then outstanding securities; or (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors of the Company (the "Board") cease

for any reason to constitute at least a majority thereof unless the election, or the nomination for election by the Company's shareholders, of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period.

3. TERMINATION FOLLOWING CHANGE OF CONTROL. If any of the events described in Section 2 hereof constituting a change in control of the Company shall have occurred, you shall be entitled to the benefits provided in Section 4 hereof upon the subsequent termination of your employment within a period of two (2) years following such change in control unless such termination is (a) because of your death or Retirement, (b) by the Company for Cause or Disability, or (c) by you other than for Good Reason.

(i) Disability; Retirement.

(A) If, as a result of your incapacity due to physical or mental illness, you shall have been absent from your duties with the Company on a full time basis for 130 consecutive business days, and within thirty (30) days after written notice of termination is given you shall not have returned to the full time performance of your duties, the Company may terminate this Agreement for "Disability."

(B) Termination by the Company or you of your employment based on "Retirement" shall mean termination in accordance with the Company's retirement policy, including early retirement, generally applicable to its salaried employees or in accordance with any retirement arrangement established with your consent with respect to you.

(ii) Cause. The Company may terminate your employment for Cause. For the purposes of this Agreement, the Company shall have "Cause" to terminate your employment hereunder upon (A) the willful and continued failure by you to substantially perform your duties with the Company (other than any such failure resulting from your incapacity due to physical or mental illness), after a demand for substantial performance is delivered to you by the Board which specifically identifies the manner in which the Board believes that you have not substantially performed your duties, or (B) the willful engaging by you in gross misconduct materially and demonstrably injurious to the Company. For purposes of this paragraph, no act, or failure to act, on your part shall be considered "willful" unless done, or omitted to be done, by you not in good faith and without reasonable belief that your action or omission was in the best interest of the Company. Notwithstanding the foregoing, you shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than two-thirds of the entire membership of the Board at a meeting of the Board called and held for the purpose (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Board), finding that in the good faith opinion of the Board you were guilty of conduct set forth above in clauses (A) or (B) of the first sentence of this paragraph and specifying the particulars thereof in detail.

(iii) Good Reason. You may terminate your employment for Good Reason. For purposes of this Agreement "Good Reason" shall mean:

(A) without your express written consent, the assignment to you of any duties materially inconsistent with your positions, duties, responsibilities and status with the Company immediately prior to a change in control;

(B) a reduction by the Company in your base salary as in effect on the date hereof or as the same may be increased from time to time;

(C) the Company's requiring you to be based anywhere other than the Company's facility where you performed your duties for the Company immediately prior to a change in control; and,

(D) the failure by the Company to continue to effect any benefit or compensation plan, pension plan, life insurance plan, health and accident plan or disability plans in which you are participating at the time of a change in control of the Company (or plans providing you with substantially similar benefits), the taking of any action by the Company which would adversely affect

your participation in or materially reduce your benefits under any of such plans or deprive you of any material fringe benefit enjoyed by you at the time of the change in control, or the failure by the Company to provide you with the number of paid vacation days to which you are then entitled on the basis of years of service with the Company in accordance with the Company's normal vacation policy in effect on the date hereof;

(E) the failure of the Company to obtain the assumption of the agreement to perform this Agreement by any successor as contemplated in paragraph 5 hereof; or

(F) any purported termination of your employment which is not effected pursuant to a Notice of Termination satisfying the requirements of subparagraph (iv) below (and, if applicable, subparagraph (ii) above); and for the purposes of this Agreement, no such purported termination shall be effective.

(iv) Notice of Termination. Any termination by the Company pursuant to subparagraphs (i) or (ii) above or by you pursuant to subparagraph (iii) above shall be communicated by written Notice of Termination to the other party hereto. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated.

(v) Date of Termination. "Date of Termination" shall mean (A) if this Agreement is terminated by Disability, thirty (30) days after Notice of Termination is given (provided that you shall not have returned to the performance of your duties on a full-time basis during such thirty (30) days period), (b) if your employment is terminated pursuant to subparagraph (iii) above, the date specified in the Notice of Termination, and (C) if your employment is terminated for any other reason, the date on which a Notice of Termination is given; provided that if within thirty (30) days after any Notice of Termination one party notifies the other party that a dispute exists concerning the termination, the Date of Termination shall be the date on which the dispute is finally determined, either by mutual written agreement of the parties, by a binding and final arbitration award or by a final judgment, order or decree of a court of competent jurisdiction (the time for appeal therefrom having expired and no appeal having been perfected).

4. COMPENSATION UPON TERMINATION OR DURING DISABILITY.

(i) During any period that you fail to perform your duties hereunder as a result of incapacity due to physical or mental illness, you shall continue to receive your full base salary at the rate then in effect until this Agreement is terminated pursuant to paragraph 3(i) hereof. Thereafter, your benefits shall be determined in accordance with the Company's long term disability plan, or a substitute plan then in effect.

(ii) If your employment shall be terminated for Cause, the Company shall pay you your full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given and the Company shall have no further obligations to you under this Agreement.

(iii) If the Company shall terminate your employment other than pursuant to paragraph 3(i) or 3(ii) hereof or if you shall terminate your employment for Good Reason, then the Company shall pay to you as severance pay in lump sum on the fifth day following the Date of Termination, the following amounts:

(A) your full base salary through Date of Termination at the rate in effect at the time Notice of Termination is given;

(B) in lieu of any further salary payments to you for periods subsequent to the Date of Termination, an amount equal to the product of (a) the sum of your annual base salary at the rate in effect as of the Date of Termination multiplied by (b) the number one (1),

(C) the Company shall also pay all legal fees and expenses incurred by you as a result of such termination (including all such fees and expenses, if any, incurred in contesting or disputing any such termination or in seeking to obtain or enforce any right or benefit provided by this Agreement.)

(iv) Unless you are terminated for Cause, the Company shall maintain in full force and effect, for the continued benefit of you for one year after the Date of Termination, all employee benefit plans and programs or arrangements in which you were entitled to participate immediately prior to the Date of Termination provided that your continued participation is possible under the general terms and provisions of such plans and programs. In the event that your participation in any such plan or program is barred, the Company shall arrange to provide you with benefits substantially similar to those which you are entitled to receive under such plans and programs. At the end of the period of coverage, you shall have the option to have assigned to you at no cost and with no apportionment of prepaid premiums, any assignable insurance policy owned by the Company and relating specifically to you.

(v) You shall not be required to mitigate the amount of any payment provided for in this paragraph 4 by seeking other employment or otherwise, nor shall the amount of any payment provided for in this paragraph 4 be reduced by any compensation earned by you as the result of employment by another employer after the Date of Termination, or otherwise.

5. SUCCESSORS, BINDING AGREEMENT

(i) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise)to all or substantially all of the business and/or assets of the Company, by agreement in form and substance satisfactory to you, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle you to compensation form the Company in the same amount and on the same terms as you would be entitled hereunder if you terminated your employment for Good Reason, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which executes and delivers the agreement provided for in this paragraph 5 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

(ii) This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If you should die while any amounts would still be payable to you hereunder if you had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to your devisee, legatee, or other designee or, if there be no such designee, to your estate.

6. NOTICE. For the purposes of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth on the first page of this Agreement, provided that all notices to the Company shall be directed to the attention of the Chief Executive Officer of the Company with a copy to the Secretary of the Company, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

7. MISCELLANEOUS. No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by you and such officer as may be specifically designated by the Board of Directors of the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior to subsequent time. No agreements or representations,

oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Missouri.

8. VALIDITY. The invalidity or unenforceability of any provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

9. COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

10. ARBITRATION. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in St. Louis, Missouri in accordance with the rules of the American Arbitration Association then in effect. Notwithstanding the pendency of any such dispute or controversy, the Company will continue to pay you your full compensation in effect when the notice giving rise to the dispute was given (including, but not limited to, base salary) and continue you as a participant in all compensation, benefit and insurance plans in which you were participating when the notice giving rise to the dispute was given, until the dispute is finally resolved in accordance with paragraph 3(v) hereof. Amounts paid under this paragraph are in addition to all other amounts due under this Agreement and shall not be offset against or reduce any other amounts due under this Agreement. Judgment may be entered on the arbitrator's award in any court having jurisdiction; provided, however, that you shall be entitled to seek specific performance of your right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement.

If this letter correctly sets forth our agreement on the subject matter hereof, kindly sign and return to the Company the enclosed copy of this letter which will then constitute our agreement on this subject.

Sincerely,

ALLIED HEALTHCARE PRODUCTS, INC.

By /s/ Uma Aggarwal
Uma Aggarwal, President and
Chief Executive Officer

AGREED TO THIS 17TH DAY

OF MARCH, 1999.

/s/ Thomas A. Jenuleson

EXHIBIT 10.23

AMENDMENT NUMBER ONE TO AMENDED AND RESTATED
LOAN AND SECURITY AGREEMENT

This Amendment Number One to Amended and Restated Loan and Security Agreement ("Amendment") is entered into as of June 28, 1999, by and among FOOTHILL CAPITAL CORPORATION ("Foothill"), ALLIED HEALTHCARE PRODUCTS, INC., B&F MEDICAL PRODUCTS, INC., and LIFE SUPPORT SYSTEMS, INC. (jointly "Borrowers"), in light of the following:

A. Borrowers and Foothill have previously entered into that certain Amended and Restated Loan and Security Agreement, dated as of September 10, 1998 (the "Agreement").

B. Borrowers and Foothill desire to amend the Agreement as provided for and on the conditions herein.

NOW, THEREFORE, Borrowers and Foothill hereby amend and supplement the Agreement as follows:

1. DEFINITIONS. All initially capitalized terms used in this Amendment shall have the meanings given to them in the Agreement unless specifically defined herein.

2. AMENDMENTS.

(a) The definition of "Applicable Margin" in Section 1.1 of the Agreement is amended to read as follows:

"'Applicable Margin' E 99182510325 meansE 991825113 : (a) with respect to Eurodollar Rate Loans, 2.50%, and (b) with respect to all other Obligations (other than outstanding L/Cs), 0.25%, in each case subject to adjustment as provided herein. In the event that (i) Parent's audited financial statements delivered pursuant to Section 6.3 (b) for its fiscal year ending June 30, 1999, for its fiscal year ending June 30, 2000, for its fiscal year ending June 30, 2001 or for its fiscal year ending June 30, 2002 indicate that Parent's consolidated net profit (as defined by GAAP) after taxes for such fiscal year of Parent is at least $1.00, and (ii) no Default or Event of Default is then existing, then the then existing Applicable Margin shall be reduced by 0.25% on Foothill's receipt of such statements evidencing such profit (such date of receipt in either such year the "Adjustment Date"), but effective retroactively to the August 15 immediately preceding such Adjustment Date. An appropriate credit shall be given promptly (but no sooner than the first day of the month following the Adjustment Date) to Borrower in the event of, and to give effect to, any such retroactive adjustments to the Applicable Margin. The maximum aggregate reduction of the Applicable Margin (if Borrower has consolidated net profits in each such fiscal year) would be 0.50%, resulting in an adjusted Applicable Margin of 2.00% for Eurodollar Rate Loans and -0.25% for all other Obligations (other than outstanding L/Cs). Notwithstanding anything to the contrary in this definition: (y) any adjustment to the Applicable Margin with respect to Eurodollar Rate Loans will only affect Eurodollar Rate Loans with Interest Periods commencing after the relevant Adjustment Date; and (z) at any time during the term of this Agreement that an Event of Default exists, interest will be calculated on the basis of Section 2.6 (c)."

(b) The Maturity Date in Section 3.4 of the Agreement is amended to be January 6, 2003.

(c) Section 3.6 of the Agreement is amended to read as follows:

"EARLY TERMINATION BY BORROWERS. The provisions of Section 3.4 that allow termination of this Agreement by Borrowers only on the Maturity Date notwithstanding, Borrowers have the option, at any time upon 90 days prior written notice to Foothill, to terminate this Agreement by paying to Foothill, in cash, the Obligations (including an amount equal to 102% of the undrawn amount of the Letters of Credit), in full, together with a premium (the "Early Termination Premium") equal to the following amounts: (a) $300,000 if such prepayment occurs on or before August 15, 1999, (b) $200,000 if such prepayment

occurs on or after August 16, 1999 but on or before August 6, 2000; (c) $100,000 if such prepayment occurs on or after August 7, 2000 but on or before August 6, 2001, and (d) $50,000 if such prepayment occurs on or after August 6, 2001."

(d) The final sentence of Section 6.2 of the Agreement is amended to read as follows:

"In the event that, at any time, Borrowers' excess borrowing availability under Section 2.1 shall be less than $1,500,000, then Borrowers agree that Foothill may, in the exercise of its reasonable credit judgment, require changes in the frequency and type of reports required under this Section 6.2."

(e) Section 7.20(a) of the Agreement is amended to read as follows:

"(a) Minimum Tangible Net Worth. Minimum Tangible Net Worth, at all times, of not less than $17,500,000, measured as of any month end commencing with June 30, 1999 and continuing for each month thereafter."

3. REPRESENTATIONS AND WARRANTIES. Borrowers hereby affirm to Foothill that all of Borrowers' representations and warranties set forth in the Agreement are true, complete and accurate in all respects as of the date hereof.

4. NO DEFAULTS. Borrowers hereby affirm to Foothill that no Event of Default has occurred and is continuing as of the date hereof.

