

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-K

(Mark One)

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

For the fiscal year June 30, 2020

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:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$.01	AHPI	The NASDAQ Capital Market LLC

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: None

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

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

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

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

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

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

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

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

As of December 31, 2019, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the voting stock held by non-affiliates of the Registrant was approximately \$3,112,660. All executive officers and directors of the registrant and all persons filing a Schedule 13D with the Securities and Exchange Commission in respect to registrant's common stock have been deemed, solely for the purpose of the foregoing calculation, to be "affiliates" of the registrant.

As of September 16, 2020, there were 4,013,537 shares of common stock, \$0.01 par value (the “Common Stock”), outstanding.

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**DOCUMENTS INCORPORATED BY REFERENCE**  
Proxy Statement to be filed within 120 days after June 30, 2020 (portion) (Part III)

**ALLIED HEALTHCARE PRODUCTS, INC.**

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“SAFE HARBOR” STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION  
REFORM ACT OF 1995

*Statements contained in this Report, which are not historical facts or information, are “forward-looking statements.” Words such as “believe,” “expect,” “intend,” “will,” “should,” and other expressions that indicate future events and trends identify such forward-looking statements. These forward-looking statements involve risks and uncertainties, which could cause the outcome and future results of operations and financial condition to be materially different than stated or anticipated based on the forward-looking statements. Such risks and uncertainties include both general economic risks and uncertainties, risks and uncertainties affecting the demand for and economic factors affecting the delivery of health care services, impacts of the U.S. Affordable Care Act, our recent history of net losses and negative cash flow, the COVID-19 pandemic, and other specific matters which relate directly to the Company’s operations and properties as discussed in Items 1, 1A, 3 and 7 of this Report. The Company cautions that any forward-looking statements contained in this report reflect only the belief of the Company or its management at the time the statement was made. Although the Company believes such forward-looking statements are based upon reasonable assumptions, such assumptions may ultimately prove inaccurate or incomplete. The Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement was made. Readers should carefully review all disclosures we file from time to time with the Securities and Exchange Commission which are available on our website at [www.alliedhpi.com](http://www.alliedhpi.com) under “Financial/SEC Filings.”*

PART I

**Item 1. Business**

**General**

Allied Healthcare Products, Inc. (“Allied”, the “Company”, “we”, or “us”) 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’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

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 2020, respiratory care products, medical gas equipment and emergency medical products represented approximately 27%, 48% and 25%, respectively, of the Company's net sales. In comparison, in fiscal 2019, respiratory care products, medical gas equipment and emergency medical products represented approximately 29%, 51%, and 20%, 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
<b>Respiratory Care Products</b>			
Respiratory Care/Anesthesia Products	Large volume compressors; ventilator calibrators; humidifiers and mist tents; and carbon dioxide absorbent	Timeter®; Carbolime®; Litholyme®	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
<b>Medical Gas Equipment</b>			
Construction Products	In-wall medical gas system components; central station 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 homecare products
<b>Emergency Medical Products</b>			
Respiratory/Resuscitation	Demand resuscitation valves; bag mask resuscitators; emergency transport ventilators, oxygen regulators, SurgeX - surge suppressing post valve, mass casualty ventilation line, and the AHP300 Ventilator	LSP; Omni-Tech®; Allied	Emergency service providers
Trauma and Patient Handling Products	Spine immobilization products; pneumatic anti-shock garments, trauma burn kits and Xtra backboards	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. 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, and by contract sales with national chains.

**Respiratory Care/Anesthesia Products.** The Company manufactures and sells a broad range of products for use in respiratory care and anesthesia delivery, including carbon dioxide absorbents. These products include large volume air compressors, calibration equipment, humidifiers, croup tents, equipment dryers and a complete line of respiratory disposable products such as oxygen tubing, facemasks, cannulas and ventilator circuits.

**Home Respiratory Care Products.** Allied's broad line of home respiratory care products include aluminum oxygen cylinders, oxygen regulators, pneumatic nebulizers, portable suction equipment and a full line of respiratory disposable products.

## **Medical Gas Equipment**

**Market.** The market for 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, 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.

The Company's construction products are sold primarily to hospitals, alternate care settings and hospital construction contractors. The Company believes that these products are installed in more than three thousand hospitals in the United States. 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.

**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.

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 includes 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.

## Emergency Medical Products

**Market.** Emergency medical products are used in the treatment of trauma-induced injuries. The Company's emergency medical products provide patient resuscitation or ventilation during cardiopulmonary resuscitation or respiratory distress as well as immobilization and treatment for burns. The Company expects that additional 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 to ambulance companies, fire departments and emergency medical systems volunteer organizations.

The emergency medical products are broken down into two categories: 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.

The Company's transport and mass casualty ventilation line has been designed to meet the unique ventilation demands that affect everyday inter-hospital and intra-hospital transport scenarios, and amplify exponentially during a mass casualty event or pandemic. Our ventilators for transport and mass casualty are rugged, easy to operate, and capable of providing reliable ventilation even in unpredictable environments and conditions. Additionally, they are affordable to purchase and require little periodic maintenance, minimizing the cost of ownership over time.

To complement the family of respiratory/resuscitation products, the Company offers a full line of oxygen product 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 hospitals, hospital equipment dealers, hospital construction contractors, home health care dealers, emergency medical products dealers and others. The Company maintains a sales force of 12 sales professionals, all of whom are full-time employees of the Company.

The sales force includes four domestic hospital, homecare and emergency specialists, three domestic construction specialists, and three international sales representatives. A total of two sales managers lead the sales groups.

The domestic hospital specialists are responsible for sales of all Allied products with the exception of construction products within their territory. Sales of hospital products are accomplished through respiratory care/anesthesia distributors for the regulation devices, suction equipment, respiratory care/anesthesia products and disposable cylinders. The domestic construction specialists are responsible for sales of all Allied construction products within their territory. Emergency products are principally sold to ambulance companies, fire departments and emergency medical systems volunteer organizations through specialized emergency medical products distributors.

Construction products are sold direct to hospital construction contractors and through distributors.

The Company's international specialists sell all Allied products within their territory. Allied's net sales to foreign markets totaled 27% of total net sales in fiscal 2020, 25% in 2019 and 24% in 2018. International sales are made through a network of dealers, 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, plastics manufacturing, and chemical processing with automated packaging. 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 and computer controlled machining centers. 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. In its chemical process, the Company utilizes mixing, drying, and sizing equipment. 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 the conditions in local labor markets should permit the implementation of additional shifts and days operated.

## **Research and Development**

Allied Healthcare Products' research and development group is responsible for the development of new products. This group is staffed with mechanical and electrical engineers.

During fiscal year 2020 the research and development group worked on developing a new product slated for release in 2021. It also supported the production ramp up of the AHP300 and EPV200 ventilators.

## **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 into 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 devices' safety or effectiveness or make a major change or modification in the devices' intended uses and, accordingly, submission of new 510(k) notification to the FDA is not required. There can be no assurance, however, that the 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 Medical Device Reporting regulation requires that the Company provide information to the 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, some of which are permanently implantable devices. The regulation requires that the method adopted by the Company will ensure 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, the 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.

The Company's medical device manufacturing facilities are registered with the FDA, and have received ISO 9001 certification under the Medical Device Directive (MDD - European) for certain products in 1998, and ISO 13485 certification in 2002. The Company's St. Louis facility is ISO 9001:2008 certified and ISO13485:2003 certified. The Company's Stuyvesant Falls facility is ISO13485:2003 certified. The Company is subject to audit by the FDA, International Organization for Standardization ("ISO"), and European auditors for compliance with the Good Manufacturing Practices ("GMP"), the ISO, CMDCAS, 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.

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, and maintain, such approvals could adversely affect the Company's ability to market its products or 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 generally require CE certification. The letters "CE" are an abbreviation of Conformité Européenne, French for European conformity. 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 is also 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.

### **Patents, Trademarks and Proprietary Technology**

The company owns and maintains domestic and foreign patents on several products it believes are useful to the business and provided the Company with an advantage over its competitors. The company continues to seek U.S. and foreign patents on the EPV200 and AHP300 ventilators.

Patents which will expire in the period of 2020 to 2037 in the aggregate are believed to be of material importance in the operation of Allied's business. Allied believes no single patent, except that related to Litholyme®, is material in relation to Allied's future business as a whole. Although the expiration of an individual patent may lead to increased competition, other factors such as a competitor's need to obtain regulatory approvals prior to marketing a competitive product and the nature of the market, may allow Allied to continue to have commercial advantages after the expiration of the patent.

The company owns and maintains U.S. trademarks for Allied Healthcare Products Inc., Chemetron®, Gomco®, Oxequip®, Lif-O-Gen®, Life Support Products®, Timeter®, Vacutron® and Schuco®, its principle 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.

### **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 cleanup of hazardous waste. See Item 3. Legal Proceedings for a discussion of the Company's remediation obligations at its Stuyvesant Falls facility.

### **Competition**

The Company has different competitors within each of its product lines. Many of the Company's principal competitors are larger than the Company and have greater financial and other resources. 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, 2020, the Company had approximately 218 full-time employees. Approximately 139 employees in the Company's principal manufacturing facility located in St. Louis, Missouri, are covered by a collective bargaining agreement that will expire on May 31, 2021.

## Information about our Executive Officers

This section provides information regarding the executive officers of the Company who are appointed by and serve at the pleasure of the Board of Directors:

Name	Age	Position
Earl R. Refsland	77	Director, President and Chief Executive Officer (1)
Andrew D. Riley	43	Vice President of Operations (2)
Daniel C. Dunn	60	Vice President of Finance, Chief Financial Officer, Secretary & Treasurer (3)

- (1) Mr. Refsland has been Director, President and Chief Executive Officer of the Company since September, 1999.
- (2) Mr. Riley served as Vice President of Operations from July 2014 until June 15, 2020, when he tendered his resignation. The Company has engaged in a search to fill this position.
- (3) Mr. Dunn has been Vice President — Finance, Chief Financial Officer, Secretary and Treasurer since July, 2001. He previously held the position of Director of Finance at MetalTek International from 1998 to 2001. Prior to that time, Mr. Dunn held the position of Corporate Controller at Allied Healthcare Products, Inc. from 1994 to 1998.

### Item 1A. Risk Factors

The Company's business, operations and financial condition are subject to various risks and uncertainties. You should carefully consider the risks and uncertainties described below, together with all of the other information in this annual report on Form 10-K and in the Company's other filings with the Securities and Exchange Commission ("SEC") before making any investment decision with respect to the Company's securities. The risks and uncertainties described below may not be the only ones the Company faces. Additional risks and uncertainties not presently known by the Company or that the Company currently deems immaterial may also affect the Company's business. If any of these known or unknown risks or uncertainties actually occur or develop, the Company's business, financial condition, and results of operations could change.

#### *We participate in a highly competitive environment.*

The medical device industry is characterized by rapid technological change, changing customer needs and frequent new product introductions. Our products may be rendered obsolete as a result of future innovations. We face intense competition from other manufacturers. Some of our competitors may be larger than we are and may have greater financial, technical, research, marketing, sales, distribution and other resources than we do. We believe that price competition will continue among products developed in our markets. Our competitors may develop or market technologies and products that are more effective or commercially attractive than any we are developing or marketing. Our competitors may succeed in obtaining regulatory approval and introducing or commercializing products before we do. Such developments could have a significant negative effect on our business, financial condition and results of operations. Even if we are able to compete successfully, we may not be able to do so in a profitable manner.

#### *Decreased availability or increased costs of raw materials could increase our costs of producing our products.*

We purchase raw materials, fabricated components and services from a variety of suppliers. Raw materials such as brass, plastics, and calcium hydroxide are considered key raw materials. We believe that our relationships with our suppliers are satisfactory and that alternative sources of supply are readily available. From time to time, however, the prices and availability of these raw materials fluctuate due to global market demands, which could impair the company's ability to procure necessary materials, or increase the cost of such materials. Inflationary and other increases in costs of these raw materials have occurred in the past and may recur from time to time. In addition, freight costs associated with shipping and receiving product and sales are impacted by fluctuations in the cost of oil and gas.

While the recent imposition of tariffs on steel and aluminum have not had material impacts on prices for our raw materials, continuation or expansion of these tariffs could result in material increases in our costs. A reduction in the supply or increase in the cost of those raw materials could impact our ability to manufacture our products and could increase the cost of production.

#### *Changes in third party reimbursement could negatively impact our revenues and profitability.*

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 we do not receive payments for our products directly from these programs, home respiratory care providers and durable medical equipment suppliers, who are the primary customers for several of our products, depend heavily on payments from Medicare, Medicaid and private insurers as a major source of revenues. In addition, sales of certain of our 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 renovation costs through Medicare and Medicaid reimbursements. In recent years, governmentally imposed limits on reimbursement to hospitals and other health care providers have impacted spending for services, consumables and capital goods. 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 our products.

***Our success depends upon the development of new products and product enhancements, which entails considerable time and expense.***

To effectively compete, we must be able to invest in the development of new products to add to our product portfolio and on the development of enhancements to our existing products. Product development involves substantial expense and we cannot be certain that a completed product will generate sufficient revenue for our business to justify the resources that we devote to research and development related to such product. The time and expense required to develop new products and product enhancements is difficult to predict and we cannot assure you that we will succeed in developing, introducing and marketing new products and product enhancements. Our operating losses and negative cash flow impede our ability to invest in the development of new products and enhancements to existing products. Our inability to successfully develop and introduce new or enhanced products on a timely basis or at all, or to achieve market acceptance of such products, could materially impair our business.