5. CONDITION PRECEDENT. The effectiveness of this Amendment is expressly conditioned upon receipt by Foothill of an executed copy of this Amendment and the attached acknowledgment.

6. COSTS AND EXPENSES. Borrowers shall pay to Foothill all of Foothill's out-of-pocket costs and expenses (including, without limitation, the fees and expenses of its counsel, which counsel may include any local counsel deemed necessary, search fees, filing and recording fees, documentation fees, appraisal fees, travel expenses, and other fees) arising in connection with the preparation, execution, and delivery of this Amendment and all related documents.

7. LIMITED EFFECT. In the event of a conflict between the terms and provisions of this Amendment and the terms and provisions of the Agreement, the terms and provisions of this Amendment shall govern. In all other respects, the Agreement, as amended and supplemented hereby, shall remain in full force and effect.

8. COUNTERPARTS; EFFECTIVENESS. This Amendment may be executed in any number of counterparts and by different parties on separate counterparts, each of which when so executed and delivered shall be deemed to be an original. All such counterparts, taken together, shall constitute but one and the same Amendment. This Amendment shall become effective upon the execution of a counterpart of this Amendment by each of the parties hereto.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first set forth above.

FOOTHILL CAPITAL CORPORATION,
a California corporation

By: /s/ Kevin Belanger

Title: Assistant Vice President

ALLIED HEALTHCARE PRODUCTS, INC.,
a Delaware corporation

By: /s/ Thomas A. Jenuleson

Title: Vice President and CFO

B&F MEDICAL PRODUCTS, INC.,
a Delaware corporation

By: /s/ Thomas A. Jenuleson

Title: Vice President and CFO

LIFE SUPPORT PRODUCTS, INC.,
a California corporation

By: /s/ Thomas A. Jenuleson

Title: Vice President and CFO

EXHIBIT 10.24

ASSET PURCHASE AGREEMENT

This ASSET PURCHASE AGREEMENT ("Agreement") is made and entered into this 28th day of May, 1999, by and between Allied Healthcare Products, Inc. ("AHPI") and Hospital Systems, Inc. ("HSI") (collectively "Seller") and David Miller or his assignee ("Purchaser").

WITNESSETH:

WHEREAS, AHPI is a Delaware corporation with its principal place of business in the City of St. Louis, Missouri; and

WHEREAS, HSI is a California corporation with its principal place of business in the City of Oakland, California, and is a wholly owned subsidiary of AHPI; and

WHEREAS, Purchaser is an individual residing in the State of California; and

WHEREAS, Seller desires to sell to Purchaser and Purchaser desires to buy from Seller certain assets of HSI as more specifically set forth herein ("The Transaction"); and

WHEREAS, the parties desire to enter into this Agreement for the purposes of memorializing the terms and conditions under which The Transaction will be effectuated.

NOW THEREFORE, in consideration of the terms and conditions set forth herein, and each act done by the parties pursuant to the terms hereof, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. PURCHASE PRICE. Contemporaneously with the execution of this Agreement, Purchaser shall pay to AHPI, via wire transfer, the sum of Five Hundred Fifty Thousand and no/100 Dollars ($550,000.00), subject to adjustments as provided herein ("Purchase Price"), into Foothill Capital Corporation's account using the following wire transfer instructions:

Chase Manhattan Bank
New York, NY
ABA 021000021
Credit: Foothill Capital Corporation
Account: 323-266193
Re: Allied Healthcare Products, Inc.

Address, if needed:
The Chase Manhattan Bank
Funds Transfer Services
4 New York Plaza, 15th Floor
New York, New York 10004
Attn: Operations Manager

2. INVENTORIES. Upon and as evidenced by execution of this Agreement by the parties, ownership of all HSI inventory of raw materials, work-in-progress, and finished goods (collectively "Inventories") existing as of the date of execution of this Agreement, are assigned and transferred to Purchaser by Seller. The parties agree and acknowledge that the specific Inventories being purchased by Purchaser hereunder are premised on the inventories shown on AHPI's 3/31/99 key balance sheet data ("KBSD"), a true and correct copy of which is attached hereto, incorporated herein by reference and marked Exhibit A. The parties hereto further agree and acknowledge that of the Purchase Price, Four Hundred Eighty Four Thousand and no/100 dollars ($484,000.00), subject to the physical inventory as provided for hereinafter, is attributable to the purchase by Purchaser of Inventories hereunder. Seller represents and warrants that all Inventories sold to Purchaser hereunder are owned by HSI, free and clear of liens and encumbrances. Seller further represents and warrants that Inventories

shown on the attached Exhibit A consist of items of a quality and quantity usable and salable in the ordinary course of HSI's business and are based on quantities determined by physical count or measurement taken and effectuated within the six (6) month period preceding execution of this Agreement and are valued at the lower of a) cost (determined on a first-in, first-out basis) or b) market value and on a basis consistent with that employed by AHPI in prior years' consolidated financial statements.

3. PHYSICAL INVENTORY. The parties hereto agree that, prior to the execution of this Agreement, a physical inventory ("Physical Inventory") of the Inventories was effectuated by the parties in strict accordance with AHPI's Principles and Procedures, a copy of which is attached hereto, incorporated herein by reference, and marked Exhibit B. Any increase or decrease in the Inventories from the KBSD, as determined by the Physical Inventory, shall cause the Purchase Price to be adjusted, on a dollar for dollar basis, accordingly, giving rise, in the case of an increase in the Inventories, to the obligation of Purchaser to remit to AHPI, contemporaneously with the execution hereof, the value of the Inventories, as determined by the Physical Inventory, in excess of that set forth in the AHPI KBSD reflected in Exhibit A or, in the case of a decrease in the Inventories, to the obligation of AHPI to remit to Purchaser the difference of the value of the Inventories, as determined by the Physical Inventory, and that set forth in the AHPI KBSD reflected in Exhibit A.

4. TANGIBLE PERSONAL PROPERTY. Upon and as evidenced by execution of this Agreement by the parties, all trucks, automobiles, machinery, equipment, furniture, fixtures, improvements, supplies, tools, dies, rigs, molds, patterns, drawings, and all other tangible personal property owned or leased by HSI and used in connection with the existing business and operations of HSI, and specifically excluding cash, ("Tangible Personal Property") are assigned and transferred to Purchaser. As of the date of execution of this Agreement by the parties, no Tangible Personal Property purchased hereunder by Purchaser is held under or subject to any security agreement, conditional sales contract, or other title retention or security arrangement, save leased Tangible Personal Property which shall be taken and assumed by Purchaser subject to the terms of any such corresponding lease. Purchaser agrees to comply with and satisfy all terms of said corresponding leases and indemnify and hold Seller harmless from any and all obligations arising out of said leases following execution of this Agreement by the parties hereto. All such Tangible Personal Property, whether or not subject to a lease, will not be located other than in the possession of HSI. The parties hereto agree and acknowledge that of the Purchase Price, Thirty Five Thousand and no/100 dollars ($35,000.00) ("TPPPP") shall be attributable to Tangible Personal Property. AHPI shall be solely responsible for and shall pay applicable corresponding sales tax on the TPPPP.

5. TANGIBLE PERSONAL PROPERTY PHYSICAL INVENTORY. The parties hereto agree that a reconciliation of changes in the tangible personal property was effectuated by the parties. The parties agree that any increase or decrease in the Tangible Personal Property from that set forth in the KBSD shall cause the Purchase Price to be adjusted on a dollar for dollar basis.

6. INTANGIBLE PROPERTY. Upon and as evidenced by execution of this Agreement by the parties, all HSI interest, to the full extent of its interest, in HSI trade names, the name of HSI, and all HSI trademarks, service marks, domain names, copyrights, patent # 4,725,030, inventions, industrial models, processes, designs, applications for patents, trade secrets, secret formulas, customer lists, processes, know-how, computer programs and routines, technical data and all other intangible assets of HSI used by HSI in the conduct of its business and necessary for the prospective conduct of business by Purchaser in a fashion consistent with the conduct of business by HSI as of the date of execution of this Agreement are transferred and assigned by AHPI and HSI to Purchaser. The parties hereto agree and acknowledge that of the Purchase Price, Thirty One Thousand and no/100 dollars ($31,000.00) shall be attributable to Intangible Property. To Seller's knowledge, the conduct of the business by HSI as of the date of this Agreement does not conflict with the intellectual property rights of any third-party. The parties agree to cooperate and coordinate efforts in effectuating Purchaser's anticipated disclosed intent to assume the name "Hospital Systems, Inc."

7. CONTRACTS, COMMITMENTS, AND LIABILITIES. Upon and as evidenced by execution of this Agreement by the parties hereto, except as provided hereinbelow, Purchaser shall assume and hold Seller harmless from all rights,

duties, obligations, and entitlements arising out of, pertaining to and touching upon all contracts and purchase orders for products manufactured by HSI in its normal course of business ("Backlogs") and, further, Purchaser will assume and hold Seller harmless from any contracts and purchase order obligations incurred in the normal course of business related to Backlogs or, if not related to Backlogs, those obligations incurred in the normal course of business of HSI by the Management of HSI in Oakland, California.

Further, Purchaser shall assume and hold Seller harmless from those obligations and duties arising under contracts and agreements specifically identified, delineated and set forth by AHPI in the Additional Obligations Schedule attached hereto, incorporated herein by reference, and marked Exhibit D. Payments received to date by Seller as advance payments on the contracts and obligations for services not performed or products not delivered as of the date of this Agreement ("Obligation Payments Received To Date") assumed by Purchaser are also noted and delineated in the attached Exhibit D and are acknowledged by the parties to be accurate and correct. Contemporaneously with the execution of this Agreement by the parties, Seller shall pay to Purchaser an amount equal to the sum of the Obligation Payments Received To Date reflected on the attached Exhibit D.

The parties further agree that AHPI will be responsible for and hold Purchaser harmless from any and all claims, including those relating to commissions, arising out of or pertaining to work performed by HSI on contracts prior to the execution of this Agreement by the parties and Purchaser will be responsible for and hold AHPI harmless from any claims, including those relating to commissions, arising out of or pertaining to work performed by HSI on contracts following the execution of this Agreement by the parties.

The parties further agree that commissions attributable and payable to AHPI sales personnel will be paid, whether by Purchaser or Seller depending on the date of the underlying order, at a rate not to exceed AHPI's individual commission agreement corresponding to each such designated AHPI sales personnel. The parties hereto agree, and Purchaser specifically approves, that for the purposes of this Agreement, all Backlog orders, the corresponding responsible AHPI sales personnel, and the corresponding commission rate, are set forth in the Orders, Backlog Order Commission Schedule (Inclusive of Advances) attached hereto, incorporated herein by reference and marked Exhibit C. Except as otherwise specifically provided herein, AHPI will be responsible for and indemnify Purchaser from any and all accounts payable incurred for products and services delivered prior to the execution of this Agreement by the parties and, further, AHPI will be entitled to receive from Purchaser any and all accounts receivable received by Purchaser for products delivered and services rendered prior to the execution of this Agreement by the parties.

8. LEASE ASSUMPTION ACKNOWLEDGEMENT. Purchaser specifically agrees and acknowledges that Purchaser shall upon and contemporaneously with the execution of this Agreement by the parties, fully assume and hold AHPI harmless from any and all obligations, duties, and responsibilities arising out of, pertaining to, or in any way relating to the lease on the building in which HSI currently located, being commonly known and referred to as: 5301 Adeline Street, Oakland, California.

9. EMPLOYMENT CONTRACT(S) RELEASE ACKNOWLEDGEMENT. Upon and as evidenced by the execution of this Agreement by the parties, Purchaser and David Miller do hereby fully and forever release Seller from any and all liabilities, duties and obligations arising out of, pertaining to or touching upon the terms of any employment agreement(s) executed by and between AHPI and David Miller and/or HSI and David Miller prior to the date of this Agreement.

10. MUTUAL INDEMNIFICATION. AHPI agrees to indemnify and hold Purchaser harmless from any and all liability associated with the assets or business of HSI incurred prior to the execution of this Agreement by the parties hereto. Purchaser agrees to indemnify and hold Seller harmless from any and all claims arising out of, pertaining to, or touching upon the actions of Purchaser, or Purchaser's subsequent assignee, if any, in the operation, use and actions of Purchaser associated with the assets, employees or business of HSI Purchaser incurred or otherwise occurring following execution of this Agreement by the parties.

11. UNION CONTRACT ACKNOWLEDGEMENT. Purchaser acknowledges that certain HSI employees are members of a recognized labor union and are employed under and pursuant to the terms and conditions of a labor agreement ("Union Contract"); that Purchaser is aware of the terms and conditions of said Union Contract; that Purchaser is knowledgeable of the HSI employees employed under the terms of said Union Contract, and that Purchaser, having given notice of the transaction contemplated herein to the HSI employees employed under the terms of said Union Contract, hereby assumes and is responsible for and shall indemnify and hold harmless AHPI from any and all liability arising out of, pertaining to, or touching upon the actions of Purchaser, and Purchaser's subsequent assignee, if any, with respect to said Union Contract or HSI employees subject to said Union Contract. Without restricting or otherwise in any way encumbering or limiting the range of prospective action of Purchaser with respect to HSI employees, Seller represents and warrants that all employees of HSI immediately preceding the execution of this Agreement by the parties shall cease to be employees of Seller following execution of this Agreement by the parties. Purchaser represents that Purchaser will be offering HSI employees positions of employment with Purchaser following execution of this Agreement. The parties further agree AHPI will bear, on a pro-rated basis for the calendar year 1999 the employment expenses, including accrued vacation pay and other ordinary and usual employee benefits associated with union and salaried HSI employees through the date of execution of this Agreement by the parties and, thereafter, Purchaser assumes same, in toto.

12. CONFIDENTIALITY. The parties hereto agree and acknowledge that the terms and conditions of this Agreement shall be held and maintained in strictest of confidence. Neither party hereto will issue any public announcement regarding the transactions contemplated herein without the written approval of the other party hereto, save to the extent required by law, SEC regulations, lawfully issued subpoena, or as part of a legal proceeding between the parties hereto or their respective successors and/or assigns. The parties specifically acknowledge that the parties hereto mutually approve of a public announcement for public release contemporaneously with the execution of this Agreement by the parties, the mutually approved text of which is attached hereto, incorporated herein, and marked Exhibit E.

13. LEGAL REPRESENTATION. The parties hereto agree and acknowledge that this Agreement is the product of bilateral negotiation, with the assistance of the parties' respective legal counsel, and, as such, this Agreement shall not be interpreted more favorably for any party hereto. All parties hereto represent and warrant they have received and reviewed this Agreement in detail with their respective legal counsel prior to the execution of same and that each party hereto shall bear their respective legal fees and costs incurred in connection with same.

14. BROKERAGE FEES. The parties hereto represent and warrant that there has been no retention of any broker or sales personnel to assist with, facilitate in, or otherwise further the transactions contemplated herein and, as such, no fees therefore are required to be paid to any such individual or entity by the respective parties hereto and each party hereto mutually indemnifies and fully holds harmless the other(s) from any such claim brought for brokerage/sales fees arising out of the indemnifying party's retention of any broker or sales fees retained or authorized to procure fees for the effectuation of the sale contemplated herein.

15. DUE DILIGENCE ACKNOWLEDGEMENT. Purchaser represents and warrants that Purchaser has had the opportunity to and has, in fact, effectuated a full and comprehensive due diligence inquiry into HSI, the assets purchased hereunder, AHPI, and all other elements of the transactions contemplated herein and that AHPI and HSI has made fully available to Purchaser all information, data, reports, and documents requested by Purchaser in Purchaser's discharge of Purchaser's due diligence inquiry and Purchaser further represents that Purchaser is satisfied with Purchaser's due diligence findings within the context of this Agreements and the transactions contemplated herein.

16. FUTURE RELATIONSHIP OF THE PARTIES. Following execution of this Agreement, AHPI will continue to extend to Purchaser the then current transfer prices for medical gas outlets provided by AHPI to HSI under existing contracts executed prior the date of this Agreement. Prospectively, following the execution of this Agreement by the parties, AHPI will sell to Purchaser medical gas outlets and any other equipment manufactured or marketed by AHPI ordered by Purchaser for use in the manufacturing of HSI products, including flow meters, vacuum regulators, and other items to be attached to HSI products not otherwise competitive with AHPI products at the most favorable price at which AHPI sells similar items to its other non-affiliated customers. To facilitate the favorable pricing contemplated herein, Purchaser shall be obligated to provide AHPI with

copies of approved submittals in which such other equipment is ordered in combination with manufactured HSI products prior to or contemporaneously with the ordering of same from AHPI. Similarly, Purchaser will sell to AHPI HSI products ordered by AHPI at the most favorable price at which Purchaser sells similar items to its non-affiliated customers. The term of the prospective "Favorable Price" relationship contemplated in this paragraph will begin upon execution of this Agreement by the parties and shall continue for a period of five (5) years thereafter, after which, said "Favorable Price" relationship may be extended upon mutual written agreement by the parties.

17. WARRANTY AND SERVICE ISSUES. Purchaser agrees to cooperate fully with AHPI and diligently undertake to honor and to resolve any service or warranty issues on HSI products sold, shipped, or in use prior to the execution of this Agreement by the parties and, further, shall be responsible for honoring fully and otherwise discharging obligations and duties arising under warranties for said HSI products sold and shipped after the execution of this Agreement.

18. CHOICE OF LAW AND VENUE. This Agreement shall be governed by and interpreted under the laws of the State of California. Any suit or cause of action arising out of, touching upon, or pertaining to this Agreement or performance hereunder ("Matter-In-Controversy") shall be brought solely in arbitration under and pursuant to the Rules of Arbitration Procedure as then in force and effect with the American Arbitration Association ("AAA"). The AAA will be the sole forum for the submission and binding resolution of any Matter-In-Controversy. As a strict condition precedent to pursuit of any remedy in arbitration hereunder, the parties hereto agree to participate in good faith in non-binding mediation of the Matter-In-Controversy under and pursuant to the Rules of Mediation and Mediation infrastructure in place with the U.S. District Court for the District in which the arbitration is filed. The parties agree and acknowledge that legal relief alone will be insufficient to remedy the breach or threatened breach of this Agreement by one of the parties hereto and, accordingly, the parties hereto agree and acknowledge that in the event of a breach or threatened breach of this Agreement, the other party(ies) may pursue and procure, in addition to legal remedies, equitable relief in the form of a temporary restraining order, preliminary injunction and permanent injunction. The prevailing party in a cause of action brought to enforce the terms hereof shall be entitled to recover from the non-prevailing party reasonable legal fees, costs, and related expenses, including arbitration forum fees, incurred in connection with same.

19. RELEASE. Purchaser does hereby fully and forever release and hold Seller, collectively, its assigns, successors, and agents, harmless from any and all causes of action, charges, and liability, if any, existing or arising out of any incident, act or omission occurring subsequent to the execution of this Agreement by the parties. Seller does hereby release fully and forever release and hold Purchaser, his heirs, assigns, and agents, harmless from any and claims, causes of action, charges, and liability, if any, existing or arising out of any incident, act or omission occurring prior to the execution of this Agreement by the parties.

20. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be an original and all of which shall be one and the same instrument.

21. AMENDMENTS. No amendment or alternation of the terms of this Agreement shall be valid unless made in writing and signed by all of the parties hereto.

22. SEVERABILITY. The holding of any provision of this Agreement to be invalid or unenforceable by the Court of competent jurisdiction shall not affect any other provision of this Agreement, which shall remain in full force and effect.

23. WAIVER OF BREACH. The parties agree and acknowledge that a waiver by either party of a breach of any provision or term contained herein shall not operate or be construed as a waiver of any subsequent breach by that same party.

24. ASSURANCES. The parties agree to execute and deliver all such further documents, agreements and instruments and to take such other and further action as may be necessary, appropriate, or reasonably required to carry out the purpose and effectuate the transactions and intent of this Agreement.

25. HEADINGS. The headings contained and appearing in the text of this Agreement are for the purposes of facilitating ease of reference and shall not be considered a part of this Agreement or in any way modify, amend, or affect the provisions and terms set forth herein.

26. ENTIRE AGREEMENT. This Agreement contains the entire agreement among the parties hereto and supersedes all prior writings, agreements, letters of intent and representations of this parties with respect to the subject matter hereof.

27. FURTHER ASSURANCES. The parties agree to (a) furnish upon request to each other such further information (b) deliver to each other such documents or (c) do such things as the other party may reasonably request that may arise as the result of an order, ruling or subpoena rendered by any court, administrative agency or governmental body (National, State, or local).

IN WITNESS WHEREOF, the parties hereto have agreed to the terms set forth hereinabove and have executed and delivered this Agreement on the day and year first above written.

PURCHASER:
DAVID H. MILLER
Address:________________________
____

BY: /s/ David H. Miller

DAVID H. MILLER, individually and on behalf of assignee, if any.

STATE OF CALIFORNIA)
) SS
CITY OF OAKLAND)

Before me personally appeared, DAVID H. MILLER, individually and on behalf of assignee, if any, being first duly sworn upon his oath and states that he agrees to the terms contained in the foregoing instrument and agrees to be bound by same.

IN TESTIMONY WHEREOF, I have hereunto set my hand and seal this 28th day of May, 1999.

/s/ Willie H. McBride

NOTARY PUBLIC

My Commission Expires: 2-27-2001

SELLER:

ALLIED HEALTHCARE PRODUCTS, INC.
1720 Sublette Ave.
St. Louis, Mo. 63110

BY: /s/ Allen C. McDonnell

Name: Allen McDonnell
Title: Treasury Manager

STATE OF CALIFORNIA)
) SS
CITY OF OAKLAND)

Before me personally appeared, Allen McDonnell, Treasury Manager, being first duly sworn upon his oath and states that Allied Healthcare Products, Inc. agrees to the terms contained in the foregoing instrument and agrees to be bound by same.

IN TESTIMONY WHEREOF, I have hereunto set my hand and seal this 28th day of May, 1999.

/s/ Willie H. McBride

NOTARY PUBLIC

My Commission Expires: 2-27-2001

HOSPITAL SYSTEMS, INC.
Address:____________________________
____

BY: /s/ Allen C. McDonnell

NAME: Allen McDonnell
TITLE: Treasury Manager

STATE OF CALIFORNIA)
) SS
CITY OF OAKLAND)

Before me personally appeared, Allen McDonnell, being first duly sworn upon his oath and states that Hospital Systems, Inc. agrees to the terms contained in the foregoing instrument and agrees to be bound by same.

IN TESTIMONY WHEREOF, I have hereunto set my hand and seal this 28th day of May, 1999.

/s/ Willie H. McBride

NOTARY PUBLIC

My Commission Expires: 2-27-2001

EXHIBIT A

3/31/99 AHPI KEY BALANCE SHEET DATA

Allied Healthcare Products, Inc.
Architectural Products Division
Key Balance Sheet Data
March 31, 1999

Inventory	$713,299
Allowance for Obsolescence	(228,928)
Net Inventory	484,371
Net Fixed Assets	35,541
Total Assets	$519,912

EXHIBIT B

AHPI PRINCIPLES AND PROCEDURES

WORK IN PROCESS

To the extent possible, instructions for the component inventory should be followed when doing the WIP inventory.

MANUFACTURING AREA

Parts issue: All components will be issued and relieved from the component inventory before the physical inventory begins. The issued components will be moved to the production are and stored by part number. To the extent possible, parts should be consolidated so there is only one location for each part.

Once the physical inventory begins, no material is to be moved within component or WIP areas or to or from the component to the WIP areas.

Count: Components are to be counted and the counts entered on the inventory tags supplied. If a component is stored in more than one location, a separate card should be written for each location.

Components in sub-assemblies and semi-finished goods are to be counted at each manufacturing location. The components should be listed on an inventory sheet, one for each manufacturing location. This sheet will be supplied. If a part number exists for a completed sub-assembly, that number should be used instead of the list of components.

CLEAN ROOM

Material in the Clean Room will be counted. All components will be counted and included in the component inventory.

Sub assemblies should be consolidated and their components listed on sheets similar to those used for sub-assembly counts in the manufacturing area. If a part number exists for a sub-assembly, that number should be used instead of the list of components.

SUMMARY AND VALUATION

Listing: WIP inventories will be listed, priced and summarized on an Excel spreadsheet.

EXHIBIT C

ORDERS, BACKLOG ORDER COMMISSION SCHEDULE

(INCLUSIVE OF ADVANCES)

Hospital Systems Backlog
Open Orders as of 31 May 99
w/Commisions

Job	Project	City	State	Sales Zone	Advances to Date	Outstanding Billing	% to Billl	Cust #	VCR	Commission
8505	Arab Care DayCare Center			961		$	#DIV/01	No PO	1.31%	$
8514	Vassar Brothers Hospital	Poughkeepsie	NY	404		$ 236,754.30	84%	200908	3.25%	$ 7,694.51
8530	Columbia Garden Park	Gulfport	MS	426	$ 516.17	$ 85,490.00	99%	206177	2.34%	$ 2,000.47
8542	VAMC	Waco	TX	484		$ 57,332.50	100%	205743	1.97%	$ 1,129.45
8551	VAMC	Phoenix	AZ	445		$ 56,072.40	97%	022420	2.00%	$ 1,121.45
8552	VAMC	Elsmere	DE	413		$ 44,531.25	100%	205658	3.25%	$ 1,447.27
8555	VAMC	New Orleans	LA	426		$ 42,350.00	97%	205732	2.34%	$ 990.99
8571	Illinois Masonic M/C	Chicago	IL	430		$ 32,933.12	100%	205253	2.97%	$ 978.11
8575	St. Joseph's Womans Med Ctr.	Tampa	FL	422		$ 117,383.00	100%	134742	2.69%	$ 3,157.60
8579	VAMC	Northhampton	MA	404		$ 985.00	100%	206162	3.25%	$ 32.01
8580	San Juan Municipal	San Juan	PR	930		$ 22,154.04	100%	205283	1.06%	$ 234.83
8581	San Juan Municipal	San Juan	PR	930		$ 25,176.00	100%	205283	1.06%	$ 266.87
8584	Bowie State University	Bowie	MD	418		$ 37,650.00	100%	206179	2.29%	$ 862.19
8585	Del Barton Hospital	Morristown	NJ	404		$ 1,104.00	100%	010865	3.25%	$ 35.88
8598	Hospital Hermanos Melendez		PR	930		$ 1,810.00	100%	205263	1.06%	$ 19.19
8599	St Jude Children's Hospital	Memphis	TN	434		$ 68,834.00			3.05%	$ 2,099.44
8601	Holzer M/C	Gampois	OH	438		$ 2,800.00	100%	205253	3.64%	$ 101.92
8602	Columbia Hospital	Huntsville	AL	422		$ 5,445.40	87%	206251	2.69%	$ 146.48
8603	Istanbul Memorial Hospital	Istanbul	TURKEY	946	$16,268.20	$ 124,402.00	100%	011674	1.06%	$ 1,318.66
8605	Kings County Hospital	Brooklyn	NY	404		$ 226,543.78	100%	025590	3.25%	$ 7,362.67
8606	Hospital CIMA in Jan	San Jose	CR	904		$ 15,540.00	100%	197690	1.06%	$ 164.72
8607	Inonu Hospital		Turkey	946		$ 28,480.00	100%	011674	1.31%	$ 373.09
8608	John Muir M/C	Concord	CA	450		$ 13,825.00	100%	139022	2.41%	$ 333.18
8609	Salem Hospital	Salem	OR	450		$ 26,388.00	100%	206290	2.41%	$ 635.95
8610	Tripler Army Hospital	Honolulu	HI	455		$ 18,046.00	100%	085523	3.32%	$ 599.13
	Totals				$16,784.37	$1,292,029.79				$ 33,108.06