***We are dependent on adequate protection of our patent and proprietary rights.***

We rely on patents, trade secrets, trademarks, copyrights, know-how, license agreements and contractual provisions to establish and protect our intellectual property rights. However, these legal means afford us only limited protection and may not adequately protect our rights or remedies to gain or keep any advantages we may have over our competitors. We cannot assure you that others may not independently develop the same or similar technologies or otherwise obtain access to our technology and trade secrets. Our competitors, many of which have substantial resources and may make substantial investments in competing technologies, may apply for and obtain patents that will prevent, limit, or interfere with our ability to manufacture or market our products. Further, while we do not believe that any of our products or processes interfere with the rights of others, third parties may nonetheless assert patent infringement claims against us in the future.

Costly litigation may be necessary to enforce patents issued to us, to protect trade secrets or know-how we own, to defend us against claimed infringement of the rights of others or to determine the ownership, scope, or validity of our proprietary rights and the rights of others. Any claims of infringement against us may involve significant liabilities to third parties, could require us to seek licenses from third parties, and could prevent or delay us from manufacturing, selling, or using our products. The occurrence of such litigation or the effect of an adverse determination in any of this type of litigation could have a material adverse effect on our business, financial condition and results of operations.

***Our business of manufacturing, marketing, and selling of medical devices involves the risk of liability claims and such claims could seriously harm our business, particularly if our insurance coverage is inadequate.***

Our business exposes us to potential product liability claims that are inherent in the testing, production, marketing and sale of medical devices. Like other participants in the medical device market, we are from time to time involved in lawsuits, claims and proceedings alleging product liability and related claims such as negligence. If any current or future product liability claims become substantial, our reputation could be damaged significantly, thereby harming our business. We may be required to pay substantial damage awards as a result of any successful product liability claims. Any product liability claim against us, whether with or without merit, could result in costly litigation, and divert the time, attention, and resources of our management.

As a result of our exposure to product liability claims, we currently carry product liability insurance covering our products with policy limits per occurrence and in the aggregate that we have deemed to be sufficient. Our insurance may not cover certain product liability claims or our liability for any claims may exceed our coverage limits. Therefore, we cannot predict whether this insurance is sufficient, or if not, whether we will be able to obtain sufficient insurance to cover the risks associated with our business or whether such insurance will be available at premiums that are commercially reasonable. In addition, these insurance policies must be renewed annually. Although we have been able to obtain liability insurance, such insurance may not be available in the future on acceptable terms, if at all. A successful claim against us or settlement by us with respect to uninsured liabilities or in excess of our insurance coverage, or our inability to maintain insurance in the future, or any claim that results in significant costs to or adverse publicity against us, could have a material adverse effect on our business, financial condition and results of operations.

***We are subject to substantial domestic and international government regulation, including regulatory quality standards applicable to our manufacturing and quality processes. Failure by us to comply with these standards could have an adverse effect on our business, financial condition or results of operations.***

The FDA regulates the approval, manufacturing, and sales and marketing of many of our products in the U.S. Significant government regulation also exists in Canada, Japan, Europe, and other countries in which we conduct business. As a device manufacturer, we are required to register with the FDA and are subject to periodic inspection by the FDA for compliance with the FDA's Quality System Regulation ("QSR") requirements, which require manufacturers of medical devices to adhere to certain regulations, including testing, quality control and documentation procedures. In addition, the federal Medical Device Reporting regulations require us to provide information to the FDA whenever there is evidence that reasonably suggests that a device may have caused or contributed to a death or serious injury or, if a malfunction were to occur, could cause or contribute to a death or serious injury. Compliance with applicable regulatory requirements is subject to continual review and is rigorously monitored through periodic inspections by the FDA. In the European Community, we are required to maintain certain ISO certifications in order to sell our products and must undergo periodic inspections by notified bodies to obtain and maintain these certifications. Failure to comply with current governmental regulations and quality assurance guidelines could lead to temporary manufacturing shutdowns, product recalls or related field actions, product shortages or delays in product manufacturing. Efficacy or safety concerns, an increase in trends of adverse events in the marketplace, and/or manufacturing quality issues with respect to our products could lead to product recalls or related field actions, withdrawals, and/or declining sales.

***Our products may be subject to product recalls even after receiving FDA clearance or approval, which would harm our reputation and our business.***

The FDA and similar governmental authorities in other countries in which our products are sold, have the authority to request and, in some cases, require the recall of our products in the event of material deficiencies or defects in design or manufacture. A government-mandated or voluntary recall by us could occur as a result of component failures, manufacturing errors or design defects. Any recall of product would divert managerial and financial resources, may harm our reputation with our customers and could damage our business.

***We are exposed to certain credit risks, resulting primarily from customer sales.***

Substantially all of our receivables are due from homecare providers, distributors, hospitals, and contractors. Our customers are located throughout the U.S. and around the world. We record an estimated allowance for uncollectible amounts based primarily on our evaluation of the payment pattern, financial condition, cash flows, and credit history of our customers, as well as current industry and economic conditions. Our inability to collect on our trade accounts receivable could substantially reduce our income and have a material adverse effect on our financial condition and results of operations.

***Our common stock is thinly traded and its market price may fluctuate widely.***

Our common stock is listed on the NASDAQ Capital Market but is thinly traded. As a result, stockholders may not be able to sell shares of common stock on short notice. Additionally, the market price of our common stock could be subject to significant fluctuations in response to quarter-to-quarter variation in our operating results, announcements of new products or services by us or our competitors, and other events or factors. For example, a shortfall in net sales or net income, or an increase in losses could have an immediate and significant adverse effect on the market price and volume fluctuations that have particularly affected the market prices of many micro and small capitalization companies and that have often been unrelated or disproportionate to the operating performance of these companies. Additionally, management believes that the COVID-19 pandemic has increased speculation in the Company's shares which has resulted in significant fluctuations in price since the onset of the COVID-19 pandemic. These fluctuations, as well as general economic and market conditions, may adversely affect the market price for our common stock.

***If a natural or man-made disaster strikes our manufacturing facilities, we may be unable to manufacture certain products for a substantial amount of time and our revenue could decline.***

We have two manufacturing operations. In the event that one of these facilities were severely damaged or destroyed as a result of a natural or man-made disaster we would be forced to relocate production to other facilities and/or rely on third-party manufacturers. Such an event could have a material adverse effect on our business, results of operations and financial condition. Although we have insurance for damage to our property and the interruption of our business, this insurance may not be sufficient in scope or amount to cover all of our potential losses and may not continue to be available to us on acceptable terms, or at all.

***If we are unable to hire or retain key employees, it could have a negative impact on our business.***

Our failure to attract and retain skilled personnel could hinder the management of our business, our research and development, our sales and marketing efforts, and our manufacturing capabilities. However, there is no assurance that we will continue to be able to hire or retain key employees. We compete to hire new employees, and then must train them and develop their skills and competencies. Our operating results could be adversely affected by increased costs due to increased competition for employees, higher employee turnover or increased employee benefit costs. Any unplanned turnover could deplete our institutional knowledge base and erode our competitive advantage.

***The U.S. healthcare environment is changing in many ways, some of which may not be favorable to us, as a result of federal healthcare legislation enacted in 2010.***

Our products and services are primarily intended to function within the current structure of the healthcare industry in the United States. In recent years, the healthcare industry has undergone significant changes designed to control costs. The use of managed care has increased; Medicare and Medicaid reimbursement levels have declined; distributors, manufacturers, healthcare providers have consolidated; and large, sophisticated purchasing groups have become more prevalent.

In March 2010, Congress approved, and the President signed into law, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act (collectively the "Healthcare Reform Acts"). Among other things, the Healthcare Reform Acts seek to expand health insurance coverage to approximately 32 million uninsured Americans. Many of the significant changes in the Healthcare Reform Acts did not take effect until 2014. The Healthcare Reform Acts contain many provisions designed to generate the revenues necessary to fund the coverage expansions and to reduce costs of Medicare and Medicaid. Other provisions of this law as currently enacted, including an independent payment advisory board and pilot programs to evaluate alternative payment methodologies, could meaningfully change the way healthcare is developed and delivered, and may adversely affect our business and results of operations. Further, we cannot predict what healthcare programs and regulations will be ultimately implemented at the federal or state level, or the effect of any future legislation or regulation in the U.S. or internationally. However, any changes that lower reimbursements for our products, reduce medical procedure volumes or increase cost containment pressures on us or other participants in the healthcare industry could adversely affect our business and results of operations.

We also could be adversely affected by, among other things, changes in the delivery or pricing of or reimbursement for medical devices.

***We have a history of net losses in fiscal 2018, 2019 and 2020 and we may not be able to return to profitability in the future, which may cause the market price of our common stock to decline.***

We have a history of net losses. We reported a net loss of \$2.2 million in fiscal 2018, a net loss of \$2.1 million in fiscal 2019 and net loss of \$3.1 million in fiscal 2020. We will need to generate and sustain increased sales levels in the future to become consistently profitable, and, even if we do, we may not be able to maintain or increase our level of profitability. There is no guarantee that we will be successful in our efforts to return to profitability. We may also incur losses in the future for a number of reasons, including the other risks described in this Form 10-K, and unforeseen expenses, difficulties, complications and delays and other unknown events. If we are unable to achieve and sustain profitability, the market price of our common stock may significantly decrease. If we continue to experience operating losses and we are not able to generate additional liquidity through other means, then our liquidity needs may exceed availability under our credit facility, and we might need to secure additional sources of funds, which may or may not be available to us. Additionally, a failure to generate additional liquidity could negatively impact our access to raw materials or services that are important to the operation of our business.

***The global COVID-19 outbreak or other similar outbreaks of infections or diseases could substantially harm our business.***

The global COVID-19 outbreak and other possible pandemics, epidemics or other outbreaks of diseases or infections could have significant negative impacts on our business, expenses, revenues and profitability. These events can result in, and in the case of the COVID-19 outbreak, have resulted in disruptions to our business, including without limitation those arising from the following factors:

- Employee matters: The Company is dependent on its workforce to deliver its products. As an essential supplier, the Company has continued to operate through the date of this report. However, required social distancing directives and additional shelter-in place directives could impact the Company's ability to deploy its workforce. The Company's ability to operate is also contingent on maintaining healthy and safe work conditions. Incidents of COVID-19 in the Company's workforce could lead to delays in production. While the Company is taking steps to protect its employees and maintain safe work conditions, such efforts cannot guarantee that its employees will not be impacted, directly or indirectly, by COVID-19.
- Supply chain issues: Global demand for ventilators and other respiratory care products has reached previously unseen levels as a result of the COVID-19 outbreak. This has, in turn, resulted in shortages of critical components. Disruptions to the supply chain may lead to a delayed receipt by the Company of necessary raw materials and component inventory. The Company is working with existing and alternative suppliers to obtain the necessary components for its products, however there is no guaranty it will succeed in doing so. In addition, the increased demand for certain components and raw materials could lead to inflationary pressures for these inputs, which could affect the Company's costs.
- Working capital: As previously reported, the Company's financial condition has made it dependent on lines of credit and cost saving measures. Such cost saving measures included decreases in inventory. In order to meet the sudden increase in demand for ventilators and respiratory care products, the Company has had to increase inventory. The Company has relied on its line of credit and other cash conservation measures to finance the necessary increases in inventory.
- Negative impact on construction products: Loss of revenue by hospitals for elective procedures could negatively impact their budgets for other capital items, which could negatively impact sales of our construction products. This could reduce demand for the Company's medical gas system products, typically purchased for new construction or renovation of hospitals

**Item 1B. Unresolved Staff Comments**

Not applicable.

**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 at June 30, 2020.

<b>Location</b>	<b>Square Footage (Approximate)</b>	<b>Owned/ Leased</b>	<b>Activities/Products</b>
St. Louis, Missouri	242,000	Owned	Headquarters; medical gas equipment; respiratory care products; emergency medical products
Stuyvesant Falls, New York	30,000	Owned	Carbon dioxide absorbent

In addition, the Company owns a 16.8-acre parcel of undeveloped land in Stuyvesant Falls, New York.

### 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. Any such proceedings that are currently pending 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 intends to continue to conduct business in such a manner as to avert any FDA action seeking to interrupt or suspend manufacturing or require any recall or modification of products.

However, for these matters, management does not believe, based on currently available information, that the outcomes of these proceedings will have a material adverse effect on the Company's financial condition as a whole, though the outcomes could be material to the Company's operating results for a particular period, depending, in part, upon the operating results for such period.

#### Stuyvesant Falls Cleanup

On January 30, 2020, the Company filed a Citizen Participation Plan with the New York Department of Environmental Conservation under its Brownfield Cleanup Program. The plan was with respect to the Company's property in Stuyvesant Falls, New York. The plan recognizes that the soil and groundwater at the Stuyvesant Falls facility is impacted by chemical compounds exceeding regulatory standards. The Company has applied to the Brownfield Cleanup Program. Pursuant to the plan, the Company will conduct, at its expense, investigation and remediation at the site with oversight by the Department of Environmental Conservation.