EXHIBIT D

ADDITIONAL OBLIGATIONS SCHEDULE

[To Be Completed at Time of Closing]

Credits to Purchaser:

Credits to Seller:

EXHIBIT D
ADDITIONAL OBLIGATIONS SCHEDULE

DUE TO DAVID MILLER (PURCHASER):

ISTANBUL ORDER	$16,267.20
COLUMBIA GARDEN PREPAY	510.00
ESTIMATED HRLY IRA PAYMENT	211.20
PHYSICAL INVENTORY DECREASE	25,153.10
HOURLY VACATION	18,356.16
SALARY VACATION	9,181.33

	$69,678.99

DUE TO ALLIED (SELLER):

JUNE 1999 PREPAID DENTAL INS	1,350.33
ESTIMATED PAYROLL ACCOUNT RF	1,288.36
MILLER & ANGSTADT	812.27

	3,450.96

NET DUE TO DAVID MILLER @ CLOS	$66,228.03
	==========

EXHIBIT E

MUTUALLY APPROVED PRESS RELEASE TEXT

NOT FOR RELEASE
WITHOUT APPROVAL

Contacts: Uma Nandan Aggarwal, President and CEO, or Tom Jenuleson, CFO
(314) 771-2400

Tom Goyda or Shari Shane
Shandwick
(314) 436-6565

ALLIED HEALTHCARE PRODUCTS SELLS
HEADWALL MANUFACTURING DIVISION

ST. LOUIS, June 1, 1999 - Allied Healthcare Products, Inc. (Nasdaq: AHPI) today announced that it has Sold its Hospitals Systems Inc. (HSI) division to the group's management team. HSI, based in Oakland, Calif., manufactures pre-fabricated headwall units that contain piping, wiring and cutlets for medical gas, suction and electrical systems, as well as fixtures for monitoring equipment. The units are typically used by medical facilities when remodeling patient rooms and intensive care areas. As previously reported, the division's financial results had been affected by weak market conditions. "Allied will focus on maintaining and expanding its strong market presence in the respiratory care, medical gas and emergency medical products segments," said Uma Nandan Aggarwal, the company's president and chief executive officer. "Selling HSI to the management group gives us the capacity to direct our resources at strengthening Allied's base business, while ensuring continuity for HSI's customers, employees and suppliers." Financial details of the transaction were not released. The sale of HSI is not expected to have any Material impact on Allied's financial results. Allied Healthcare Products, Inc., based in St. Louis, is a leading manufacturer of respiratory care Products, medical gas equipment and emergency medical products used in a wide range of hospital and Alternate care settings.

EXHIBIT 10.25

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement") is made and entered into effective as of the 24th day of August, 1999, by and between EARL REFSLAND a resident of Missouri ("Executive") and ALLIED HEALTHCARE PRODUCTS, INC., a Delaware corporation, for itself and on behalf of any of its current or future subsidiary corporations (collectively referred to in this Agreement as the "Company").

W I T N E S S E T H:

WHEREAS, the Company is engaged in the business of designing, manufacturing and distributing a variety of respiratory products used in the health care industry in a wide range of hospital and alternate site settings, including, but not limited to, sub-acute care facilities, home health care and emergency medical care (the "Business");

WHEREAS, the Company desires to employ Executive, and Executive desires employment with the Company, in accordance with and only on the terms, conditions and covenants set out in this Agreement.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises, covenants, and agreements hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the parties hereto, the Company and Executive agree as follows:

1. Term. The term of Executive's employment with the Company begins on September 13th, 1999, or on such earlier date as the parties may hereafter mutually agree (hereinafter the "Effective Date"), and will continue through and including the fourth anniversary thereafter (as the same may be extended or renewed by mutual agreement, the "Expiration Date"), unless Executive's employment is earlier terminated as hereinafter provided (the period from the Effective Date to the Expiration Date or any such earlier date in which Executive's employment is terminated pursuant to the provisions of this Agreement is referred to herein as the "Term").

2. Duties of Executive. During the Term, Executive shall serve as the Chief Executive Officer and President of the Company, and shall have, subject to the directives of the Board of Directors of the Company (the "Board"), supervision and control over, and responsibility for, the general management and operation of the Company, and shall have such other powers and duties as may from time to time be prescribed by the Board. Executive shall devote his full working time and best efforts, skill and attention to the Business and interests of the Company. Executive shall follow and act in accordance with all policies established by the Company from time to time. During the Term, Executive shall not actively engage in or be involved in any business activities other than on behalf of the Company unless prior written consent is provided by the Board; *provided, however*, Executive may continue to serve as Chairman of Andros Technologies, Inc., provided such position does not involve active management, may serve as a director of other organizations with the prior consent of the Company, such consent not to be unreasonably withheld, and may engage in such charitable endeavors and/or other passive ownership activities, provided such activities do not, whether individually or in the aggregate, materially interfere with Executive's duties hereunder. In addition, during the Term, the Company agrees to use reasonable efforts to cause Executive to be nominated to the Board.

3. Compensation. As consideration for the services rendered by Executive pursuant to this Agreement, the Company agrees to pay to Executive an initial salary at the rate of Two Hundred Eighty Thousand Dollars ($280,000) per year for the first year of the Term ("Annual Salary"), which amount shall be payable in accordance with the Company's normal payroll practices in effect from time to time. Executive's annual salary for the remainder of the Term will be determined at the sole discretion of the Board, but in no event will Executive's annual salary be reduced below the initial annual salary amount stated herein. All payments of compensation will be subject to normal employee withholding and all other applicable tax deductions.

4. Fringe Benefits. During the Term, Executive may participate in the fringe benefit programs that may generally be made available by the Company to management level employees of the Company from time to time (collectively, "Fringe Benefits"). Executive's participation in the Fringe Benefits offered by the Company shall be in accordance with the participation guidelines that the

Company may establish from time to time and may require a financial contribution by Executive.

5. Other Compensation.

(a) Incentive Compensation. Commencing on and after the first anniversary of the Effective Date, Executive shall be entitled to receive, in addition to his Annual Salary, such incentive compensation payments as the Board, in its sole discretion, may determine appropriate or necessary.

(b) Stock Options. Concurrently herewith, the Company is granting Executive the right and option to acquire 542,000 shares of the Company's common stock, $.01 par value, at a price per share equal to $2.00 (the "Stock Options"). Stock Options shall vest at a rate of six and one-quarter percent (6.25%) per three (3) month period, commencing three (3) months after the Effective Date, and on each three (3) month anniversary thereafter, and any non-vested Stock Options shall not be exercisable. Such Stock Options are subject to the provisions and conditions more particularly set forth in that certain 1999 Incentive Stock Plan dated July 15, 1999 (the "Plan") and the letter from the Company granting such Stock Options in substantially the form attached hereto as Exhibit A and incorporated herein by this reference. The Stock Options shall immediately vest upon the occurrence of a Change of Control (as hereinafter defined), the termination of Executive's employment by the Company without Cause (as hereinafter defined), the death or Disability (as hereinafter defined) of Executive, the termination of Executive's employment by Executive for Good Reason (as hereinafter defined), or the payment by the Company of any cash dividends in respect of its issued and outstanding common stock.

(c) Perquisites. The Company agrees that: (i) during the Term, the Company shall furnish to the Executive an automobile of a type mutually acceptable to the Company and the Executive and the Company shall pay all of the expenses for gasoline, insurance, maintenance and repairs for such automobile, and (ii) at such time, and for so long as, the Board, in its discretion, determines necessary or appropriate, the Company will pay the monthly assessment and/or other monthly charges of the Executive for his existing membership in Algonquin Golf Club.

(d) Vacations. During the Term, the Executive shall be entitled to four (4) weeks of vacation for each year of employment.

6. Expenses. The Company agrees to directly pay or reimburse Executive for necessary and reasonable travel, entertainment and other business expenses actually incurred by Executive in connection with Executive's duties hereunder and approved by the Company pursuant to the Company's existing practices. The Company shall reimburse Executive for such approved business expenses within a reasonable time after submission by Executive of true and correct supporting documentation as may be required by the Company.

7. Confidentiality. Executive acknowledges and agrees that:

(a) Executive has created and will continue to create, has and will continue to have access to, and has received and will continue to receive information, documents, and materials of a confidential and proprietary nature to the Company and which may contain trade secrets of the Company or the Company's customers, including, without limitation, designs, drawings, formulas, plans, financial information, processes, methods, customer lists, prospective customers and other prospects, business plans and other information (collectively, "Confidential Information"), which would not have been or be disclosed to Executive except for Executive's employment with the Company.

(b) Executive hereby acknowledges and agrees that Confidential Information is an asset of the Company, is of a confidential nature and is not generally known to the public, and, in order to protect and preserve the goodwill of the Company, must be kept strictly confidential and used only in the conduct of the Company's business from time to time.

(c) Executive hereby agrees that during his lifetime he will not disclose or reveal in any manner whatsoever any of the Confidential Information to any third party, except in the course of and during Executive's employment with the Company. Executive shall not use any of the Confidential Information in any manner for his own benefit or for the benefit of any other person or entity.

(d) Executive will promptly return to the Company all written or recorded Confidential Information, including all copies and reproductions thereof in Executive's possession or under Executive's control, upon the earlier of the Company's request or upon the termination of Executive's employment with the Company. At such time, Executive shall also give the Company all notes, summaries and analyses prepared by Executive which relate to or include Confidential Information.

8. Survival of Confidentiality Provisions. Executive acknowledges and agrees that the provisions of paragraph 7 herein will survive the termination of Executive's employment hereunder and will continue in full force and effect during and throughout Executive's lifetime.

9. Covenants Against Competition and Solicitation. Executive covenants and agrees that, at all times while he is employed by the Company hereunder and for a period of two (2) years after the effective date of the termination of Executive's employment (whether or not such occurs after the Term of this Agreement), he will not, directly or indirectly, in association or in combination with any other person or entity, as an officer, director or shareholder of a corporation, as a member or manager of a limited liability company, or as an employee, agent, independent contractor, consultant, advisor, joint venturer, partner or otherwise, whether or not for pecuniary benefit, whether or not alone or in association with any person or entity:

(a) Carry on, be engaged in, concerned or take part in, or render services, advise or lend money to any person or entity engaged in the Business currently engaged in by the Company or any business in which the Company may engage while Executive is employed by the Company hereunder; provided, however,
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and notwithstanding the foregoing, after the Executive is no longer employed with the Company, Executive may carry on, be engaged in, concerned or take part in, or render services, advise or lend money to any person or entity engaged in the business of manufacturing respiratory products which do not compete, directly or indirectly, in any manner with any product or service of the Company which, individually or in the aggregate, generated gross revenues to the Company in excess of Five Hundred Thousand Dollars ($500,000) as of the effective date of Executive's termination of employment with the Company.

(b) Engage in or own, in whole or in part, manage, provide financing to, operate or otherwise carry on the business of designing, manufacturing and distributing respiratory products used in the health care industry and which, individually or in the aggregate, generated annual gross revenues to the Company in excess of Five Hundred Thousand Dollars ($500,000), except: (i) in the course of Executive's performance of his duties during his employment and then only for the benefit of the Company; and (ii) as a holder of less than 1% of the stock of any corporation whose securities are traded on a national securities exchange.

(c) Solicit, assist the solicitation of, or encourage any employee or independent contractor of the Company to terminate or otherwise modify that person's or entity's employment with or retention by the Company for the purpose of encouraging that person or entity to become employed or retained by any other person or entity unrelated to the Company.

(d) Solicit, assist the solicitation of, or encourage any person or entity who was a customer of the Company within the one (1) year period immediately preceding the date as of which Executive's employment is terminated hereunder, to: (i) provide the same or similar services as provided by the Company in competition with the Company; (ii) modify in any manner that person's or entity's business relationship with the Company; or (iii) modify the terms or reduce the volume of business which that person or entity transacts with the Company.

(e) The geographic scope of the covenants contained in subparagraphs (a) and (b) above shall extend to any state, county, municipality or other locality within or without the United States wherein the Company sold or actively attempted to sell products which, individually or in the aggregate, generated annual gross revenues to the Company in excess of Five Hundred Thousand Dollars ($500,000) at anytime during Executive's employment hereunder.