The Company's best estimate of the expected cost to remediate the site is \$1.1 million. This amount was recorded as an expense in the nine months ended June 30, 2020 and is reflected in other accrued liabilities and selling, general and administrative expenses in the Company's financial statements. As of June 30, 2020, the Company has paid approximately \$82,000 in remediation expenses which have been charged to the initial reserve.

### Item 4. Mine Safety Disclosures

None

## PART II

### Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Allied Healthcare Products, Inc. trades on the NASDAQ Capital Market under the symbol AHPI. As of September 16, 2020, there were 30 record owners of the Company's common stock. The number of holders of record does not represent the actual number of beneficial owners of our common stock because securities dealers and others frequently hold shares in "street name" for the benefit of individual owners who have the right to vote shares.

The following table summarizes information with respect to the high and low prices for the Company's common stock as listed on the NASDAQ Global or Capital Market for each quarter of fiscal 2020 and 2019, respectively. The Company currently does not pay, and in the most recent fiscal years has not paid, any dividend on its common stock.

#### Common Stock Information

2020	High	Low	2019	High	Low
September quarter	\$ 1.88	\$ 1.25	September quarter	\$ 3.05	\$ 2.03
December quarter	\$ 1.45	\$ 0.92	December quarter	\$ 2.80	\$ 1.62
March quarter	\$ 45.00	\$ 1.19	March quarter	\$ 2.17	\$ 1.69
June quarter	\$ 20.95	\$ 7.60	June quarter	\$ 2.08	\$ 1.43

Information concerning securities authorized for issuance under equity compensation plans is incorporated by reference to the Company's proxy statement for the 2020 annual meeting of stockholders, which will be filed within 120 days after June 30, 2020.

**Item 6. Selected Financial Data***(In thousands, except per share data)*

<b>Year ended June 30,</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Statement of Operations Data</b>					
Net sales	\$ 31,894	\$ 31,382	\$ 33,760	\$ 33,512	\$ 35,952
Cost of sales	26,323	26,343	27,309	26,956	28,593
Gross profit	5,571	5,039	6,451	6,556	7,359
Selling, general and administrative expenses	8,633	7,813	8,446	8,608	9,279
Loss from operations	(3,062)	(2,774)	(1,995)	(2,052)	(1,920)
Interest expense	65	56	24	-	-
Interest income	(1)	-	-	(1)	(3)
Legal settlement	-	(750)	-	-	-
Other, net	18	-	-	1	87
Loss before provision for (benefit from) income taxes	(3,144)	(2,080)	(2,019)	(2,052)	(2,004)
Provision for (benefit from) income taxes	(130)	29	173	37	301
Net loss	\$ (3,014)	\$ (2,109)	\$ (2,192)	\$ (2,089)	\$ (2,305)
Basic loss per share	\$ (0.75)	\$ (0.53)	\$ (0.55)	\$ (0.52)	\$ (0.57)
Diluted loss per share	\$ (0.75)	\$ (0.53)	\$ (0.55)	\$ (0.52)	\$ (0.57)
Basic weighted average common shares outstanding	4,014	4,014	4,014	4,014	4,014
Diluted weighted average common shares outstanding	4,014	4,014	4,014	4,014	4,014

*(In thousands)*

<b>June 30,</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Balance Sheet Data</b>					
Working capital	\$ 5,949	\$ 7,387	\$ 8,653	\$ 9,748	\$ 10,736
Total assets	19,672	15,454	17,321	19,637	22,478
Stockholders' equity	8,879	11,890	13,997	16,186	18,272

## **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

### **COVID-19 Outbreak**

Due to the COVID-19 pandemic, in the last quarter of 2020, the Company saw an unprecedented increase in demand and orders for its AHP300 ventilators, EPV200 ventilators, other respiratory care products, and other emergency medical devices. The Company has made capital investments, added employees, and increased inventory purchases in order to increase production of these ventilators and other products critical to the care of COVID-19 patients.

The Company's ability to meet this demand has been impaired by supply chain challenges as demand for components critical for the production of these products has spiked as all manufacturers of ventilators and other critical medical equipment seek to increase production. At the same time, the COVID-19 pandemic could decrease demand for other products as hospitals reduce "non-essential procedures." The economic effects on hospitals and providers could negatively impact the market for the Company's construction products if hospitals cut back on construction and capital improvements. The duration and extent of this decreased demand is uncertain and depends on decisions by government health authorities, hospitals and providers in responding to and mitigating the COVID-19 outbreak.

Results for the year ended June 30, 2020 only partially reflect the impacts discussed above. The full economic impact of the COVID-19 pandemic continues to evolve as the date of this report. As such, the Company cannot predict with certainty the full magnitude that the pandemic will have on the Company's financial condition, liquidity, operations, suppliers, industry and workforce. Please see Part II, Item 1A, Risk Factors for more information.

## Results of Operations

The Company 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, 2020, 2019, and 2018.

<i>Year ended June 30,</i>	Dollars in thousands	
	2020	
	Net Sales	% of Total Net Sales
Respiratory care products	\$ 8,556	26.8%
Medical gas equipment	15,283	47.9%
Emergency medical products	8,055	25.3%
Total	<u>\$ 31,894</u>	<u>100.0%</u>

<i>Year ended June 30,</i>	Dollars in thousands	
	2019	
	Net Sales	% of Total Net Sales
Respiratory care products	\$ 8,993	28.7%
Medical gas equipment	16,032	51.1%
Emergency medical products	6,357	20.2%
Total	<u>\$ 31,382</u>	<u>100.0%</u>

<i>Year ended June 30,</i>	Dollars in thousands	
	2018	
	Net Sales	% of Total Net Sales
Respiratory care products	\$ 9,038	26.8%
Medical gas equipment	17,645	52.2%
Emergency medical products	7,077	21.0%
Total	<u>\$ 33,760</u>	<u>100.0%</u>

The following table sets forth, for the fiscal periods indicated, the percentage of net sales represented by the various income and expense categories reflected in the Company's Statement of Operations.

<i>Year ended June 30,</i>	2020	2019	2018
Net sales	100.0 %	100.0 %	100.0 %
Cost of sales	82.5	83.9	80.9
Gross profit	17.5	16.1	19.1
Selling, general and administrative expenses	27.1	24.9	25.0
Loss from operations	(9.6 )	(8.8 )	(5.9 )
Interest expense	0.2	0.2	0.1
Legal settlement	0.0	(2.4 )	0.0
Other, net	0.1	0.0	0.0
Loss before provision for income taxes	(9.9 )	(6.6 )	(6.0 )
Provision for (benefit from) income taxes	(0.4 )	0.1	0.5
Net loss	(9.5)%	(6.7)%	(6.5)%

### Critical Accounting Policies

#### *Revenue recognition:*

The Company's revenues are derived primarily from the sales of respiratory products, medical gas equipment and emergency medical products. The products are generally sold directly to distributors, customers affiliated with buying groups, individual customers and construction contractors, throughout the world.

The Company recognizes revenue from product sales upon satisfaction of its performance obligation which occurs on the transfer of control of the product, which is generally upon shipment or delivery, depending on the delivery terms set forth in the customer contract. Payment terms between Allied and its customers vary by the type of customer, country of sale, and the products offered. The term between invoicing and the payment due date is not significant.

Management exercises judgment in estimating variable consideration. Provisions for early payment discounts, rebates and returns and other adjustments are provided for in the period the related sales are recorded. Historical data is readily available and reliable, and is used for estimating the amount of the reduction in gross sales.

The Company provides rebates to wholesalers. Rebate amounts are based upon purchases using contractual amount for each product sold. Factors used in the rebate calculations include the identification of which products have been sold subject to a rebate and the customer or price terms that apply. Using known contractual allowances, the Company estimates the amount of the rebate that will be paid, and records the liability as a reduction of gross sales when it records the sale of the product. Settlement of the rebate generally occurs in the month following the sale.

The Company regularly analyzes the historical rebate trends and adjusts reserves for changes in trends and terms of rebate programs. Historically, adjustments to prior years' rebate accruals have not been material to net income.

Other allowances charged against gross sales include cash discounts and returns, which are not significant. Cash discounts are known within 15 to 30 days of sale, and therefore can be reliably estimated. Returns can be reliably estimated because the Company's historical returns are low, and because sales return terms and other sales terms have remained relatively unchanged for several periods. Product warranties are also not significant.

The Company does not allocate transaction price as the Company has only one performance obligation and its contracts do not span multiple periods. All taxes imposed on and concurrent with revenue producing transactions and collected by the Company are excluded from the measurement of transaction price.

*Inventory reserve for obsolete and excess inventory:*

Inventory is recorded net of a reserve for obsolete and excess inventory which is determined based on an analysis of inventory items with no usage in the preceding year and for inventory items for which there is greater than two years' usage on hand. This analysis considers those identified inventory items to determine, in management's best estimate, if parts can be used beyond one year, if there are alternate uses or at what values such parts may be disposed for. At June 30, 2020 and 2019, inventory is recorded net of a reserve for obsolete and excess inventory of \$1.8 million.

*Income taxes:*

The Company accounts for income taxes under the FASB Accounting Standards Codification ("ASC") Topic 740: "Income Taxes." Under ASC 740, 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 enacted tax rates that are expected to apply to taxable income when such assets and liabilities are anticipated to be settled or realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as tax expense or benefit in the period that includes the enactment date of the change. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized. Management uses a more likely than not criterion in its assessment and considers all available evidence, both positive and negative, in determining whether, based on the weight of that evidence, a valuation allowance for deferred tax assets is needed. In assessing the need for a valuation allowance the Company first considers the reversals of existing temporary deferred tax liabilities and available tax planning strategies. To the extent these items are not sufficient to cause the realization of deferred tax assets, the Company would then consider the availability of future taxable income only to the extent such income is considered likely to occur based on the Company's earnings history, current income trends and projections.

In light of its history of operating losses the Company does not rely on the existence of future taxable income as it currently cannot conclude future taxable income is likely to occur. The Company does rely on reversals of existing temporary deferred tax liabilities and tax planning strategies to the extent available to support the value of its existing deferred tax assets. The tax planning strategies available to the Company that it would use rather than allow the tax benefits of net operating loss carryovers to expire include the revocation of the LIFO method inventory and the recognition of a gain on the sale of the Company's excess land in Stuyvesant Falls, New York. As of June 30, 2020, the Company's deferred tax assets exceeded the amount supportable through reversals of existing deferred tax liabilities and tax planning strategies and a valuation allowance has been recorded for this amount.

*Accounts receivable net of allowances:*

Accounts receivable are recorded net of an allowance for doubtful accounts, which is determined based on an analysis of past due accounts including accounts placed with collection agencies, and an allowance for returns and credits, which is based on historical analysis of credit memo data and returns. The Company maintains an allowance for doubtful accounts to reflect the uncollectibility of accounts receivable based on past collection history and specific risks identified among uncollected accounts. Accounts receivable are charged to the allowance for doubtful accounts when the Company determines that the receivable will not be collected and/or when the account has been referred to a third party collection agency. At June 30, 2020 and 2019, accounts receivable is recorded net of allowances of \$170,000.

*Valuation of Long-Lived Assets:*

The impairment of long-lived assets is assessed when changes in circumstances (such as, but not limited to, a decrease in market value of an asset, current and historical operating losses or a change in business strategy) indicate that their carrying value may not be recoverable. This assessment is based on management's expectations and judgments regarding future business and economic conditions, future market values and disposal costs. Actual results and events could differ significantly from management's estimates. Based upon our most recent analysis, we believe that no impairment exists at June 30, 2020. There can be no assurance that future impairment tests will not result in a charge to net earnings (loss).

*Self-insurance:*

The Company maintains a self-insurance program for a portion of its health care costs. Self-insurance costs are accrued based upon the aggregate of the liability for reported claims and the estimated liability for claims incurred but not reported. As of June 30, 2020 and 2019, the Company had approximately \$150,000 and \$210,000, respectively, of accrued liabilities related to health care claims. In order to establish the self-insurance reserves, the Company utilized actuarial estimates of expected claims based on analyses of historical data.

### *Share Based Compensation:*

Allied calculates share based compensation using the Black-Scholes-Merton (“Black-Scholes”) option-pricing model, which requires the input of highly subjective assumptions including the expected stock price volatility. For the twelve-month periods ended June 30, 2020, 2019, and 2018, Allied recorded approximately \$2,000, \$3,000 and \$3,000, respectively, in share-based employee compensation. This compensation cost is included in the general and administrative expenses in the accompanying Statements of Operations.

### **Fiscal 2020 Compared to Fiscal 2019**

The Company had a loss of \$3.1 million before taxes for fiscal 2020, compared to a loss of \$2.1 million before taxes for fiscal 2019. It recorded an income tax benefit of \$130,359 in fiscal 2020, compared to an income tax provision of \$29,448 in fiscal 2019.

Net sales for fiscal 2020 of \$31.9 million were \$0.5 million or 1.6% higher than net sales of \$31.4 million in fiscal 2019. Domestically, sales decreased by \$0.4 million dollars while international sales, which represented 27.5% of fiscal 2020 sales, were 11.7% higher. The decrease in domestic sales was largely attributable to declines in sales of construction products and respiratory therapy products. International business is dependent upon hospital construction projects, and the development of medical facilities and emergency services in those regions in which the Company operates, as well as the economic and political climates in those international markets.