(f) If Executive terminates his employment with the Company for Good Reason (other than and excluding on account of a Change of Control), and irrevocably and unconditionally waives, in writing, his right to the payment and other benefits set forth in Section 12(d) hereof, then the covenants contained in this Section 9 shall terminate.

10. Discoveries and Inventions. Executive agrees that all developments, discoveries and inventions relating to the Company's Business (collectively referred to as the "Inventions") which Executive conceives or makes while employed by the Company shall be the exclusive property of the Company whether the Company, in its sole discretion, decides to pursue or not to pursue a patent, copyright, trademark, service mark or other registered embodiment of any kind of any country for such Invention. Whenever requested by the Company, whether during or subsequent to Executive's employment with the Company, Executive shall execute patent applications and other instruments considered necessary by the Company to apply for and obtain patents of the United States and foreign countries covering any such developments, discoveries or inventions. Executive agrees to assign, and does hereby assign to the Company, all title, interest and rights, including intellectual property rights, in and to any and all Inventions, and Executive agrees to assign to the Company any patents or patent applications arising from any such Inventions, and agrees to execute and deliver all such assignments, patents, patent applications and other documents as the Company may direct. Executive agrees to cooperate fully with the Company, both during and after Executive's employment with the Company is terminated, to enable the Company to secure and maintain rights in any such Inventions in any and all countries. Without limiting the foregoing, Executive hereby acknowledges that all works of authorship or invention which relate in any manner to the Company's Business which are developed or written during the term of Executive's employment with the Company are "works made for hire". Accordingly, Executive agrees to assign, and does hereby assign to the Company, any and all copyright rights and all other rights and all material prepared by Executive during the term of Executive's employment which relate to the Business of the Company.

11. Employer's Remedy. Executive acknowledges and agrees that the covenants set forth in paragraphs 7, 8, 9 and 10 are necessary to protect the Company's legitimate business interests, including, without limitation, the Company's strong interest in the Confidential Information and Inventions and the Company's strong interest in maintaining an undisrupted work place. Executive acknowledges and agrees that the covenants are reasonable in scope, area, and duration, particularly in light of Executive's responsibilities and the international scope of the Company's business. Executive acknowledges that the services to be rendered by him in accordance with the provisions of this Agreement are of a special and unique character, and that the restrictions and obligations on his activities as contained in paragraphs 7, 8, 9 and 10 are reasonable and are required for the Company's protection. Executive hereby agrees that if he violates any of the provisions contained in paragraphs 7, 8, 9 and 10, the Company may seek, at law or in equity, damages without regard to paragraph 13 herein. The Company may also seek, without regard to paragraph 13 herein, to enjoin Executive from engaging in any activity in violation of this Agreement. All rights and remedies of the Company hereunder, at law or in equity, are cumulative in nature and will in no way be, or be deemed to be, the exclusive rights and remedies of the Company. If any court finds that the restrictions set forth in paragraphs 7, 8, 9 and 10 are unreasonable, this Agreement will be interpreted to include the restrictions contained herein to the extent such restrictions are permissible under law, giving effect to the intent of the parties that the restrictions contained herein shall be effective to the fullest extent possible.

12. Termination of Employment.

(a) Termination By Company without Cause. The Company shall have the right to terminate Executive's employment hereunder without Cause (as defined below) upon providing Executive with written notice thereof. Any such termination of employment shall be effective on the date specified in such notice, or if no date is specified, then upon receipt by Executive of such notice. In the event of any such termination of employment, (i) the Company shall continue to pay to Executive, for the period (the "Continuation Period") beginning on the effective date of such termination of employment and ending two (2) years after the effective date of such termination of employment, an amount per month equal to one-twelfth of Executive's then Annual Salary during the

Continuation Period in accordance with the provisions of Section 3 hereof; (ii) throughout the Continuation Period, Executive shall be entitled to continued participation under all Fringe Benefit programs in which he participates in accordance with the terms thereof to the extent such participation is allowed pursuant to the terms thereof and applicable law with no increase in any amounts payable by the Company with respect thereto as a result of Executive no longer being employed by the Company, or if Executive is not allowed continued participation pursuant to the terms thereof and applicable law, then under another reasonably equivalent plan providing for the same or similar coverage but with no increase in any amounts payable by the Company with respect thereto as a result of Executive no longer being employed by the Company; (iii) the Company shall pay to Executive his unpaid Annual Salary, if any, earned prior to the effective date of the termination of Executive's employment in accordance with the Company's normal policies for same; (iv) the Company shall pay to Executive any incentive compensation payments to which Executive is entitled as of the effective date of the termination of Executive's employment in accordance with the Company's normal policies for same; and (v) the Company shall pay to Executive any business expenses remaining unpaid on the effective date of the termination of Executive's employment for which Executive is entitled to be reimbursed under Section 6 of this Agreement; *provided, however*,that without limiting any other remedy available hereunder, such payments shall immediately terminate upon a breach or violation by Executive of the provisions of Sections 7, 8, 9 or 10 hereof and, in such event, the Company shall be entitled, in addition to any other remedies it may have, to reimbursement from Executive of the amount paid by the Company to Executive during the Continuation Period pursuant to subparagraph (i) above.

(b) *Termination by Company for Cause*. The Company shall have the right to terminate Executive's employment hereunder for Cause (as defined below) upon providing Executive with written notice thereof. Any such termination of employment shall be effective on the date specified in such notice, or if no date is specified, then upon receipt by Executive of such notice. In the event of such termination of employment, the Company shall pay to Executive (i) his unpaid Annual Salary through the effective date of such termination of employment, and (ii) any business expenses remaining unpaid on the effective date of such termination of employment for which Executive is entitled to be reimbursed under Section 6 of this Agreement.

(c) *Death or Disability*. Executive's employment with the Company shall terminate upon the death or Disability (as hereinafter defined), of Executive. Such termination of employment shall be effective as of the date of Executive's death, or in the event of Executive's Disability, upon the Company's giving Executive written notice thereof. In the event of such termination of employment due to death or Disability, Executive (or his estate or other designated beneficiary upon his death) shall be entitled to receive: (i) his Annual Salary and accrued expense reimbursements earned or accrued through the effective date of the termination of Executive's employment, (ii) any incentive compensation payments to which Executive is entitled as of the effective date of the termination of Executive's employment; and (iii) such payments, if any, as may be provided for pursuant to all Fringe Benefit programs in which Executive is participating as of the effective date of the termination of Executive's employment. All such Annual Salary, incentive compensation and/or Fringe Benefit payments payable upon termination of Executive's employment as aforesaid shall be paid at or following the date of such termination of employment in accordance with the Company's normal policies.

(d) *Termination by Executive for Good Reason*. Executive shall have the right to terminate his employment hereunder for Good Reason (as defined below), if (A) Executive shall have given the Company prior written notice of the reason therefor and (B) a period of thirty (30) days following receipt by the Company of such notice shall have lapsed and, except for the occurrence of a Change of Control (as hereinafter defined), the matters which constitute or give rise to such "Good Reason" shall not have been cured or eliminated by the Company; *provided, however* if such matters are of a nature that the same cannot be cured or eliminated within such thirty (30) day period, such period shall be extended for so long as the Company shall be endeavoring in good faith to cure or eliminate such matters, *provided, further, however*, that for the first such failure during each calendar year during the Term, the Company shall have thirty (30) days after receipt of written notice of such failure to cure such failure, and thereafter during that calendar year no such notice and cure period shall be given. In the event the Company shall not take such actions within such period, Executive may send another notice to the Company electing to terminate his employment hereunder and, in such event, Employee's employment hereunder shall terminate and the effective date of such termination of employment shall be the third business day after the Company shall have received such notice. In the event of any such termination of employment, Executive shall be entitled to receive the same payments and benefits, subject to the same conditions and limitations, as provided in Section 12(a) hereof.

(e) *Termination by Executive without Good Reason.* Executive shall have the right to terminate his employment hereunder without Good Reason by giving the Company thirty (30) days prior written notice to that effect. Such termination of employment shall be effective on the date specified in such notice. In the event of such termination of employment, then the Company shall pay to Executive: (i) his unpaid Annual Salary through the effective date of such termination of employment, and (ii) any business expenses remaining unpaid on the effective date of such termination of employment for which Executive is entitled to be reimbursed under Section 6 of this Agreement.

(f) *Expiration of the Term.* Upon the termination of Executive's employment at the Expiration Date, Executive shall be entitled to receive: (i) his Annual Salary and accrued expense reimbursements earned or accrued through the effective date of such termination of Executive's employment, (ii) any incentive compensation payments to which Executive is entitled as of the effective date of such termination of Executive's employment; and (iii) such payments as may be provided for pursuant to all Fringe Benefit programs in which Executive is participating as of the effective date of the termination of Executive's employment. All such Annual Salary, incentive compensation and/or Fringe Benefit payments payable upon termination of Executive's employment as aforesaid shall be paid at or following the date of such termination of employment in accordance with the Company's normal policies.

(g) *Definitions:*

(i) "Cause" shall mean: (A) theft, embezzlement, fraud or misappropriation of funds of the Company; (B) conviction of a felony or other crime involving moral turpitude; (C) chemical or alcohol dependency which adversely affects performance of Executive's duties; (D) failure to substantially perform (other than as a result of physical or mental illness) the duties required under Section 2 hereof in any material manner, *provided, however,* that for the first such failure during each calendar year during the Term, Executive shall have thirty (30) days after receipt of written notice of such failure to cure such failure, and thereafter during that calendar year no such notice and cure period shall be given; (E) a material breach or violation by Executive of Sections 7, 8, 9 or 10 hereof; (F) the Company is convicted of any criminal felony liability due to actions taken or failed to be taken by Executive without the consent of the Company; and (G) failure of Executive (other than as a result of physical or mental illness) to devote substantially all of his working time to the performance of his duties required hereunder, *provided, however,* that for the first such failure during each calendar year during the Term, Executive shall have thirty (30) days after receipt of written notice of such failure to cure such failure, and thereafter during that calendar year no such notice and cure period shall be given.

(ii) "Change of Control" means:

(A) The consummation by the Company of a merger, consolidation or other reorganization if the percentage of the voting common stock of the surviving or resulting entity held or received by all persons who were owners of common stock of the Company immediately prior to such merger, consolidation or reorganization is less than 50.1% of the total voting common stock of the surviving or resulting entity outstanding, on a fully diluted basis, immediately after such merger, consolidation or reorganization and after giving effect to any additional issuance of voting common stock contemplated by the plan for such merger, consolidation or reorganization; or

(B) A majority of the directors of the Company are persons other than persons (i) for whose election proxies have been solicited by the Board, or (ii) who are then serving as directors appointed by the Board to fill vacancies on the Board caused by the death or resignation (but not removal) or to fill newly-created directorships, but excluding for purposes of this clause (ii) any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14(a)-11 of Regulation 14A promulgated under the Securities Exchange of 1934, as amended (the "Exchange Act")), or other actual or threatened solicitation of proxies or consents; or

(C) The acquisition by any person or group (other than (i) Executive, or (ii) a group composed solely of persons designated as proxy-holders in connection with a solicitation by or on behalf of the Company's management or directors) of ownership or voting rights (including voting rights pursuant to any revocable or irrevocable proxy) of a number of shares of the Company's voting common stock equal to the number of shares of the Company's voting common stock constituting 50.1% of the number of such shares actually voting in the election of directors of the Company at the most recent meeting of shareholders of the Company, and such person or group has made a filing under Section 13(d) of the Exchange Act affirmatively stating such persons' or groups' intent to change control of the Company; or

(D) The sale of all or substantially all of the assets of the Company to another corporation or enterprise that is not a subsidiary, direct or indirect, or other affiliate of the Company if such other corporation or enterprise does not make arrangements with Executive satisfactory to Executive for his employment by such other corporation or enterprise.

(iii) "Disability" shall mean that, as a result of Executive's incapacity due to physical or mental illness (as determined by a physician mutually acceptable to the Company and Executive), Executive shall have been absent from, or does not perform, his duties as described hereunder on a substantially full-time basis for 75 days during any consecutive 150 day period during the Term, and within ten (10) days after the Company notifies Executive in writing that it intends to replace him, shall not have returned to the performance of such duties on a full-time basis.

(iv) "Good Reason" shall mean the occurrence of any of the following: (A) a material breach by the Company in the performance of its obligations hereunder and the Company's failure to cure said breach within thirty (30) days after receipt of written notice of such breach; *provided, however* if such matters are of a nature that the same cannot be cured or eliminated within such thirty (30) day period, such period shall be extended for so long as the Company shall be endeavoring in good faith to cure or eliminate such matters, *provided, further, however*, that for the first such failure during each calendar year during the Term, the Company shall have thirty (30) days after receipt of written notice of such failure to cure such failure, and thereafter during that calendar year no such notice and cure period shall be given; or (B) the occurrence of a Change of Control provided Executive elects, within one hundred thirty five (135) days after the effective date of such Change of Control, to terminate his employment hereunder; said election to be evidenced by written notice of same from Executive to the Company within said one hundred thirty five (135) day period; or (C) the Company requests Executive to relocate to an office outside the St. Louis metropolitan area.