Orders for the Company’s products for the year ended June 30, 2020 of \$40.8 million were \$9.3 million or 29.54% higher than orders for the year ended June 30, 2019 of \$31.5 million. As a result of the COVID-19 pandemic, the Company experienced significantly increased orders for the emergency medical products sold by the Company, including the Company’s AHP300 ventilator and the EPV200 ventilator.

Respiratory care product sales, which include homecare products, were \$8.6 million in fiscal 2020 compared to \$9.0 million in 2019. Respiratory care products include carbon dioxide absorbents. For the year ended June 30, 2020 and 2019 the Company had carbon dioxide absorbent sales of Carbolime® and Litholyme® of \$3.7 million and \$4.2 million, respectively.

Medical gas equipment sales, which include construction products, of \$15.3 million in fiscal 2020 were approximately \$0.7 million, or 4.4% lower than prior year levels of \$16.0. The decrease in domestic sales was largely attributable to declines in sales of construction products. The Company continues to evaluate and strengthen its sales strategy in this market.

Emergency medical product sales in fiscal 2020 of \$8.1 million were \$1.7 million or 26.6% higher than fiscal 2019 sales of \$6.4 million. International sales of emergency medical products increased by 61.6% from the prior year while domestic sales increased by 13.2%. The onset of the COVID-19 pandemic increased demand for the Company’s emergency products including the AHP300 ventilator. Most of this increase occurred in the fourth quarter of the fiscal year. While demand for emergency and mass-casualty ventilators increased in the last part of fiscal year 2020, it was necessary for the company to ramp up its manufacturing capacity and to address any supply chain issues. The ramp up has included investment in capital equipment and training to increase capacity. For these reasons some orders were not shipped immediately in the fourth quarter.

International sales, which are included in the product lines discussed above, increased \$0.9 million, or 11.5%, to \$8.7 million in fiscal 2020 compared to sales of \$7.8 million in fiscal 2019.

Gross profit in fiscal 2020 was \$5.6 million, or 17.6% of sales, compared to a gross profit of \$5.0 million, or 15.9% of sales in fiscal 2019. The \$0.6 million increase in gross profit is mainly attributable to a \$0.7 million decrease in fringe benefits including medical benefits. The Company is self-insured for medical benefits and there is variation in the amount of claims over time.

The Company invested approximately \$0.8 million in capital expenditures in fiscal 2020 primarily for the expansion of the production line of our AHP300 ventilator. The Company did not invest in capital expenditures in fiscal 2019.

Selling, General, and Administrative (“SG&A”) expenses for fiscal 2020 were \$8.6 million compared to SG&A expenses of \$7.8 million in fiscal 2019. The increase is primarily due to the \$1.1 million provision for environmental cleanup costs at the Company’s facility in Stuyvesant Falls, New York. This increase was offset by a \$0.3 million decrease in personnel cost consisting of salary and fringe benefits.

Interest income in fiscal 2020 was \$654 compared to interest income of \$138 in fiscal 2019. Interest expense in fiscal 2020 was \$64,682 compared to interest expense of \$56,223 in fiscal 2019.

Other income and expenses in fiscal 2019 include \$750,000 of income realized by the Company as a result of the settlement of litigation with Niagara Mohawk Power Corporation d/b/a National Grid (“Niagara”), which provides electrical power to the Company’s facility in Stuyvesant Falls, New York, and one other party. See Part II, Item 1 – Legal Proceedings, below, for more information concerning litigation.

The Company’s effective tax rate in 2020 was a benefit of 4.1% compared to a provision of 1.4% in 2019. The change in the effective tax rate in 2020 was attributable to non-deductible expenses attributable to the Company’s expected PPP Loan forgiveness and an increase in the value of tax planning strategies.

The realization of the Company’s deferred tax assets have been based on the reversal of existing temporary deferred tax liabilities and tax planning strategies and to the extent those items are not sufficient to support the value of recorded deferred tax assets a valuation allowance is recorded. For the year ended June 30, 2018 the Company recorded a \$352,727 reduction to the allowance. The reduction was caused by a decrease in the allowance of \$1,080,362 due to a reduction in federal rates expected to be in effect at reversal. The reduced rates are as a result of the Tax Cuts and Jobs Act of 2017. This reduction was offset by a \$727,635 increase in the valuation allowance reflecting the impact of 2018 additions to deferred tax assets not supported by deferred tax liabilities or tax planning strategies. For the year ended June 30, 2019 the Company recorded an additional allowance of \$536,240. For the year ended 2020 the Company recorded an additional allowance of \$178,111 offset by an increase in the value of tax planning strategies of \$138,873 resulting in a net increase in the allowance of \$39,238. To the extent that the Company’s losses continue, the tax benefit of those losses would be fully offset by a valuation allowance.

Net loss in fiscal 2020 was \$3.0 million or \$0.75 per basic and diluted earnings per share, an increase from a net loss of \$2.1 million, or \$0.53 per basic and diluted earnings per share in fiscal 2019. In 2020 and 2019 the weighted number of shares used in the calculation of basic and diluted earnings per share was 4,013,537.

#### **Fiscal 2019 Compared to Fiscal 2018**

The Company had a loss of \$2.1 million before taxes for fiscal 2019, compared to a loss of \$2.0 million before taxes for fiscal 2018. It recorded an income tax provision of \$29,448 in fiscal 2019, compared to an income tax provision of \$173,038 in fiscal 2018.

Net sales for fiscal 2019 of \$31.4 million were \$2.4 million or 7.1% less than net sales of \$33.8 million in fiscal 2018. Domestically, sales decreased by \$2.2 million dollars. The decrease in domestic sales was largely attributable to declines in sales of construction products. The Company continues to evaluate and strengthen its sales strategy in this market. Internationally, sales decreased by \$0.2 million. International business is dependent upon hospital construction projects, and the development of medical facilities and emergency services in those regions in which the Company operates, as well as the economic and political climates in those international markets.

Orders for the Company’s products for the year ended June 30, 2019 of \$31.5 million were \$1.3 million or 4.0% lower than orders for the year ended June 30, 2018 of \$32.8 million. Customer purchase order releases for the year ended June 30, 2019 were \$30.9 million or 5.2% lower than customer purchase order releases of \$32.6 million for the year ended June 30, 2018. Customer purchase order releases depend on the scheduling practices of individual customers and the status of construction projects.

Respiratory care product sales, which include homecare products, were \$9.0 million in fiscal 2019 and 2018. Respiratory care products also include carbon dioxide absorbents. For the year ended June 30, 2019 and 2018 the Company had carbon dioxide absorbent sales of Carbolime® and Litholyne® of \$4.2 million and \$3.9 million, respectively.

Medical gas equipment sales, which include construction products, of \$16.0 million in fiscal 2019 were approximately \$1.6 million, or 9.1% lower than prior year levels of \$17.6. The decrease in domestic sales was largely attributable to declines in sales of construction products. The Company continues to evaluate and strengthen its sales strategy in this market.

Emergency medical product sales in fiscal 2019 of \$6.4 million were \$0.7 million or 9.9% lower than fiscal 2018 sales of \$7.1 million. International sales of emergency medical products decreased by 28.0% from the prior year while domestic sales decreased by 0.7%.

International sales, which are included in the product lines discussed above, decreased \$0.2 million, or 2.5%, to \$7.8 million in fiscal 2019 compared to sales of \$8.0 million in fiscal 2018.

Gross profit in fiscal 2019 was \$5.0 million, or 15.9% of sales, compared to a gross profit of \$6.5 million, or 19.2% of sales in fiscal 2018. Gross profit was primarily unfavorably impacted by the decrease in sales during the period. The decrease in sales and production resulted in less effective utilization of fixed overhead cost. Manufacturing overhead spending increased by \$52,000 for the year.

The Company did not invest in capital expenditures in fiscal 2019 and fiscal 2018. The Company continues to control cost and actively pursue methods to reduce its costs through process changes, and purchasing initiatives.

Selling, General, and Administrative (“SG&A”) expenses for fiscal 2019 were \$7.8 million compared to SG&A expenses of \$8.4 million in fiscal 2018. Personnel cost, primarily salaries and fringe benefits, decreased by approximately \$0.1 million, business travel decreased by approximately \$0.1 million, and legal fees decreased by \$0.2 million.

Interest income in fiscal 2019 was \$138 compared to interest income of \$288 in fiscal 2018. Interest expense in fiscal 2019 was \$56,223 compared to interest expense of \$23,569 in fiscal 2018.

Other income and expenses in fiscal 2019 include \$750,000 of income realized by the Company as a result of the settlement of litigation with Niagara Mohawk Power Corporation d/b/a National Grid (“Niagara”), which provides electrical power to the Company’s facility in Stuyvesant Falls, New York, and one other party. See Part II, Item 1 – Legal Proceedings, below, for more information concerning litigation.

The Company’s effective tax rate in 2019 was a provision of 1.4% compared to a provision of 8.6% in 2018. The decrease in the effective tax rate in 2019 was attributable to changes in the valuation allowance for indefinite lived deferred tax assets and a reduction value in the value attributable to the tax planning strategies recorded in fiscal 2018 as a result of the Tax Cuts and Jobs Act of 2017.

The realization of the Company’s deferred tax assets have been based on the reversal of existing temporary deferred tax liabilities and tax planning strategies and to the extent those items are not sufficient to support the value of recorded deferred tax assets a valuation allowance is recorded. For the year ended June 30, 2017 the Company recorded an additional allowance of \$739,578. For the year ended June 30, 2018 the Company recorded a \$352,727 reduction to the allowance. The reduction was caused by a decrease in the allowance of \$1,080,362 due to a reduction in federal rates expected to be in effect at reversal. The reduced rates are as a result of the Tax Cuts and Jobs Act of 2017. This reduction was offset by a \$727,635 increase in the valuation allowance reflecting the impact of 2018 additions to deferred tax assets not supported by deferred tax liabilities or tax planning strategies. For the year ended June 30, 2019 the Company recorded an additional allowance of \$536,240. To the extent that the Company’s losses continue, the tax benefit of those losses would be fully offset by a valuation allowance.

Net loss in fiscal 2019 was \$2.1 million or \$0.53 per basic and diluted earnings per share, a decrease from a net loss of \$2.2 million, or \$0.55 per basic and diluted earnings per share in fiscal 2018. In 2019 and 2018 the weighted number of shares used in the calculation of basic and diluted earnings per share was 4,013,537.

### Financial Condition, Liquidity and Capital Resources

The following table sets forth selected information concerning Allied's financial condition at June 30:

Dollars in thousands	2020	2019	2018
Cash & cash equivalents	\$ 2,600	\$ 195	\$ 136
Working Capital	\$ 5,949	\$ 7,387	\$ 8,653
Total Debt	\$ 2,392	\$ -	\$ -
Current Ratio	1.67:1	3.07:1	3.60:1

The Company's working capital was \$5.9 million at June 30, 2020 compared to \$7.4 million at June 30, 2019. Accounts payable increased by \$1.5 million, The current portion of long term debt increased by \$1.0 million, customer deposits increased by \$2.3 million and Other Accrued Liabilities increased by \$0.6 million. The increase in Other Accrued Liabilities reflects a \$0.6 million provision for environmental costs. During fiscal 2020, these decreases in working capital were partially offset by a \$1.6 million increase in Inventory. Accounts receivable as measured in days sales outstanding ("DSO") is 35 DSO at June 30, 2020, down from 39 DSO at June 30, 2019. The Company does adjust product forecast, order quantities, and safety stock based on changes in demand patterns in order to manage inventory levels.

The net increase in cash for the fiscal year ended June 30, 2020 was \$2.4 million. The net increase in cash for the fiscal year ended June 30, 2019 was \$0.1 million. Cash flows provided by operating activities for the fiscal year ended June 30, 2020 consisted of an increase in Customer deposits of \$2.3 million, an increase of Accounts payable of \$1.3 million and increase of Other accrued liabilities of \$1.1 million. These cash flows were offset by an increase of Inventories of \$1.6 million and a net loss of \$3.1 million, supplemented by \$0.6 million in non-cash charges for amortization and depreciation.

Cash flows provided by operating activities for the fiscal year ended June 30, 2019 consisted of a decrease in accounts receivable of \$0.6 million and decrease in Inventory of \$0.5 million. These cash flows were offset by a net loss of \$2.1 million, supplemented by \$0.8 million in non-cash charges for amortization and depreciation.

#### *North Mill Loan Agreement*

As of June 30, 2020, the Company was party to a Loan and Security Agreement with North Mill Capital, LLC ("North Mill"), as successor in interest to Summit Financial Resources, L.P., dated effective February 27, 2017, as amended April 16, 2018 and April 24, 2019 (as amended, the "Credit Agreement"). Pursuant to the Credit Agreement, the Company obtained a secured revolving credit facility (the "Credit Facility"). The Company's obligations under the Credit Facility are secured by all of the Company's personal property, both tangible and intangible, pursuant to the terms and subject to the conditions set forth in the Credit Agreement. Availability of funds under the Credit Agreement is based on the Company's accounts receivable and inventory but will not exceed \$2,000,000. At June 30, 2020 availability under the agreement was \$1,994,657.