13. Arbitration of Disputes. The Executive and the Company shall resolve any claim, controversy or dispute whether concerning, arising out of, or relating to this Agreement, the employment relationship between the parties or alleging the violation of either a statutory or common law duty or both, by arbitration, except for the remedy at law or in equity as provided for in paragraph 11 herein which the Company may determine to be enforced by any court having applicable jurisdiction. Executive or the Company shall invoke this right to arbitrate any such claim, controversy or dispute only after first attempting to resolve it through the exhaustion of any Executive problem solving policy that the Company may establish from time to time without obtaining a satisfactory result. The Missouri Uniform Arbitration Act in effect when any arbitration occurs shall govern the procedures of any arbitration between the parties. Any arbitration held in accordance with this paragraph shall take place in St. Louis, Missouri, and shall be conducted by a single arbitrator.

The arbitrator may award full reimbursement to the prevailing party for out-of-pocket expenses and losses, including, without limitation, reasonable attorneys' fees, costs, and expenses arising from the preparation and arbitration of the dispute. "Prevailing party" within the meaning of this section includes, without limitation, a party who (i) agrees to dismiss an action upon the other party's payment of all or a substantial portion of the sums allegedly due or the other party's substantial performance of the covenants allegedly breached, or (ii) who obtains substantially the relief sought by it.

14. Prior Agreements. Executive represents and warrants to the Company that Executive is not presently a party to any agreement containing a non-competition provision or other restriction with respect to: (a) the nature of any services or business that Executive is entitled to perform or conduct for the Company, or (b) the disclosure or use of any information which directly or indirectly relates to the nature or business of the Company or the services to be rendered by Executive to the Company. Executive further certifies that he has not disclosed or used, and will not disclose or use during his employment with the Company, any confidential information that he acquired as a result of any previous employment or under a contractual obligation of confidentiality before Executive's employment by the Company.

15. Notice. Any notice, agreement, or other communication provided for in this Agreement shall be given in writing and will be considered effectively given the day of delivery if sent via an overnight delivery service, the actual time of receipt of a facsimile transmission, or on the third day after mailing is sent by registered or certified mail, postage prepaid return receipt requested and addressed to the parties as follows:

If to the Company:	with a copy (which shall not constitute notice) to:
Allied Healthcare Products, Inc. 1720 Sublette Avenue St. Louis, Missouri 63110 Attn: Chairman of the Board Fax: (314) 771-1242 Fax: (314) 241-8624	Joseph D. Lehrer, Esq. Greensfelder, Hemker & Gale, P.C. 2000 Equitable Building 10 South Broadway St. Louis, Missouri 63102
If to Executive:	with a copy (which shall not constitute notice) to:
Earl Refsland 7 Algonquin Woods Glendale, Missouri 63122	Kenneth H. Suelthaus, Esq. Suelthaus & Walsh, P.C. 7733 Forsyth Blvd. St. Louis, Missouri 63105 Facsimile: (314) 727-7166

or to another person or address as the Company or Executive may designate.

16. Governing Law. This Agreement will be governed by, and construed and interpreted according to, the laws and decisions of the State of Missouri without regard to the choice of law provisions thereof.

17. Counterparts; Facsimile Signatures. This Agreement may be executed by the parties hereto on any number of separate counterparts, and all such counterparts so executed constitute one agreement binding on all the parties hereto notwithstanding that all the parties hereto are not signatories to the same counterpart. This Agreement and any other document to be executed in connection herewith may be delivered by facsimile and documents delivered in such manner shall be binding as though an original thereof had been delivered.

18. Entire Agreement. This Agreement constitutes the entire agreement and understanding between the parties with respect to the subject matter hereof, and supersedes all prior and contemporaneous communications, agreements, understandings and assurances, whether oral or written. This Agreement may not be changed, amended, or modified, except in writing signed by all of the parties hereto.

19. Assignability. This Agreement shall inure to the benefit of the Company and its successors and assigns. This Agreement is a personal services agreement and may not be assigned or transferred by Executive.

20. Severability. If any provision contained in this Agreement is held to be invalid or unenforceable, that provision will be severed from this Agreement and that invalidity or unenforceability will not affect any other provision of this Agreement, the balance of which will remain in and have its

intended full force and affect; provided, however, if any invalid or unenforceable provision may be modified so as to be valid and enforceable as a matter of law, that provision will be deemed to have been modified to the extent necessary so as to be valid and enforceable to the maximum extent permitted by law.

21. Non-Waiver. Failure to enforce any of the provisions of this Agreement at any time shall not be interpreted to be a waiver of such provision or to affect either the validity of this Agreement or the right of either party thereafter to enforce each and every provision of this Agreement.

22. Consent to Jurisdiction. In connection with the enforcement of the Company's rights and remedies under Section 11 hereof, Executive hereby irrevocably submits to the jurisdiction of the Circuit Court of the County of St. Louis, Missouri, and Executive hereby irrevocably consents to personal jurisdiction in, and agrees that all claims in respect to such action or proceeding may be heard and determined in, any such court as selected by the Company. Executive hereby irrevocably waives any objection he may have to the jurisdiction or venue of any such action or proceeding and any objection on the grounds that any such action or proceeding in any such court has been brought in an inconvenient forum. Nothing within this paragraph shall affect the Company's right, to bring any action or proceeding arising out of or relating to the enforcement of the Company's rights and remedies under Section 11 hereof against Executive in any court of competent jurisdiction.

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

THIS AGREEMENT CONTAINS A BINDING ARBITRATION PROVISION WHICH MAY BE ENFORCED BY THE PARTIES.

ALLIED HEALTHCARE PRODUCTS, INC.	EXECUTIVE
By: /s/ John D. Weil	/s/ Earl R. Refsland
Name: John D. Weil	Earl Refsland
Title: Chairman of the Board	

ALLIED HEALTHCARE PRODUCTS, INC.
1999 INCENTIVE STOCK OPTION PLAN

August 24, 1999

Mr. Earl Refsland
Allied Healthcare Products, Inc.
1720 Sublette Avenue
St. Louis, Missouri 63110

RE: 1999 INCENTIVE STOCK OPTION

Dear Mr. Refsland:

I am pleased to inform you that Allied Healthcare Products, Inc. (the "Company") has granted you a non-qualified stock option under the Allied Healthcare Products, Inc. 1999 Incentive Stock Plan (the "Plan") to purchase 542,000 shares of Common Stock, par value $0.01 per share, of the Company (the "Option Shares") at a price of $ 2.00 per share (the "Exercise Price"), subject to the Plan and the provisions set forth below.

This option is granted to you as part of the Company's compensation program for key employees. The purpose of the Plan is to allow certain key employees, upon whose efforts the Company is dependent for the successful conduct of its business, to derive financial benefit from appreciation in the value of the Company's stock and to encourage them to take a proprietary interest in the Company and remain in its employ. You are under no obligation to exercise this option.

Should you exercise your option you will be taxed (including withholding taxes) on the difference between the fair market value and the exercise price and your tax basis will be equal to fair market value on the date of exercise. If you subsequently dispose of the stock, you will be taxed to the extent the sales proceeds exceed the fair market price on the date of exercise.

Subject to compliance with the terms and conditions of this letter and the Plan, you will become entitled to exercise your option with respect to the number of Option Shares and as of the dates indicated in the following vesting schedule:

DATE OPTION BECOMES EXERCISABLE	NUMBER OF OPTION SHARES
December 7, 1999	33,875
March 7, 2000	33,875
June 7, 2000	33,875
September 7, 2000	33,875
December 7, 2000	33,875
March 7, 2001	33,875
June 7, 2001	33,875
September 7, 2001	33,875
December 7, 2001	33,875
March 7, 2002	33,875
June 7, 2002	33,875
September 7, 2002	33,875
December 7, 2002	33,875
March 7, 2003	33,875
June 7, 2003	33,875
September 7, 2003	33,875

The option will expire at the close of business on August 23, 2009, to the extent not exercised and the Plan provides that the option may expire at an earlier date in the event of a termination of your employment with the Company. As provided in the Plan, in the event that you terminate employment with the Company and, within six months thereafter, become employed by a competing entity or you violate any restrictive covenant set forth in that certain Employment Agreement dated August 24, 1999 (the "Employment Agreement") between you and the Company, the Company will have the right to reacquire certain shares resulting from your exercise of the option at a price equal to the Exercise Price; *provided*, *however*, the Company's right to reacquire certain shares resulting from your exercise will not exist if the termination of your employment occurs as a result of a Change of Control (as defined in the Employment Agreement). Further, in the event of any such Change of Control, or the termination of Executive's employment by the Company without Cause (as defined in the Employment Agreement), or the termination of Executive's employment by Executive for Good Reason (as defined in the Employment Agreement), or in the event of your death or Disability (as defined in the Employment Agreement) or in the event the Company pays any cash dividends in respect of its issued and outstanding Common Stock, then all shares to which this option relates shall immediately vest in full and will be exercisable until the earlier of: (i) thirty (30) days following your termination of employment with the Company (other than for "Cause", as defined in the Employment Agreement, in which case the option granted hereby shall expire), or (ii) the expiration date set forth above.

To exercise your option (or any part thereof), you should forward the letter in substantially the form of *Exhibit A* attached hereto and incorporated herein by this reference to the Company, containing the information and payment required thereby. In addition to payment of the Exercise Price, and prior to issuance of any shares of common stock hereunder, you are required to deposit with the Company an amount equal to any federal or state income withholding tax arising from such exercise. No shares shall be issued until full payment therefor, including any associated taxes, has been made.

Please note that, although you must return a signed copy of this letter in order to validate your option, that act does not constitute the exercise of this option nor does it in any way obligate you to exercise the option.

This letter constitutes an Incentive Stock Option Agreement between you and the Company and incorporates the Plan by reference. Please indicate your agreement to the terms and conditions set forth in this letter and in the Plan by signing the accompanying copy of this letter in the space indicated below and returning it to the Company, Attention: John D. Weil by September 30, 1999. No part of this option is exercisable until a signed copy of this letter is received by the Company.

Very truly yours,

/s/ John D. Weil

John D. Weil
Chairman of the Board

Enclosure: Copy of the Allied Healthcare Products 1999 Incentive Stock Plan

The undersigned hereby acknowledges receipt of the foregoing letter and Plan and agrees to be bound by all of the terms and conditions set forth in this letter and in the Plan.

September 15, 1999	/s/ Earl R. Refsland
(Date)	(Signature)

EXHIBIT A

Allied Healthcare Products, Inc.
1720 Sublette Avenue
St. Louis, Missouri 63110
Attn: Chairman

Re: EXERCISE OF 1999 INCENTIVE STOCK OPTION

Gentlemen:

I hereby exercise the Option granted to me under the Incentive Stock Option Agreement dated ___________________, to purchase ______ shares of Allied Healthcare Products, Inc. common stock, $0.01 par value per share (the "Common Stock"), with respect to _______ shares of Common Stock for an aggregate purchase price of $_________. As consideration for such shares, I have enclosed payment in the amount of $__________.

I understand that I am required to deposit with the Company the amount of federal and/or state income withholding tax arising from such exercise. Upon receipt of this letter, the Company will advise me of the amount of such taxes, and I agree to promptly, and not more than two business days thereafter, deposit the same with the Company.

I agree that failure to deposit the amount of taxes required by the Company within the time required thereby shall render this exercise null and void. I also understand and agree that no shares will be issued until full payment therefor, including any associated taxes, has been made.

Upon your receipt of full payment as aforesaid, please issue in my name and send the certificates representing the shares purchased by my exercise of this Option to me at the address indicated below.

Date:_________________ _______________________________
Optionee, ____________________
____
____
____
Address

EXHIBIT 10.26

ALLIED HEALTHCARE PRODUCTS, INC.

1999 INCENTIVE STOCK PLAN

The 1999 Incentive Stock Plan ("ISP") of Allied Healthcare Products, Inc. (the "Company") is established to encourage eligible employees of the Company, and its subsidiaries to acquire Common Stock in the Company. It is believed that the ISP will (i) stimulate employees' efforts on the Company's behalf, (ii) tend to maintain and strengthen their desire to remain with the Company, (iii) be in the interest of the Company and its Stockholders, (iv) encourage such employees to have a greater personal financial investment in the Company through ownership of its Common Stock, and (v) aid the Company in recruiting and retaining qualified executive employees.

1. ADMINISTRATION

The ISP shall be administered by the Board of Directors of the Company which may delegate power to grant awards to a committee (the "Committee") consisting of two or more Non-Employee Directors as that term is defined in Rule 16b-3 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Board or such Committee is authorized, subject to the provisions of the ISP, to establish such rules and regulations as it deems necessary for the proper administration of the ISP, and to make such determinations and to take such action in connection therewith or in relation to the ISP as it deems necessary or advisable, consistent with the ISP. Except as otherwise provided herein, the Board may delegate some or all of its power and authority hereunder with respect to matters other than the grant of awards to the Chief Executive Officer or to such other senior member of management as the Board deems appropriate; provided, however, that no such delegation shall be applicable with regard to any matter or action affecting an officer subject to Section 16 of the Exchange Act.

For the purpose of this section and all subsequent sections, the ISP shall be deemed to include this plan and any comparable sub-plans established by subsidiaries which, in the aggregate, shall constitute one plan governed by the terms set forth herein.

2. ELIGIBILITY

Regular full-time employees of the Company and its subsidiaries, including officers, whether or not directors of the Company, shall be eligible to participate in the ISP ("Eligible Employees") if designated by the Board or the Committee. Directors who are not regular employees are not eligible. It is intended that awards will be made principally to those employees who are key officers or management employees of the Company or a subsidiary, including employees subject to Section 16 of the Exchange Act, and who are in a position to have significant impact or achievement of the Company's long term objectives.