The Credit Facility will be available, subject to its terms, on a revolving basis until it expires on February 27, 2021, at which time all amounts outstanding under the Credit Facility will be due and payable. Advances will bear interest at a rate equal to 2.00% in excess of the prime rate as reported in the Wall Street Journal. Interest is computed based on the actual number of days elapsed over a year of 360 days. In addition to interest, the Credit facility requires that the Company pay the lender a monthly administration fee in an amount equal to forty-seven hundredths percent (0.47%) of the average outstanding daily principal amount of loan advances for the each calendar month, or portion thereof.

Regardless of the amount borrowed under the Credit Facility, the Company will pay a minimum amount of .25% (25 basis points) per month on the maximum availability (\$5,000 per month). In the event the Company prepays or terminates the Credit Facility prior to February 27, 2021, the Company will be obligated to pay an amount equal to the minimum monthly payment multiplied by the number of months remaining between February 27, 2021 and the date of such prepayment or termination.

Under the Credit Agreement, advances are generally subject to customary borrowing conditions and to North Mill's sole discretion to fund the advances. The Credit Agreement also contains covenants with which the Company must comply during the term of the Credit Facility. Among other things, such covenants require the Company to maintain insurance on the collateral, operate in the ordinary course and not engage in a change of control, dissolve or wind up the Company.

The Credit Agreement also contains certain events of default including, without limitation: the failure to make payments when due; the material breach of representations or warranties contained in the Credit Agreement or other loan documents; cross-default with other indebtedness of the Company; the entry of judgments or fines that may have a material adverse effect on the Company; failure to comply with the observance or performance of covenants contained in the Credit Agreement or other loan documents; insolvency of the Company, appointment of a receiver, commencement of bankruptcy or other insolvency proceedings; dissolution of the Company; the attachment of any state or federal tax lien; attachment or levy upon or seizure of the Company's property; or any change in the Company's condition that may have a material adverse effect. After an event of default, and upon the continuation thereof, the principal amount of all loans made under the Credit Facility would bear interest at a rate per annum equal to 20.00% above the otherwise applicable interest rate (provided, that the interest rate may not exceed the highest rate permissible under law), and North Mill would have the option to accelerate maturity and payment of the Company's obligations under the Credit Facility.

The Company was in compliance with all of the covenants associated with the Credit Facility at June 30, 2020.

#### *PPP Loan*

On April 13, 2020, the Company entered into a Payroll Protection Program (PPP) loan agreement (the "SBA Loan") with Jefferson Bank and Trust Company under the recently enacted Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") administered by the U.S. Small Business Administration (the "SBA"). The Company received total proceeds of \$2.375 million from the SBA Loan. In accordance with the requirements of the CARES Act, the Company will use proceeds from the SBA Loan for payroll costs and other permitted uses. The SBA Loan is scheduled to mature on April 13, 2022 and has a 1.00% interest rate and is subject to the terms and conditions applicable to loans administered by the U.S. Small Business Administration under the CARES Act.

All or a portion of the SBA Loan may be forgiven by the SBA upon application by the Company upon documentation of expenditures in accordance with the SBA requirements. Under the CARES Act, loan forgiveness is available for the sum of documented payroll costs, covered rent payments, covered mortgage interest and covered utilities during the eight week or at the Company's election 24 week period beginning on the loan origination date, subject to regulations and guidance provided by the United States Treasury. For purposes of the CARES Act, payroll costs exclude compensation of an individual employee in excess of \$100,000, prorated annually. Not more than 40 % of the forgiven amount may be for non-payroll costs. Forgiveness is reduced if full-time headcount declines, or if salaries and wages for employees with salaries of \$100,000 or less annually are reduced by more than 25%. In the event the SBA Loan, or any portion thereof, is forgiven pursuant to the CARES Act, the amount forgiven is applied to outstanding principal. The Company intends to seek forgiveness of the SBA Loan to the maximum extent permitted but cannot guarantee whether or to what extent such forgiveness will be granted.

Payments of unforgiven principal and interest are deferred until November 2020, at which point the Company is required to repay such amounts in 18 equal monthly payments. The SBA Loan is evidenced by a promissory note, which contains customary events of default relating to, among other things, payment defaults and breaches of representations and warranties. The SBA Loan may be prepaid by the Company at any time prior to maturity with no prepayment penalties.

At June 30, 2020 the Company had \$2.4 million indebtedness, including capital lease obligations, short-term debt, and long term debt, of which \$2.4 million is owed under the SBA Loan and which the Company believes it is entitled to forgiveness under the terms of such loan. This debt accrues interest at 1.00% per annum under the terms of the PPP.

The following table summarizes the Company's contractual obligations at June 30, 2020:

Contractual Obligations	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-Term Debt	\$ 2,374,859	\$ 1,042,655	\$ 1,332,204	-	-
Capital Lease Obligations	-	-	-	-	-
Operating Leases	\$ 71,535	\$ 56,373	\$ 12,130	\$ 3,032	-
Unconditional Purchase Obligations	-	-	-	-	-
Other Long-Term Obligations	-	-	-	-	-
Total Contractual Cash Obligations	<u>\$ 2,446,394</u>	<u>\$ 1,099,028</u>	<u>\$ 1,344,334</u>	<u>\$ 3,032</u>	<u>\$ -</u>

Capital expenditures were approximately \$758,000, \$0, and \$0 in fiscal 2020, 2019, and 2018, respectively. The Company believes that cash flows from operations and available borrowings under its credit facilities will be sufficient to finance fixed payments and planned capital expenditures of \$1.0 million in 2021.

At June 30, 2020, the Company had \$2.4 million outstanding debt, of which \$2.4 million is owed under the SBA Loan and which the Company believes it is entitled to forgiveness under the terms of such loan. During fiscal 2020 the Company had borrowings and repayments under the Credit Agreement of \$32.9 million. Our cash flows from operations were \$647,581 in fiscal 2020 and \$59,342 in fiscal 2019. Cash flow from operations was negative in fiscal 2018. Our cash flows may be further negatively impacted by decreases in sales, market conditions, and adverse changes in working capital. While we believe that our borrowing capacity under the Credit Agreement provides sufficient financial flexibility, continued negative cash flows could negatively affect our ability to access the Credit Agreement or to repay amounts borrowed and we might need to secure additional sources of funds, which may or may not be available to us.

In fiscal 2019 and 2018 the Company had borrowings and repayments under the Credit Agreement of \$32.9 and \$14.8 million, respectively.

In 2020, inflation in the price of raw materials and purchased components negatively impacted earnings by approximately \$0.3 million dollars. The Company experienced a material direct impact of \$44,000 on 2020, and \$0 in 2019, from changes in trade policy or tariffs. The Company also believes a portion of its increased raw materials costs were due to tariffs imposed on steel and aluminum import. The Company makes its foreign sales in U.S. dollars and, accordingly, sales proceeds are not affected by exchange rate fluctuations. However, fluctuations in exchange rates can affect the price of our products in local currency, which does impact the pace of incoming orders.

#### Quarterly Results

The following table sets forth selected operating results for the eight quarters ended June 30, 2020. 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.

Dollars in thousands, except per share data

Three months ended,	June 30, 2020	March 31, 2020	Dec. 31, 2019	Sept. 30, 2019	June 30, 2019	March 31, 2019	Dec. 31, 2018	Sept. 30, 2018
Net sales	\$ 8,511	\$ 8,097	\$ 7,310	\$ 7,976	\$ 7,690	\$ 8,316	\$ 8,107	\$ 7,269
Gross profit	1,378	1,586	1,347	1,260	1,405	1,550	1,205	879
Loss from operations	(638)	(305)	(1,512)	(607)	(433)	(353)	(762)	(1,226)
Net income (loss)	(539)	(330)	(1,531)	(614)	(474)	378	(779)	(1,235)
Basic earnings (loss) per share	(0.14)	(0.08)	(0.38)	(0.15)	(0.12)	0.09	(0.19)	(0.31)
Diluted earnings (loss) per share	(0.14)	(0.08)	(0.38)	(0.15)	(0.12)	0.09	(0.19)	(0.31)

Earnings per share is computed independently for each of the quarters presented. Therefore, the sum of the quarterly amounts will not necessarily equal the total for the year.

### **Litigation and Contingencies**

The Company becomes, from time to time, a party to personal injury litigation arising out of incidents involving the use of its products. The Company believes that any potential judgments resulting from such claims over its self-insured retention will be covered by the Company's product liability insurance.

### **Off Balance Sheet Arrangements**

The Company does not have any off balance sheet arrangements.

### **Recently Issued Accounting Pronouncements**

See Item 8, Note 2 "Summary of Significant Accounting Policies" for a discussion of recent accounting pronouncements and their impact on the Company's financial statements, if any.

### **Item 7A. *Quantitative and Qualitative Disclosures about Market Risk***

At June 30, 2020, the Company had no debt outstanding under its revolving credit facility. The revolving credit facility bears an interest rate using the prime rate as reported in the Wall Street Journal as the basis, as defined in the loan agreement, and therefore is subject to additional expense should there be an increase in market interest rates.

The Company had no holdings of derivative financial or commodity instruments at June 30, 2020. Allied has international sales; however these sales are denominated in U.S. dollars, mitigating foreign exchange rate fluctuation risk.

### **Item 8. *Financial Statements and Supplementary Data***

The following described financial statements of Allied Healthcare Products, Inc. are included in response to this item:

Report of Independent Registered Public Accounting Firm.

Statement of Operations for the fiscal years ended June 30, 2020, 2019 and 2018.

Balance Sheet for the fiscal years ended June 30, 2020 and 2019.

Statement of Changes in Stockholders' Equity for the fiscal years ended June 30, 2020, 2019 and 2018.

Statement of Cash Flows for the fiscal years ended June 30, 2020, 2019 and 2018.

Notes to Financial Statements.

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

**Report of Independent Registered Public Accounting Firm**

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

**Opinion On The Financial Statements**

We have audited the accompanying balance sheet of Allied Healthcare Products, Inc. (the Company) as of June 30, 2020 and 2019 and the related statements of operations, changes in stockholders' equity and cash flows for each of the three years in the period ended June 30, 2020, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of Allied Healthcare Products, Inc. as of June 30, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2020, in conformity with accounting principles generally accepted in the United States of America.

**Basis For Opinion**

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ RubinBrown LLP

We have served as the Company's auditor since 2003.

St. Louis, Missouri  
September 28, 2020

**ALLIED HEALTHCARE PRODUCTS, INC.**  
**STATEMENT OF OPERATIONS**

<i>Year ended June 30,</i>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Net sales	\$ 31,894,262	\$ 31,381,521	\$ 33,759,953
Cost of sales	26,323,646	26,342,894	27,309,511
Gross profit	5,570,616	5,038,627	6,450,442
Selling, general and administrative expenses	8,632,795	7,812,649	8,446,056
Loss from operations	(3,062,179)	(2,774,022)	(1,995,614)
Other (income) expenses:			
Interest expense	64,682	56,223	23,569
Interest income	(654)	(138)	(288)
Legal settlement	-	(750,000)	-
Other, net	18,252	130	237
	82,280	(693,785)	23,518
Loss before provision for income taxes	(3,144,459)	(2,080,237)	(2,019,132)
Provision for (benefit from) income taxes	(130,359)	29,448	173,038
Net loss	\$ (3,014,100)	\$ (2,109,685)	\$ (2,192,170)
Basic loss per share:	\$ (0.75)	\$ (0.53)	\$ (0.55)
Diluted loss per share:	\$ (0.75)	\$ (0.53)	\$ (0.55)
Weighted average shares outstanding – Basic	4,013,537	4,013,537	4,013,537
Weighted average shares outstanding – Diluted	4,013,537	4,013,537	4,013,537

See accompanying Notes to Financial Statements.

**ALLIED HEALTHCARE PRODUCTS, INC.**  
**BALANCE SHEET**

	June 30, 2020	June 30, 2019
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,600,083	\$ 195,454
Accounts receivable, net of allowances of \$170,000	3,103,819	3,165,289
Inventories, net	8,928,688	7,333,095
Income tax receivable	12,178	12,178
Other current assets	229,805	244,908
Total current assets	<u>14,874,573</u>	<u>10,950,924</u>
Property, plant and equipment, net	4,139,693	4,001,081
Operating lease assets	17,326	-
Deferred income taxes	640,767	501,891
Total assets	<u>\$ 19,672,359</u>	<u>\$ 15,453,896</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Current portion of Payroll Protection Program loan	\$ 1,042,655	-
Current portion of operating lease liability	4,249	-
Accounts payable	2,940,006	\$ 1,469,232
Customer deposits	2,832,370	562,905
Other accrued liabilities	2,106,131	1,531,407
Total current liabilities	<u>8,925,411</u>	<u>3,563,544</u>
Long-term operating lease liability	13,077	-
Long-term portion of Payroll Protection Program	1,332,204	-
Long-term environmental liability	523,000	-
Commitments and contingencies (Notes 4 and 9)		
Stockholders' equity:		
Preferred stock; \$0.01 par value; 1,500,000 shares authorized; no shares issued and outstanding	-	-
Series A preferred stock; \$0.01 par value; 200,000 shares authorized; no shares issued and outstanding	-	-
Common stock; \$0.01 par value; 30,000,000 shares authorized; 5,213,902 shares issued at June 30, 2020 and June 30, 2019; 4,013,537 shares outstanding at June 30, 2020 and June 30, 2019	52,139	52,139
Additional paid-in capital	48,493,732	48,491,317
Accumulated deficit	(18,686,416)	(15,672,316)
Less: treasury stock, at cost; 1,200,365 shares at June 30, 2020 and 2019	(20,980,788)	(20,980,788)
Total stockholders' equity	<u>8,878,667</u>	<u>11,890,352</u>
Total liabilities and stockholders' equity	<u>\$ 19,672,359</u>	<u>\$ 15,453,896</u>

See accompanying Notes to Financial Statements.

**ALLIED HEALTHCARE PRODUCTS, INC.**  
**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**

	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Treasury Stock	Total
Balance, June 30, 2017	\$ 52,139	\$48,485,390	\$ (11,370,461)	\$ (20,980,788)	\$ 16,186,280
Stock based compensation	-	2,830	-	-	2,830
Net loss for the year ended June 30, 2018	-	-	(2,192,170)	-	(2,192,170)
Balance, June 30, 2018	52,139	48,488,220	(13,562,631)	(20,980,788)	13,996,940
Stock based compensation	-	3,097	-	-	3,097
Net loss for the year ended June 30, 2019	-	-	(2,109,685)	-	(2,109,685)
Balance, June 30, 2019	52,139	48,491,317	(15,672,316)	(20,980,788)	11,890,352
Stock based compensation	-	2,415	-	-	2,415
Net loss for the year ended June 30, 2020	-	-	(3,014,100)	-	(3,014,100)
Balance, June 30, 2020	<u>\$ 52,139</u>	<u>\$48,493,732</u>	<u>\$ (18,686,416)</u>	<u>\$ (20,980,788)</u>	<u>\$ 8,878,667</u>

See accompanying Notes to Financial Statements.

**ALLIED HEALTHCARE PRODUCTS, INC.**  
**STATEMENT OF CASH FLOWS**

Year ended June 30,	2020	2019	2018
<b>Cash flows from operating activities:</b>			
Net loss	\$ (3,014,100)	\$ (2,109,685)	\$ (2,192,170)
<b>Adjustments to reconcile net loss to net cash provided by (used in) operating activities:</b>			
Depreciation and amortization	619,801	822,068	931,408
Stock based compensation	2,415	3,097	2,830
Provision for doubtful accounts and sales returns and allowances	21,750	19,649	(12,118)
Deferred tax provision	(138,876)	18,772	163,100
<b>Changes in operating assets and liabilities:</b>			
Accounts receivable	39,720	563,055	(373,437)
Inventories	(1,595,593)	497,446	681,413
Income tax receivable	-	-	377
Customer deposits	2,269,465	192,020	(242,023)
Other current assets	15,103	5,697	65,073
Accounts payable	1,330,172	(4,386)	33,215
Other accrued liabilities	1,097,724	51,609	82,740
Net cash provided by (used in) operating activities	647,581	59,342	(859,592)
<b>Cash flows from investing activities:</b>			
Capital expenditures	(617,811)	-	-
Net cash used in investing activities	(617,811)	-	-
<b>Cash flows from financing activities:</b>			
Borrowings under revolving credit agreement	32,856,428	32,176,067	14,774,091
Payments under revolving credit agreement	(32,856,428)	(32,176,067)	(14,774,091)
Proceeds from Payroll Protection Program loan	2,374,859	-	-
Net cash provided by financing activities	2,374,859	-	-
Net increase (decrease) in cash and cash equivalents	2,404,629	59,342	(859,592)
Cash and cash equivalents at beginning of year	195,454	136,112	995,704
Cash and cash equivalents at end of year	\$ 2,600,083	\$ 195,454	\$ 136,112
<b>Supplemental disclosures of cash flow information:</b>			
<b>Cash paid during the year for:</b>			
Income taxes	\$ 8,517	\$ 10,675	\$ 9,561
Interest	\$ 64,862	\$ 56,223	\$ 23,569
<b>Non-cash investing and financing activities lease liability and right of use asset arising from operating leases</b>			
	\$ 17,326	-	-
Capital expenditures included in accounts payable at year end	\$ 140,602	-	-

See accompanying Notes to Financial Statements.

**ALLIED HEALTHCARE PRODUCTS, INC.**  
**NOTES TO 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.

**2. Summary of Significant Accounting Policies**

The significant accounting policies followed by Allied are described below.

**Use of estimates**

The policies utilized by the Company in the preparation of the financial statements conform to accounting principles generally accepted in the United States of America, 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.

**Adoption of new revenue recognition standard**

In May 2014, the Financial Accounting Standards Board (FASB) issued a new accounting standard that amends the guidance for the recognition of revenue from contracts with customers to transfer goods and services. The FASB subsequently issued additional, clarifying standards to address issues arising from implementation of the new revenue recognition standard. The new revenue recognition standard and clarifying standards require an entity to recognize revenue when control of promised goods or services is transferred to the customer at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company adopted this new standard as of July 1, 2018, by applying the modified-retrospective method to those contracts that were not completed as of that date.

The results for reporting periods beginning after July 1, 2018, are presented in accordance with the new standard, although comparative information has not been restated and continues to be reported under the accounting standards and policies in effect for those periods. The adoption of this standard did not have a material impact on the amount of revenue recognized by the Company as it sells finished products and recognizes revenue at the point of sale or delivery and the timing of revenue recognition has not changed with the adoption of the new standard.

The cumulative impact on accumulated deficit as a result of the adoption of this standard did not have a material impact on the Company's historical net losses and, therefore, no adjustment was made to the opening balance of accumulated deficit. In addition, the impact on reported total revenues and operating income as compared to what reported amounts would have been under the prior standard was also immaterial. The Company expects the impact of adoption in future periods to also be immaterial. The accounting policies under the new standard were applied prospectively and are described below. See Note 2, Revenues.

**Revenue recognition**

The Company's revenues are derived primarily from the sales of respiratory products, medical gas equipment and emergency medical products. The products are generally sold directly to distributors, customers affiliated with buying groups, individual customers and construction contractors, throughout the world.

The Company recognizes revenue from product sales upon satisfaction of its performance obligation which occurs on the transfer of control of the product, which is generally upon shipment or delivery, depending on the delivery terms set forth in the customer contract. Payment terms between Allied and its customers vary by the type of customer, country of sale, and the products offered. The term between invoicing and the payment due date is not significant.

Management exercises judgment in estimating variable consideration. Provisions for early payment discounts, rebates and returns and other adjustments are provided for in the period the related sales are recorded. Historical data is readily available and reliable, and is used for estimating the amount of the reduction in gross sales.

The Company provides rebates to wholesalers. Rebate amounts are based upon purchases using contractual amount for each product sold. Factors used in the rebate calculations include the identification of which products have been sold subject to a rebate and the customer or price terms that apply. Using known contractual allowances, the Company estimates the amount of the rebate that will be paid, and records the liability as a reduction of gross sales when it records the sale of the product. Settlement of the rebate generally occurs in the month following the sale.

The Company regularly analyzes the historical rebate trends and adjusts reserves for changes in trends and terms of rebate programs. Historically, adjustments to prior years' rebate accruals have not been material to net income.

Other allowances charged against gross sales include cash discounts and returns, which are not significant. Cash discounts are known within 15 to 30 days of sale, and therefore can be reliably estimated. Returns can be reliably estimated because the Company's historical returns are low, and because sales return terms and other sales terms have remained relatively unchanged for several periods. Product warranties are also not significant.

The Company does not allocate transaction price as the Company has only one performance obligation and its contracts do not span multiple periods. All taxes imposed on and concurrent with revenue producing transactions and collected by the Company are excluded from the measurement of transaction price.

### **Marketing and Advertising Costs**

Promotional and advertising costs are expensed as incurred and are included in selling, general and administrative expenses in the Statement of Operations. Advertising expenses for the years ended June 30, 2020, 2019 and 2018 were \$3,550, \$0, and \$2,000, respectively.

### **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.

The Company maintains funds in bank accounts that, at times, may exceed the limit insured by the Federal Deposit Insurance Corporation. The risk of loss attributable to these uninsured balances is mitigated by depositing funds only in high credit quality financial institutions. The Company has not experienced any losses in such accounts.

### **Foreign currency transactions**

Allied has international sales which are denominated in U.S. dollars, the functional currency for these transactions.

### **Accounts receivable and concentrations of credit risk**

Accounts receivable are recorded at the invoiced amount. The Company performs ongoing credit evaluations of its customers and generally does not require collateral. The Company maintains reserves for potential credit losses based on past experience and an analysis of current amounts due, and historically such losses have been within management's expectations. The Company maintains an allowance for doubtful accounts to reflect the uncollectibility of accounts receivable based on past collection history and specific risks identified among uncollected accounts. Accounts receivable are charged to the allowance for doubtful accounts when the Company determines that the receivable will not be collected and/or when the account has been referred to a third party collection agency. The Company's customers can be grouped into three main categories: medical equipment distributors, construction contractors and health care institutions. At June 30, 2020, 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 method (which approximates replacement cost) had been used in determining cost, inventories would have been \$2,408,878 and \$2,308,377 higher at June 30, 2020 and 2019, respectively. Changes in the LIFO reserve are included in cost of sales. Cost of sales was reduced by \$0, \$120,965, and \$242,885 in fiscal 2020, 2019, and 2018 respectively, as a result of LIFO liquidations. Costs in inventory include raw materials, direct labor and manufacturing overhead.

Inventory is recorded net of a reserve for obsolete and excess inventory which is determined based on an analysis of inventory items with no usage in the preceding year and for inventory items for which there is greater than two years’ usage on hand. The reserve for obsolete and excess inventory was \$1,849,134 and \$1,800,935 at June 30, 2020 and 2019, respectively.

## **Property, plant and equipment**

Property, plant and equipment are recorded at cost and are depreciated using the straight-line method over the estimated useful lives of the assets, which range from 3 to 35 years. 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.

## **Impairment of long-lived assets**

The Company evaluates impairment of long-lived assets under the provisions of ASC Topic 360: “Property, Plant and Equipment.” ASC 360 provides a single accounting model for long-lived assets to be disposed of and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Under ASC 360, if the sum of the expected future cash flows (undiscounted and without interest charges) of the long-lived assets is less than the carrying amount of such assets, an impairment loss will be recognized. No impairment losses of long-lived assets or identifiable intangibles were recorded by the Company for fiscal years ended June 30, 2020, 2019, and 2018.

## **Collective Bargaining Agreement**

At June 30, 2020, the Company had approximately 218 full-time employees. Approximately 139 employees in the Company’s principal manufacturing facility located in St. Louis, Missouri, are covered by a collective bargaining agreement that will expire on May 31, 2021.

## **Self-insurance**

The Company maintains a self-insurance program for a portion of its health care costs. Self-insurance costs are accrued based upon the aggregate of the liability for reported claims and the estimated liability for claims incurred but not reported. As of June 30, 2020 and 2019, the Company had \$150,000 and \$210,000 respectively, of accrued liabilities related to health care claims. In order to establish the self-insurance reserves, the Company utilized actuarial estimates of expected claims based on analyses of historical data.

## **Fair value of financial instruments**

The Company’s financial instruments include cash, accounts receivable and accounts payable. The carrying amounts for cash, accounts receivable and accounts payable approximate their fair value due to the short maturity of these instruments.

## **Income taxes**

The Company accounts for income taxes under ASC Topic 740: “Income Taxes.” Under ASC 740, 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 enacted tax rates that are expected to apply to taxable income when such assets and liabilities are anticipated to be settled or realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as tax expense or benefit in the period that includes the enactment date of the change. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized. In assessing the need for a valuation allowance the Company first considers the reversals of existing temporary deferred tax liabilities and available tax planning strategies. To the extent these items are not sufficient to cause the realization of deferred tax assets, the Company considers the availability of future taxable income to the extent such income is considered likely to occur based on the Company’s earnings history, current income trends and projections.

In light of its history of operating losses the Company does not rely on the existence of future taxable income as it currently cannot conclude future taxable income is likely to occur. The Company does rely on reversals of existing temporary deferred tax liabilities and tax planning strategies to the extent available to support the value of its existing deferred tax assets. To the extent the Company's deferred tax assets exceeded the amount supportable through reversals of existing deferred tax liabilities and tax planning strategies a valuation allowance is recorded against the excess deferred tax assets.

The Company recognizes tax liabilities when, despite the Company's belief that its tax return positions are supportable, the Company believes that certain positions may not be fully sustained upon review by tax authorities. Benefits from tax positions are measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon settlement. To the extent the Company deems it necessary to record a liability for its tax positions, the current portion of the liability is included in income taxes payable and the noncurrent portion is included in other liabilities on the balance sheet. If upon the final tax outcome of these matters the ultimate liability is different than the amounts recorded, such differences are reflected in income tax expense in the period in which such determination is made. The Company files a federal and multiple state income tax returns. With few exceptions the Company's federal and state income tax returns are open for fiscal years ending after June 30, 2017.

The Company classifies interest expenses on taxes payable as interest expense. Penalties are classified as a component of other expenses.

#### **Research and development costs**

Research and development costs are expensed as incurred and are included in selling, general and administrative expenses. Research and development expenses for the years ended June 30, 2020, 2019 and 2018 were \$595,236, \$459,455, and \$472,077, 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 the sum of the weighted average number of shares of common stock and common stock equivalents outstanding during the year. The weighted average number of basic and diluted shares outstanding for the years ended June 30, 2020, 2019 and 2018 was 4,013,537 shares. The dilutive effect of the Company's employee and director stock option plans are determined by use of the treasury stock method. There are no potential common shares excluded from the calculation of net loss per share, as their effect would be anti-dilutive for the years ended June 30, 2020, 2019 and 2018 respectively.