3. INCENTIVES

Incentives under the ISP may be granted in any one or a combination of (i) Nonqualified Stock Options; (ii) Reload or Stock Appreciation Right features in conjunction with such Nonqualified Options; (iii) Performance Share Awards; and (iv) Restricted Stock Grants (collectively "Incentives") not qualifying for treatment as statutory incentive stock options. All Incentives shall be subject to the terms and conditions set forth herein and to such other terms and conditions as may be established by the Committee. Determinations by the Committee under the ISP including without limitation, determinations of the Eligible Employees, the form, amount and timing of Incentives, the terms and provisions of Incentives, and the agreements evidencing Incentives, need not be uniform and may be made selectively among Eligible Employees who receive, or are eligible to receive, Incentives hereunder, whether or not such Eligible Employees are similarly situated.

4. SHARES AVAILABLE FOR INCENTIVES

(a) Shares Subject to Issuance or Transfer. There is hereby reserved for issuance under the ISP an aggregate of 1,000,000 shares of the Company's Common Stock ("Common Stock).

In the event of a lapse, expiration, termination or cancellation of any Incentive granted under the ISP without the issuance of shares or payment of cash, or if shares are issued under a Restricted Stock Grant hereunder and are reacquired by the Company pursuant to rights reserved upon the issuance thereof, the shares subject to or reserved for such Incentive may again be used for new Incentives hereunder; provided that in no event may the number of shares issued hereunder exceed the total number of shares reserved for issuance.

(b) Limitations on Individual Awards. In any given year, no eligible employee may be granted Incentives covering more than ten percent (10%) of the number of fully-diluted shares of the Company's Common Stock outstanding as of the first business day of the Company's fiscal year.

(c) Recapitalization Adjustment. In the event of a reorganization, recapitalization, stock split, stock dividend, combination of shares, merger, consolidation, rights offering, or any other change in the corporate structure or shares of Common Stock of the Company, the Board of Directors shall (to the extent that the grant or award does not already mandate adjustments) make a corresponding adjustment in the number and kind of shares authorized by the ISP, in the number and kind of shares covered by Incentives granted, and, in the case of Stock Options, in the option price.

5. NON-QUALIFIED STOCK OPTIONS

Non-Qualified Stock Options ("Stock Options") shall be subject to the following terms and conditions and such other terms and conditions as the Board of Directors or Committee may prescribe:

(a) Option Price. The option price per share with respect to each Stock Option shall be not be less than 90% of the fair market value of the Common Stock on the date the Stock Option is granted. During any period in which the Common Stock is listed for trading on a registered national securities exchange or on the NASDAQ National Market System, the fair market value per share of the Company's Common Stock shall be the lower of (i) the last reported sales price on the date of grant or (ii) the average of the high and low reported sales prices on the date of grant. At any other time the fair market value per share of the Company's Common Stock shall be as determined in good faith by Board of Directors of the Company.

(b) Period of Option. The duration of each Stock Option shall be fixed at the time of grant, except that no Stock Option granted shall be exercisable more than ten (10) years after the date so granted.

(c) Payment. The option price shall be payable at the time the Stock Option is exercised in cash, provided, however, that at the discretion of the Company or if provided in connection with the grant of any Stock Option award payment of the exercise price may be made in whole or in part in the form of shares of Common Stock already owned by the grantee (based on the fair market value of the Common Stock on the date the option is exercised as determined in a manner consistent with the establishment of fair market value per share on the date of grant). In addition to payment of the exercise price, the Company may condition the exercise of any Stock Option upon the grantee's deposit with the Company of funds in addition to the exercise price in an amount equal to any federal or state income withholding tax arising from such exercise. No shares shall be issued until full payment therefor, including any associated taxes, has been made. A grantee of a Stock Option shall have none of the rights of a stockholder until the shares are issued.

(d) Exercise of Option. The shares covered by a Stock Option may be purchased in such installments and on such exercise dates as may be provided and set forth in the grant or award. In the absence of any terms so provided, a Stock Option shall vest ratably over its term on an annual basis first becoming exercisable in part on the first anniversary of the date of grant and becoming

exercisable in full on the anniversary of the date of grant next preceding the expiration date of the option. Any shares not purchased on the applicable exercise date may be purchased thereafter at any time prior to the final expiration of the Stock Option. In no event (including those specified in paragraphs (e), (f) and (g) of this section below) shall any Stock Option be exercisable after its specified expiration period.

(e) Termination of Employment. Upon the termination of a Stock Option grantee's employment (for any reason other than retirement, death or termination for deliberate, willful or gross misconduct, or "for cause" as may be defined in any employment or other agreement with such Stock Option grantee), Stock Option privileges shall be limited to the shares which were immediately exercisable at the date of such termination of employment. The Board of Directors and/or Committee may in its discretion provide that any Stock Options outstanding but not yet exercisable as of the termination of employment of a Stock Option grantee may become exercisable in accordance with a schedule to be determined by the Board of Directors or Committee. If a Stock Option grantee's employment is terminated for deliberate, willful or gross misconduct, or for "cause" as may be defined in any employment or other agreement with such Stock Option grantee, as determined by the Company, all rights under the Stock Option shall expire upon receipt of the notice of such termination of employment. Unless otherwise provided in the award of a Stock Option, any exercisable portion of such Stock Option shall lapse and expire upon the earlier to occur of: (i) the stated expiration date of such option, or (ii) thirty days after the date of any such termination of employment.

(f) Retirement. Upon retirement of the Stock Option grantee, Stock Option privileges shall be limited to those shares immediately exercisable at the date of retirement. The Board of Directors or Committee, however, in its discretion, may provide that any Stock Options outstanding but not yet exercisable upon the retirement of the Stock Option grantee may become exercisable in accordance with a schedule to be determined by the Board of Directors or the Committee. Stock Option privileges shall expire unless exercised within such period of time as may be established by the Board of Directors or the Committee . Unless otherwise provided in the award of a Stock Option, any exercisable portion of such Stock Option shall lapse and expire upon the earlier to occur of (i) the stated expiration date of such option or (ii) 180 days after the date of any such retirement.

(g) Death. Upon the death of a Stock Option grantee, Stock Option privileges shall be limited to those shares which were immediately exercisable at the time of death. The Board of Directors, however, in its discretion, may provide that any Stock Options outstanding but not yet exercisable upon the death of a Stock Option grantee may become exercisable in accordance with a schedule to be determined by the Board of Directors. Such privileges shall expire unless exercised by legal representatives within a period of time as determined by the Board of Directors but in no event later than the date of the expiration of the Stock option. Unless otherwise provided in the award of a Stock Option, any exercisable portion of such Stock Option shall lapse and expire upon the earlier to occur of (i) the stated expiration date of such option or (ii) ten months after the date of death of the employee.

(h) Acceleration of Vesting and other rights following a Change of Control. Any Stock Option granted or awarded pursuant to this Plan may provide that it will become exercisable in full in the event of a Change of Control of the Company as may be defined in such grant or award. In the event of an exercise of the Stock Option subsequent to a Change of Control (whether or not such Change of Control has resulted in acceleration of vesting) the holder of a Stock Option may elect in lieu of exercising the option for cash as provided herein to receive from the Company in cash an amount equal to the amount by which the fair market value exceeds the exercise price, reduced by the amount of any withholding taxes required to be collected by the Company as a result of such exercise.

(i) Forfeiture of Certain Option Benefits. Unless otherwise provide in connection with the grant or award of a Stock Option, the Company shall have the right to repurchase shares of its Common Stock acquired upon exercise of a Stock Option at a price equal to the exercise price per share in the event that the employee holding such shares shall, within six months of terminating employment with the Company, commences employment which the Board of Directors reasonably believes, in its discretion, to be competitive with the Company or in violation

of any employment or other agreement between the Company and such employee, provided, however, that (i) such repurchase right shall only be applicable to shares acquired upon exercise of the Stock Option occurring on or after a date which is six months prior to such grantee's termination of employment with the Company and (ii) such right of repurchase shall not be applicable with respect to shares of the Company's Common Stock acquired upon exercise of a Stock Option if the termination of employment occurred at the election of the employee following a "change of control" of the Company pursuant to rights granted to such employee under a written employment agreement or in the terms of the option grant or award.

(j) Reload Provisions. Any Stock Option which by its terms includes provisions permitting the exercise of the option by means of an exchange of previously-owned shares of the Company's common Stock held by the optionee may also include so-called "reload provisions" resulting in the grant of a new option to the employee covering a number of shares of the Company's Common Stock equal to the number of shares of stock surrendered to the Company in connection with such exchange exercise; having a price per share for such new option equal to the fair market value per share of the shares so surrendered as of the date of such surrender and expiring as of the later of five years following the date of such exchange exercise or the date upon which the original option expires. The rights under such "reload option" shall vest immediately but all terms of such option shall (other than price, number of shares and vesting) be consistent with the terms of the original option.

(k) Tandem Stock Appreciation Right Provisions. The Company may include with any Stock Option granted hereunder so-called tandem stock appreciation rights allowing the optionee to receive, in lieu of the exercise of such option, the value of the option as evidenced by the amount by which the fair market value exceeds the exercise price. In connection with the grant of any such tandem stock appreciation rights, the option grant shall specify whether such right (if exercised) shall be payable in cash or in shares of the Company's Common Stock or in a combination thereof.

6. PERFORMANCE SHARE AWARDS

The Company may grant awards under which payment may be made in shares of Common Stock, cash or any combination of shares and cash if the performance of the Company or any subsidiary or division of the Company selected by the Committee during the Award Period meets certain goals established by the Board of Directors or Committee ("Performance Share Awards"). Such Performance Share Awards shall be subject to the following terms and conditions and such other terms and conditions as the Board of Directors or Committee may prescribe:

(a) Award Period and Performance Goals. The Company shall determine and include in a Performance Share Award grant the period of time for which a Performance Share Award is made ("Award Period"). The Company shall also establish performance objectives ("Performance Goals") to be met by the Company, subsidiary or division during the Award Period as a condition to payment of the Performance Share Award. The Performance Goals may include earnings per share, return on stockholder equity, return on assets, net income, or any other financial or other measurement established by the Company. The Performance Goals may include minimum and optimum objectives or a single set of objectives.

(b) Payment of Performance Share Awards. The Company shall establish the method of calculating the amount of payment to be made under a Performance Share Award if the Performance Goals are met, including the fixing of a maximum-payment. The Performance Share Award shall be expressed in terms of shares of Common Stock and referred to as "Performance Shares". After the completion of an Award Period, the performance of the Company, subsidiary or division shall be measured against the Performance Goals, and Board of Directors or the Committee shall determine whether all, none or any portion of a Performance Share Award shall be paid. The Committee, in its discretion, may elect to make payment in shares of Common Stock, cash or a combination of shares and cash. Any cash payment shall be based on the fair market value of Performance Shares on, or as soon as practicable prior to, the date of payment.

(c) Revision of Performance Goals. At any time prior to the end of an Award Period, the Committee may revise the Performance Goals and the computation of payment if unforeseen events occur which have a substantial effect on the

performance of the Company, subsidiary or division and which in the judgment of the Board of Directors or the Committee make the application of the Performance Goals unfair unless a revision is made.

(d) Requirement of Employment. A grantee of a Performance Share Award must remain in the employment of the Company until the completion of the Award Period in-order to be entitled to payment under the Performance Share Award; provided that the Board of Directors or the Committee may, in its sole discretion, provide for a partial payment where such an exception is deemed equitable.

(e) Dividends. The Board of Directors or the Committee may, in its discretion, at the time of the granting of a Performance Share Award, provide that any dividends declared on the Common Stock during the Award Period, and which would have been paid with respect to Performance Shares had they been owned by a grantee, be (i) paid to the grantee, or (ii) accumulated for the benefit of the grantee and used to increase the number of Performance Shares of the grantee

7. RESTRICTED STOCK GRANTS

The Board of Directors or the Committee may issue shares of Common Stock to A grantee which shares shall be subject to the following terms and conditions and such other terms and conditions as the Committee may prescribe ("Restricted Stock Grant"):

(a) Requirement of Employment. A grantee of a Restricted Stock Grant must remain in the employment of the Company during a period designated by the Committee ("Restriction Period"). If the grantee leaves the employment of the Company prior to the end of the Restriction Period, the Restricted Stock Grant shall terminate and the shares of Common Stock shall be returned immediately to the Company, provided that the Committee may, at the time of the grant, provide for the employment restriction to lapse with respect to a portion or portions of the Restricted Stock Grant at different times during the Restriction Period. The Board of Directors or the Committee may, in its discretion, also provide for such complete or partial exceptions to the employment restriction as it deems equitable.

(b) Restrictions on Transfer and Legend on Stock Certificates. During the Restriction Period, the grantee may not sell, assign, transfer, pledge, or otherwise dispose of the shares of Common Stock except to a successor under Section 9 hereof. Each certificate for shares of Common Stock issued hereunder shall contain a legend giving appropriate notice of the restrictions in the grant.

(c) Escrow Agreement. The Company may require the grantee to enter into an escrow agreement providing that the certificates representing the Restricted Stock Grant will remain in the physical custody of an escrow holder until all restrictions are removed or expire.

(d) Lapse of Restrictions. All restrictions imposed under the Restricted Stock Grant shall lapse upon the expiration of the Restriction Period if the conditions as to employment set forth above have been met. The grantee shall then be entitled to have the legend removed from the certificates.