The following information is necessary to calculate earnings per share for the periods presented:

<i>Year ended June 30,</i>	2020	2019	2018
Net loss, as reported	\$ (3,014,100)	\$ (2,109,685)	\$ (2,192,170)
Weighted average common shares outstanding	4,013,537	4,013,537	4,013,537
Effect of dilutive stock options	-	-	-
Weighted average diluted common shares outstanding	4,013,537	4,013,537	4,013,537
Net loss per common share			
Basic	\$ (0.75)	\$ (0.53)	\$ (0.55)
Diluted	\$ (0.75)	\$ (0.53)	\$ (0.55)
Employee stock options excluded from computation of diluted income per share amounts because their effect would be anti-dilutive	-	-	-

### Employee stock-based compensation

The company follows the provisions of ASC Topic 718: “Compensation – Stock Compensation”, which sets accounting requirements for “share-based” compensation to employees, including employee stock purchase plans, and requires companies to recognize in the statement of operations the grant-date fair value of the stock options and other equity-based compensation.

The fair value of options granted is estimated on the date of grant using the Black-Scholes option-pricing model. The following table summarizes the weighted average assumptions utilized in the Black-Scholes option pricing model for options granted during the fiscal years ended June 30, 2020, 2019 and 2018.

	2020	2019	2018
Weighted-average fair value	\$ 0.61	\$ 1.06	\$ 0.99
Weighted-average volatility	53%	48%	44%
Weighted-average expected life (in years)	6.0	6.0	6.0
Weighted-average risk-free interest rate	1.77%	3.03%	2.11%
Dividend yield	0%	0%	0%

Expected volatility is based on the historical volatility of the Company’s common stock to estimate future volatility. The risk-free rates are taken from rates as published by the Federal Reserve and represent the yields on actively traded treasury securities for terms equal or approximately equal to the expected terms of the options. The expected term is calculated using the SEC Staff Accounting Bulletin 107 (ASC 718-10-S99) simplified method. Forfeitures are recognized as they occur. The dividend yield is zero based on the fact that the Company has no intention of paying dividends in the near term.

Share-based compensation expense included in the Statement of Operations for the fiscal years ended June 30, 2020, 2019 and 2018 was approximately \$2,000, \$3,000 and \$3,000, respectively. Unrecognized share-based compensation cost related to unvested stock options as of June 30, 2020 amounts to approximately \$3,000. The cost is expected to be recognized through fiscal 2025.

The Company recognized an income tax benefit for share-based compensation arrangements of approximately \$1,000 for the years ended June 30, 2020, 2019 and 2018, all of which were fully offset by an increase in the deferred tax asset valuation allowance.

No stock options were exercised during fiscal years 2020, 2019 and 2018.

## Recent Accounting Pronouncements

### Adoption of new lease standard

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement.

The new standard was effective for Allied on July 1, 2019. The Company adopted the new standard on its effective date and used the effective date as our date of initial application. Consequently, financial information recorded and the disclosures required under the new standard are not provided for dates and periods before July 1, 2019. Additionally, the Company determined that as of the effective date of the standard, it had no material impact on the financial statements or disclosures of the Company.

The new standard provides a number of optional practical expedients in transition. The Company elected the package of practical expedients which does not require us to reassess under the new standard our prior conclusions about lease identification, lease classification and initial direct costs. Leasing activities are not significant to Allied's business and there is no significant change in the Company's leasing activities upon adoption. The new standard also provides practical expedients for an entity's ongoing accounting. The Company elected the short-term lease recognition exemption for all leases with terms of less than 12 months.

### Recently Issued Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"), which changes the way companies evaluate credit losses for most financial assets and certain other instruments. For trade and other receivables, held-to-maturity debt securities, loans and other specified instruments, entities will be required to use a new forward-looking "expected loss" model to evaluate impairment, potentially resulting in earlier recognition of allowances for losses. The new standard also requires enhanced disclosures, including the requirement to disclose the information used to track credit quality by year of origination for most financing receivables. The guidance must be applied using a cumulative-effect transition method. ASU 2016-13 is effective for fiscal years beginning after December 15, 2020, and for interim periods within those fiscal years (the fiscal year ending June 30, 2022 for the Company), with early adoption permitted. The Company is currently evaluating the impact that adopting this guidance may have on its financial statements.

### Environmental Remediation

The Company is subject to federal and state requirements for protection of the environment, including the remediation of contaminated sites. The Company's policy is to accrue and charge to current expense identified exposures related to environmental remediation sites when it is probable that a liability has been incurred and the amount can be reasonably estimated. The amount of the liability is based on the best estimate or the low end of a range of reasonably possible exposure for investigation, cleanup, and monitoring costs to be incurred. Estimated remediation costs are not discounted to present value.

On January 30, 2020, the Company filed a Citizen Participation Plan with the New York Department of Environmental Conservation under its Brownfield Cleanup Program. The plan was filed with respect to the Company's property in Stuyvesant Falls, New York. The plan recognizes that the soil and groundwater at the Stuyvesant Falls facility is impacted by chemical compounds exceeding regulatory standards. The Company has applied to the Brownfield Cleanup Program. Pursuant to the plan, the Company will conduct, at its expense, investigation and remediation at the site with oversight by the Department of Environmental Conservation.

The Company's best estimate of the expected cost to remediate the site is \$1.1 million. This amount was recorded as an expense in fiscal year 2020 and \$0.2 million is an expense in the three months ended June 30, 2020. These amounts are reflected in other accrued liabilities and selling, general and administrative expenses in the Company's financial statements. As of June 30, 2020, the Company has paid approximately \$82,000 in remediation expenses which have been charged to the initial reserve.

## **Risk and Uncertainties, Going Concern, Liquidity and Management's Plan**

A novel strain of coronavirus ("COVID-19") was first identified in Wuhan, China in December 2019. On March 11, 2020, the World Health Organization designated COVID-19 as a global pandemic. To date, COVID-19 has surfaced in nearly all regions around the world and resulted in business slowdowns or shutdowns in affected areas. Despite our efforts to manage and remedy the effects of this pandemic, the significance depends on factors beyond our control, including the duration and severity of the outbreak as well as third-party actions taken to contain the spread and mitigate public health efforts. For the Company this creates additional economic uncertainty. Risks for the Company include disruption in operations if a significant percentage of our workforce is unable to work due to illness, forced curtailment of business operations and business travel by governmental authorities, and failure of others in our supply chain and distribution channel to meet their obligations to us, or significant disruptions in their ability to do so, which may be caused by their own financial or operational difficulties.

### **3. Financing**

#### **North Mill Loan**

The Company is party to a Loan and Security Agreement with North Mill Capital, LLC ("North Mill"), as successor in interest to Summit Financial Resources, L.P., dated effective February 27, 2017, as amended April 16, 2018 and April 24, 2019 (as amended, the "Credit Agreement"). Pursuant to the Credit Agreement, the Company obtained a secured revolving credit facility (the "Credit Facility"). The Company's obligations under the Credit Facility are secured by all of the Company's personal property, both tangible and intangible, pursuant to the terms and subject to the conditions set forth in the Credit Agreement. Availability of funds under the Credit Agreement is based on the Company's accounts receivable and inventory but will not exceed \$2,000,000. At June 30, 2020 availability under the agreement was \$1,994,657.

The Credit Facility will be available, subject to its terms, on a revolving basis until it expires on February 27, 2021, at which time all amounts outstanding under the Credit Facility will be due and payable. Advances will bear interest at a rate equal to 2.00% in excess of the prime rate as reported in the Wall Street Journal. Interest is computed based on the actual number of days elapsed over a year of 360 days. In addition to interest, the Credit facility requires that the Company pay the lender a monthly administration fee in an amount equal to forty-seven hundredths percent (0.47%) of the average outstanding daily principal amount of loan advances for the each calendar month, or portion thereof.

Regardless of the amount borrowed under the Credit Facility, the Company will pay a minimum amount of .25% (25 basis points) per month on the maximum availability (\$5,000 per month). In the event the Company prepays or terminates the Credit Facility prior to February 27, 2021, the Company will be obligated to pay an amount equal to the minimum monthly payment multiplied by the number of months remaining between February 27, 2021 and the date of such prepayment or termination.

Under the Credit Agreement, advances are generally subject to customary borrowing conditions and to North Mill's sole discretion to fund the advances. The Credit Agreement also contains covenants with which the Company must comply during the term of the Credit Facility. Among other things, such covenants require the Company to maintain insurance on the collateral, operate in the ordinary course and not engage in a change of control, dissolve or wind up the Company.

The Credit Agreement also contains certain events of default including, without limitation: the failure to make payments when due; the material breach of representations or warranties contained in the Credit Agreement or other loan documents; cross-default with other indebtedness of the Company; the entry of judgments or fines that may have a material adverse effect on the Company; failure to comply with the observance or performance of covenants contained in the Credit Agreement or other loan documents; insolvency of the Company, appointment of a receiver, commencement of bankruptcy or other insolvency proceedings; dissolution of the Company; the attachment of any state or federal tax lien; attachment or levy upon or seizure of the Company's property; or any change in the Company's condition that may have a material adverse effect. After an event of default, and upon the continuation thereof, the principal amount of all loans made under the Credit Facility would bear interest at a rate per annum equal to 20.00% above the otherwise applicable interest rate (provided, that the interest rate may not exceed the highest rate permissible under law), and would have the option to accelerate maturity and payment of the Company's obligations under the Credit Facility.

The Company was in compliance with all of the covenants associated with the Credit Facility at June 30, 2020.

## PPP Loan

On April 13, 2020, the Company entered into a Payroll Protection Program (PPP) loan agreement (the “SBA Loan”) with Jefferson Bank and Trust Company under the recently enacted Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) administered by the U.S. Small Business Administration (the “SBA”). The Company received total proceeds of \$2.375 million from the SBA Loan. In accordance with the requirements of the CARES Act, the Company will use proceeds from the SBA Loan for payroll costs and other permitted uses. The SBA Loan is scheduled to mature on April 13, 2022 and has a 1.00% interest rate and is subject to the terms and conditions applicable to loans administered by the U.S. Small Business Administration under the CARES Act.

All or a portion of the SBA Loan may be forgiven by the SBA upon application by the Company upon documentation of expenditures in accordance with the SBA requirements. Under the CARES Act, loan forgiveness is available for the sum of documented payroll costs, covered rent payments, covered mortgage interest and covered utilities during the eight week or at the Company’s election 24 week period beginning on the loan origination date, subject to regulations and guidance provided by the United States Treasury. For purposes of the CARES Act, payroll costs exclude compensation of an individual employee in excess of \$100,000, prorated annually. Not more than 40% of the forgiven amount may be for non-payroll costs. Forgiveness is reduced if full-time headcount declines, or if salaries and wages for employees with salaries of \$100,000 or less annually are reduced by more than 25%. In the event the SBA Loan, or any portion thereof, is forgiven pursuant to the CARES Act, the amount forgiven is applied to outstanding principal. The Company intends to seek forgiveness of the SBA Loan to the maximum extent permitted but cannot guarantee whether or to what extent such forgiveness will be granted.

Payments of unforgiven principal and interest are deferred until November 2020, at which point the Company is required to repay such amounts in 18 equal monthly payments. The SBA Loan is evidenced by a promissory note, which contains customary events of default relating to, among other things, payment defaults and breaches of representations and warranties. The SBA Loan may be prepaid by the Company at any time prior to maturity with no prepayment penalties.

At June 30, 2020 the Company had \$2.4 million indebtedness, including lease obligations, short-term debt, and long term debt. The prime rate as reported in the Wall Street Journal was 3.25% on June 30, 2020.

Future maturities of debt are as follows:

### Fiscal years ending

2021	\$	1,042,655
2022		1,332,204
Total	\$	2,374,859

## 4. Lease Commitments

The Company leases vehicles and equipment, generally for terms of three to five years.

As described in Note 2, “Summary of Significant Accounting Policies” the Company adopted ASC Topic 842, Leases (“ASC 842” or “Topic 842”), utilizing the modified retrospective adoption method with an effective date of July 1, 2019. The Company made the election to not apply the recognition requirements in Topic 842 to short-term leases (i.e., leases of 12 months or less). Instead, as permitted by Topic 842, the Company recognizes the lease payments under its short-term leases in profit or loss on a straight-line basis over the lease term. The Company elected this accounting policy for all classes of underlying assets. Right-of-use assets represent the Company’s right to use an underlying asset for the lease term, and lease liabilities represent the Company’s obligation to make lease payments arising from the lease. Right-of-use assets and liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term. The Company generally uses the rate implicit in the lease to discount lease payments to present value.

As of June 30, 2020, the Company had vehicles and equipment financed under operating leases with lease terms expiring through 2024. Rent expense consists of monthly rental payments under the terms of the Company’s lease agreements recognized on a straight-line basis.

The following table sets forth the Company’s future minimum lease payments under operating lease liabilities recorded on the Company’s balance sheet as of June 30, 2020.