(e) Dividends. The Board of Directors or Committee may, in its discretion, at the time of the Restricted Stock Grant, provide that any dividends declared on the Common Stock during the Restriction Period shall either be (i) paid to the grantee, or (ii) accumulated for the benefit of the grantee and paid to the grantee only after the expiration of the Restriction Period.

8. DISCONTINUANCE OR AMENDMENT OF THE PLAN.

The Board of Directors may discontinue the ISP at any time and may from time to time amend or revise the terms of the ISP as permitted by applicable statutes except that it may not revoke or alter, in a manner unfavorable to the grantees of any Incentives hereunder, any Incentives then outstanding, nor may the Board amend the ISP without stockholder approval, if the effect of such amendment or absence of such stockholder approval would cause the Plan to fail

to comply with Rule 16b-3 under the Exchange Act, or any other requirement of applicable law or regulation. No incentive shall be granted under the ISP after June 30, 2009 but Incentives granted theretofore may extend beyond that date.

9. NONTRANSFERABILITY

Each Incentive granted under the ISP shall not be transferable other than by will or the laws of descent and distribution, and with respect to Stock Options, shall be exercisable, during the grantee's lifetime, only by the grantee or the grantee's guardian or legal representative.

10. NO RIGHT OF EMPLOYMENT

ISP and the Incentives granted hereunder shall not confer upon any Eligible Employee the right to continued employment with the Company or affect in any way the right of the Company to terminate the employment of an Eligible Employee at any time and for any or no reason.

11. TAXES

The Company shall be entitled to withhold the amount of any tax attributable to any amount payable or shares deliverable under the ISP after giving the person entitled to receive such amount or shares notice as far in advance as practicable and may condition delivery of certificates evidencing shares awarded or purchased under the ISP upon receipt of funds to effect such withholding.

12. LISTING AND REGISTRATION OF THE SHARES

Each option issued hereunder shall be subject to the requirement that if at any time the Company shall determine that the listing, registration or qualification of the shares subject to the option upon any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the granting of such option or the issue or purchase of shares thereunder, such option may not be exercised in whole or in part unless and until such listing, registration, qualification consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee. In the absence of any such registration or qualification the Company may place the following legend on the certificates representing any shares issued under this Plan.

"THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AS AMENDED OR APPLICABLE STATE SECURITIES LAWS AND MAY NOT BE TRANSFERRED WITHOUT AN OPINION OF COUNSEL SATISFACTORY IN FORM AND SUBSTANCE TO THE COMPANY THAT SUCH TRANSFER MAY BE LAWFULLY EFFECTED IN THE ABSENCE OF SUCH REGISTRATION."

13. EFFECTIVE DATE

The Plan shall be effective as of July 15, 1999.

EXHIBIT 13

Dear Shareholders:

Allied's results for 1999 were very disappointing and our new senior management team enters the 2000 fiscal year ready to take on the difficult challenges that the company must overcome. Very clearly, we need to take action to deliver the value that you, our owners, deserve.

KEY ACHIEVEMENTS AND CHALLENGES IN 1999

A number of events and developments had an impact-positive and negative-on Allied's performance during fiscal 1999. Some of the most significant achievements and challenges during the year included:

- B&F MEDICAL RELOCATION-Early in fiscal 1999, Allied began moving production of B&F Medical home care products to St. Louis. The move resulted in an after-tax charge of $0.5 million, or 6 cents per share, in the first quarter. In addition, difficulties associated with the move created shipping delays that affected home care product sales and cost savings were not realized.

- LSP OXYGEN REGULATORS-In cooperation with the U.S. Food and Drug Administration, Allied voluntarily recalled all aluminum oxygen regulators sold under the Life Support Products (LSP) brand. To cover costs associated with the recall, Allied took an after-tax charge of $0.9 million, or 12 cents per share, in the second quarter of fiscal 1999. Shipments of new LSP regulators were also halted in conjunction with the February 1999 recall, which affected current revenues until a new all-brass regulator was introduced in May.

- PREMIER AGREEMENT-Allied signed an important agreement with Premier, Inc., effective June 1, 1999, that makes the company one of two exclusive providers of medical gas construction products for the approximately 1,700 hospitals and healthcare systems that are part of Premier. The agreement with Premier could generate $12 million to $15 million in revenue for Allied over the contract's three-year period.

- HSI SALE-In June, Allied sold its underperforming Hospital Systems Inc. (HSI) division, which manufactures pre-fabricated headwall units used by medical facilities when remodeling patient rooms and intensive care areas. This sale allows Allied to focus on maintaining and expanding its strong market presence in the respiratory care, medical gas and emergency medical products segments.

- NEW MANAGEMENT AND BOARD MEMBERS-During fiscal 1999 and immediately after the end of the year, Allied experienced changes in several key senior management and board positions. John D. Weil was named chairman of Allied's board following the untimely death of Dennis Sheehan in late March. In August 1999, Earl R. Refsland, was named president, chief executive officer and a director of the company, replacing Uma N. Aggarwal, who resigned in July. Mr. Refsland was previously president and CEO of Allied from 1986 to 1993. Finally, Thomas A. Jenuleson joined the company as chief financial officer in March.

1999 FINANCIAL PERFORMANCE

Allied reported revenues of $72.8 million for the fiscal year ended June 30, 1999, compared to revenues of $96.5 million in fiscal 1998. Allied's loss for fiscal 1999 was $4.1 million, or 53 cents per share, versus a loss of $7.4 million, or 95 cents per share, in fiscal 1998.

Approximately $10.4 million of the revenue decrease is attributable to fiscal 1998 revenues generated by Bear Medical prior to its sale in October 1998. Home care product sales in fiscal 1999 suffered due to the B&F relocation, emergency product sales were hurt by the LSP oxygen regulator recall and sales of headwall units manufactured by Allied's HSI division were down throughout the year.

Allied's results in fiscal 1999 were affected by several one-time events, including provisions for the B&F relocation and the LSP oxygen regulator recall. Likewise, the company recorded several non-recurring items in fiscal 1998, including a gain on the sale of Bear Medical Systems and its subsidiary BiCore Monitoring Systems, a large tax provision on this gain and charges recorded for the impairment of goodwill.

Allied's after-tax net loss for the fiscal year ended June 30, 1999, excluding one-time items, was $2.8 million, or 36 cents per share. In fiscal 1998 the company reported a net loss of $2.0 million, or 26 cents per share, when the impact of all non-recurring items and the contributions of Bear Medical are excluded.

Without question, the deteriorating operating performance and one-time events have had a detrimental effect on the company's results. Allied's senior management, our board and the entire Allied team is committed to taking decisive action to address the challenges we face and earn the confidence of our shareholders.

Sincerely,

/s/ Earl R. Refsland /s/ John D. Weil

Earl R. Refsland
President and Chief Executive Officer

John D. Weil
Chairman

[GRAPHIC OMITED]

FINANCIAL HIGHLIGHTS

(Dollars in thousands, except per share data)
For years ended June 30

	1999	1998	1997
OPERATING RESULTS			
Net sales	$72,799	$96,467	$118,118
Operating income (loss)	(4,030)	6,503	1,843
Income (loss) before income taxes and extraordinary items			
rdinary items	(5,991)	2,153	(5,949)
Net loss	(4,118)	(7,396)	(4,521)
Net loss as a % of sales	5.7%	7.7%	3.8%
FINANCIAL POSITION			
Working capital	$22,619	$21,308	$ 18,743
Total assets	74,275	80,180	126,343
Total debt	17,238	18,415	46,932
Shareholders equity	47,919	52,037	59,365
Current ratio	3.30:1	2.67:1	1.57:1
PER SHARE DATA			
Net loss	$ (0.53)	$ (0.95)	$ (0.58)
Book Value	6.14	6.67	7.61

EXECUTIVE OFFICERS

Earl R. Refsland
President and Chief Executive Officer

David A. Grabowski
Vice President-Sales and Marketing

Thomas A. Jenuleson
Vice President-Finance
Chief Financial Officer, Secretary and Treasurer

Gabriel S. Kohn
Vice President-Engineering

FORM 10-K

A copy of the annual report on Form 10-K for the year ended June 30, 1999, which was submitted by Allied Healthcare Products, Inc. to the Securities and Exchange Commission, is included with this letter. Additional copies can be obtained by any shareholder of the company, at no charge, upon request in writing to:

INVESTOR RELATIONS
Allied Healthcare Products, Inc.
1720 Sublette Avenue
St. Louis, Missouri 63110
(314) 771-2400
Fax: (314) 771-0650

EXHIBIT 21

Companies owned by Allied Healthcare Products, Inc. as follows:

Parent Co./Allied Healthcare Product, Inc.
B&F Medical Products, Inc.
Life Support Products
Omni-Tech Medical, Inc.

EXHIBIT 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-8 (Nos. 33-99960, 33-86019, 33-45147, 33-45146 and 333-16489) of Allied Healthcare Products, Inc. of our report dated August 7, 1998, except for Note 14 which is as of September 8, 1998, appearing in the 1998 Annual Report to Shareholders of Allied Healthcare Products, Inc. on Form 10-K (which report and consolidated financial statements are included herein). We also consent to the incorporation by reference of our report on the Financial Statement Schedule, which appears on page S-1 of this Form 10-K.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

St. Louis, Missouri
September 21, 1998
AHP8-CON.DOC - 01653-001-1
AHP8-CON.DOC - 01653-001-1

EXHIBIT 24

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that the person whose signature appears below constitutes and appoints each of the Chief Executive Officer and Chief Financial Officer of Allied Healthcare Products, Inc. as his true and lawful attorney-in-fact and agent, each with full power of substitution, for him and in his name, place and stead, in any and all capacities, to sign the 1999 Annual Report on Form 10-K of Allied Healthcare Products, Inc., and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto each said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite as fully to all intents and purposes as he might or could do in person, and ratifying and confirming all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

/s/ Brent D. Baird

Brent D. Baird

Date: July 14, 1999.

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that the person whose signature appears below constitutes and appoints each of the Chief Executive Officer and Chief Financial Officer of Allied Healthcare Products, Inc. as his true and lawful attorney-in-fact and agent, each with full power of substitution, for him and in his name, place and stead, in any and all capacities, to sign the 1999 Annual Report on Form 10-K of Allied Healthcare Products, Inc., and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto each said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite as fully to all intents and purposes as he might or could do in person, and ratifying and confirming all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

/s/ David A. Gee

David A. Gee

Date: July 15, 1999.

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that the person whose signature appears below constitutes and appoints each of the Chief Executive Officer and Chief Financial Officer of Allied Healthcare Products, Inc. as his true and lawful attorney-in-fact and agent, each with full power of substitution, for him and in his name, place and stead, in any and all capacities, to sign the 1999 Annual Report on Form 10-K of Allied Healthcare Products, Inc., and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto each said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite as fully to all intents and purposes as he might or could do in person, and ratifying and confirming all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

/s/ James B. Hickey, Jr.

James B. Hickey, Jr.

Date: August 3, 1999.

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that the person whose signature appears below constitutes and appoints each of the Chief Executive Officer and Chief Financial Officer of Allied Healthcare Products, Inc. as his true and lawful attorney-in-fact and agent, each with full power of substitution, for him and in his name, place and stead, in any and all capacities, to sign the 1999 Annual Report on Form 10-K of Allied Healthcare Products, Inc., and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto each said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite as fully to all intents and purposes as he might or could do in person, and ratifying and confirming all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

/s/ Robert E. Lefton

Robert E. Lefton

Date: July 15, 1999.

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that the person whose signature appears below constitutes and appoints each of the Chief Executive Officer and Chief Financial Officer of Allied Healthcare Products, Inc. as his true and lawful attorney-in-fact and agent, each with full power of substitution, for him and in his name, place and stead, in any and all capacities, to sign the 1999 Annual Report on Form 10-K of Allied Healthcare Products, Inc., and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto each said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite as fully to all intents and purposes as he might or could do in person, and ratifying and confirming all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

/s/ Dr. William Peck

Dr. William Peck

Date: July 22, 1999.

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that the person whose signature appears below constitutes and appoints each of the Chief Executive Officer and Chief Financial Officer of Allied Healthcare Products, Inc. as his true and lawful attorney-in-fact and agent, each with full power of substitution, for him and in his name, place and stead, in any and all capacities, to sign the 1999 Annual Report on Form 10-K of Allied Healthcare Products, Inc., and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto each said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite as fully to all intents and purposes as he might or could do in person, and ratifying and confirming all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

/s/ Earl R. Refsland

Earl R. Refsland

Date: August 30, 1999.

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that the person whose signature appears below constitutes and appoints each of the Chief Executive Officer and Chief Financial Officer of Allied Healthcare Products, Inc. as his true and lawful attorney-in-fact and agent, each with full power of substitution, for him and in his name, place and stead, in any and all capacities, to sign the 1999 Annual Report on Form 10-K of Allied Healthcare Products, Inc., and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto each said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite as fully to all intents and purposes as he might or could do in person, and ratifying and confirming all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

/s/ John Weil

John Weil

Date: July 12, 1999.

WARNING: THE EDGAR SYSTEM ENCOUNTERED ERROR(S) WHILE PROCESSING THIS SCHEDULE.

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ALLIED HEALTHCARE PRODUCTS, INC. Article 5 of Regulation S-X

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