Fiscal years ending	Maturity of Operating Lease Liabilities
2021	\$ 6,065
2022	\$ 6,065
2023	\$ 6,065
2024	\$ 3,032
<b>Total lease payments</b>	<b>\$ 21,227</b>
Less: amounts representing interest	\$ 3,901
<b>Present value of lease liabilities</b>	<b>\$ 17,326</b>
Less: current portion	\$ 4,249
<b>Long-term portion</b>	<b>\$ 13,077</b>

The Company's operating lease cost amounted to \$74,009 in 2020. Expenses are classified within selling, general and administrative expenses in the Company's statement of operations for the year ended June 30, 2020.

The table below presents lease-related terms and discount rates as of June 30, 2020.

	June 30, 2020
<b>Weighted average remaining lease terms</b>	
Operating leases	3.5 years
<b>Weighted average discount rate</b>	
Operating leases	12%

## 5. Income Taxes

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

	2020	2019	2018
<b>Current:</b>			
Federal	\$ 84,420	\$ -	\$ -
State	23,093	10,676	9,938
Less net operating loss carryforward applied	(98,996)	-	-
<b>Total current</b>	<u>8,517</u>	<u>10,676</u>	<u>9,938</u>
<b>Deferred:</b>			
Federal	(182,517)	(451,591)	424,038
State	4,405	(65,877)	91,789
Valuation Allowance	39,236	536,240	(352,727)
<b>Total deferred</b>	<u>(138,876)</u>	<u>18,772</u>	<u>163,100</u>
<b>Provision (benefit)</b>	<u>\$ (130,359)</u>	<u>\$ 29,448</u>	<u>\$ 173,038</u>

A reconciliation of income taxes, with the amounts computed at the statutory federal rate is as follows:

	2020	2019	2018
Computed tax at federal statutory rate	\$ (662,125)	\$ (436,850)	\$ (555,261)
State income taxes, net of federal tax (benefit) provision	(17,475)	(61,974)	(54,471)
Non deductible expenses	506,798	7,699	9,775
Federal research credit	(31,076)	(22,906)	(16,880)
Net operating loss carryforward adjustment	-	-	131,244
State NOLs	30,397	6,772	(39,979)
Stock Options - Expired	3,763	2,536	4,424
Changes resulting from the TCJA	-	-	1,080,362
Other, net	123	(2,069)	(33,449)
Valuation Allowance	39,236	536,240	(352,727)
<b>Total</b>	<u>\$ (130,359)</u>	<u>\$ 29,448</u>	<u>\$ 173,038</u>

On December 22, 2017, President Trump signed into law tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "TCJA"), which became effective on that date. The TCJA significantly revised U.S. tax law by lowering the U.S. federal statutory income tax rate from 35% to 21% effective January 1, 2018.

ASC Topic 740, requires the effects of changes in tax laws to be recognized in the period in which the legislation is enacted. Accordingly, in the second quarter of fiscal 2018, the Company recorded a one-time charge of \$136,386 within its income tax provision in connection with the TCJA. The net expense of \$136,386 relates to revaluation of the Company's valuation allowance.

The deferred tax assets and deferred tax liabilities recorded on the balance sheet as of June 30, 2020 and 2019 are as follows:

	2020	2019
<b>Deferred tax assets</b>		
Bad debts	\$ 25,500	\$ 25,500
Intangible assets	1,340	1,935
Accrued liabilities	491,605	262,970
Stock options	25,276	28,568
Net operating loss and credit carryforwards	3,807,811	3,914,655
<b>Total Assets</b>	<u>4,351,532</u>	<u>4,233,628</u>
<b>Deferred tax liabilities</b>		
Prepaid expenses	10,587	10,937
Inventory	614,184	652,251
Depreciation	194,920	233,142
Other	116,007	99,575
<b>Total Liabilities</b>	<u>935,698</u>	<u>995,905</u>
<b>Valuation Allowance</b>	<u>(2,775,069)</u>	<u>(2,735,832)</u>
<b>Total deferred taxes</b>	<u>\$ 640,765</u>	<u>\$ 501,891</u>

At June 30, 2020, there were \$13.2 million dollars of federal net operating loss carryforwards which will expire in 2031 through 2038 and \$1.5 million subject to indefinite carryforward. In addition, the Company has state tax net operating losses of approximately \$8.1 million that expire in varying years from 2020 through 2039.

The Company files a federal and multiple state income tax returns. With few exceptions the Company's federal and state income tax returns are open for fiscal years ending after June 30, 2017.

The Company has not taken any uncertain tax positions on its federal or state income tax filings for open tax years.

## 6. Employee Retirement Benefits

The Company offers a retirement savings plan 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, 2020, 2019 and 2018, the Company made contributions of \$185,000, \$190,965, and \$197,999, respectively, to the retirement savings plan. The Company contributes 2% of eligible salaried employee's annual income to the plan. In addition, the Company provides a 25% match on the first 8% of employee deferrals for eligible employees.

The risk of participating in multi-employer pension plan is different from single-employer plans. Assets contributed to a multi-employer plan by one employer may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

The Company's participation in a multi-employer pension plan for the year ended June 30, 2020, is outlined in the table below. The "EIN/PN" column provides the Employee Identification Number (EIN) and the three-digit plan number (PN). The most recent Pension Protection Act (PPA) zone status for 2019 and 2018 is for the plan year-ends as indicated below. The zone status is based on information that the Company obtained from the annual funding notice for District No. 9 International Association of Machinists and Aerospace Workers Pension Trust. Among other factors, plans in the red zone are less than 65 percent funded, plans in the yellow zone are between 65 and 80 percent funded, and plans in the green zone are at least 80 percent funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. In addition to regular plan contributions, the Company may be subject to a surcharge if the plan is in the red zone. The "Surcharge Imposed" column indicates whether a surcharge has been imposed on contributions to the plan. The last column lists the expiration date(s) of the collective-bargaining agreement (CBA) to which the plan is subject.

Pension Trust Fund	EIN/PN	PPA Zone Status		FIP/RP Status Pending/ Implemented	Contributions by the Company			Surcharge Imposed	Expiration Date of CBA
		2019	2018		2020	2019	2018		
District No. 9 International Association of Machinist and Aerospace Workers Pension Plan	51- 0138317/001	Green 12/31/2019	Green 12/31/2018	N/A	\$ 245,824	\$ 236,256	\$ 269,928	No	5/31/2021

The Company was not listed in the Form 5500 for the above plan as of the plan year ends as providing more than 5 percent of total contributions.

## 7. Stock Based Compensation

The Company has established a 2009 Incentive Stock Plan. The Employee Plan provides 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 300,000 shares of common stock may be granted under the Employee Plan. Options generally become exercisable ratably over a four year period or one-fourth of the shares covered thereby on each anniversary of the date of grant, commencing on the first or second anniversary of the date granted. The right to exercise the options generally 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 2005 Directors Non-Qualified Stock Option Plan and a 2013 Incentive Plan for Non-Employee Directors (collectively the "Directors Plans"). The Directors Plans provide 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 75,000 shares of common stock may be granted under the Directors Plans. 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 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.

Upon stock-settled compensation exercises and awards, the Company issues new shares of common stock.

A summary of stock option transactions in fiscal 2018, 2019 and 2020, respectively, pursuant to the Employee Plans and the Directors Plans is as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Contractual Term (years)	Aggregate Intrinsic Value
June 30, 2017	45,000	\$ 6.67		
Options Granted	3,000	\$ 2.22		
Options Exercised	0	\$ 0.00		
Options Forfeited or Expired	(3,000)	\$ 13.46		
June 30, 2018	45,000	\$ 5.92	4.3	\$ -
Options Granted	3,000	\$ 2.13		
Options Exercised	0	\$ 0.00		
Options Forfeited or Expired	(3,000)	\$ 8.10		
June 30, 2019	45,000	\$ 5.52	4.0	\$ -
Options Granted	7,500	\$ 1.20		
Options Exercised	0	\$ 0.00		
Options Forfeited or Expired	(9,750)	\$ 6.00		
June 30, 2020	42,750	\$ 4.65	4.1	\$ 304,768
Exercisable at June 30, 2020	<u>35,250</u>	\$ 5.38	3.0	\$ 225,443

The following table provides additional information for options outstanding and exercisable at June 30, 2020:

***Options Outstanding***

Range of Exercise Prices	Number	Weighted Average Remaining Life	Weighted Average Exercise Price
\$1.17 - 6.99	23,250	6.7 years	\$ 2.51
\$7.00	15,000	1.2 years	\$ 7.00
\$7.01 -10.08	4,500	0.9 years	\$ 7.89
\$1.17 - 10.08	<u>42,750</u>	4.1 years	\$ 4.65

***Options Exercisable***

Range of Exercise Prices	Number	Weighted Average Exercise Price
\$1.17 - 6.99	15,750	\$ 3.13
\$7.00	15,000	\$ 7.00
\$7.01 -10.08	4,500	\$ 7.89
\$1.17 - 10.08	<u>35,250</u>	\$ 5.38

See Note 2 for discussion of accounting for stock awards and related fair value disclosures.

## 8. Supplemental Balance Sheet Information

	June 30,		
	2020	2019	
<b>Inventories</b>			
Work in progress	\$ 817,692	\$ 288,828	
Component parts	8,299,972	7,151,228	
Finished goods	1,660,158	1,693,974	
Reserve for obsolete and excess inventory	(1,849,134)	(1,800,935)	
	<u>\$ 8,928,688</u>	<u>\$ 7,333,095</u>	
	Estimated		
	Useful Life		
	(years)		
<b>Property, plant and equipment</b>			
Machinery and equipment	3-10	\$ 18,831,765	\$ 18,073,352
Buildings	28-35	13,055,628	13,055,628
Land and land improvements	5-7	919,566	919,566
Total property, plant and equipment at cost		<u>32,806,959</u>	<u>32,048,546</u>
Less accumulated depreciation and amortization		(28,667,266)	(28,047,465)
		<u>\$ 4,139,693</u>	<u>\$ 4,001,081</u>

Depreciation and amortization expense was approximately \$0.6 million, \$0.8 million, and \$0.09 million for the fiscal years ended June 30, 2020, 2019 and 2018, respectively.

<b>Other accrued liabilities</b>			
Accrued compensation expense		\$ 1,257,332	\$ 1,149,210
Environmental remediation		514,000	-
Other		334,799	382,197
		<u>\$ 2,106,131</u>	<u>\$ 1,531,407</u>

Depreciation and amortization expense was approximately \$0.6 million, \$0.8 million, and \$0.09 million for the fiscal years ended June 30, 2020, 2019 and 2018, respectively.

## 9. Commitments and Contingencies

### Legal Claims

The Company is subject to various investigations, claims and legal proceedings covering a wide range of matters that arise in the ordinary course of its business activities. The Company intends to continue to conduct business in such a manner as to avert any FDA action seeking to interrupt or suspend manufacturing or require any recall or modification of products.

The Company has recognized the costs and associated liabilities only for those investigations, claims and legal proceedings for which, in its view, it is probable that liabilities have been incurred and the related amounts are estimable. Based upon information currently available, management believes that existing accrued liabilities are sufficient.

On January 30, 2020, the Company filed a Citizen Participation Plan with the New York Department of Environmental Conservation under its Brownfield Cleanup Program. The plan was with respect to the Company's property in Stuyvesant Falls, New York. The plan recognizes that the soil and groundwater at the Stuyvesant Falls facility is impacted by chemical compounds exceeding regulatory standards. The Company has applied to the Brownfield Cleanup Program. Pursuant to the plan, the Company will conduct, at its expense, investigation and remediation at the site with oversight by the Department of Environmental Conservation.

The Company's best estimate of the expected cost to remediate the site is \$1.1 million. This amount was recorded as an expense during fiscal 2020 and is reflected in other accrued liabilities and selling, general and administrative expenses in the Company's financial statements. As of June 30, 2020, the Company has paid approximately \$82,000 in remediation expenses which have been charged to the initial reserve.

#### Liability for future environmental expenditures

	2020	2019
Beginning Balance	\$ -	\$ -
Charges to income	1,119,155	-
Remedial and investigatory spending	82,155	-
Ending Balance	<u>\$ 1,037,000</u>	<u>\$ -</u>
Reflected in the Balance sheet as:		
Current, included in Other Liabilities	\$ 514,000	\$ -
Long-term environmental	523,000	-
Total	<u>\$ 1,037,000</u>	<u>\$ -</u>

Stuyvesant Falls Power Litigation. The Company has been involved in litigation with Niagara Mohawk Power Corporation d/b/a National Grid ("Niagara"), which provides electrical power to the Company's facility in Stuyvesant Falls, New York, and one other party. The Company maintained in its defense of the lawsuit that it is entitled to a certain amount of free electricity based on covenants running with the land which have been honored for more than a century. After the commencement of the litigation, Niagara began sending invoices to the Company for electricity used at the Company's Stuyvesant Falls plant. Niagara's attempts to collect such invoices were stopped in December 2010 by a temporary restraining order. Among other things, Niagara sought as damages the value of electricity received by the Company without charge. The total value of electricity at issue in the litigation was not known with certainty and Niagara alleged different amounts of damages. Niagara alleged in its Second Amended Verified Complaint, dated February 6, 2012, damages of approximately \$469,000 in free electricity from May 2003 through May 2010. Niagara also alleged in its Motion For Summary Judgment, filed on March 14, 2014, damages of approximately \$492,000 in free electricity from May 2010 through the date of the filing. In April 2015, Allied received an invoice for electrical power at the Stuyvesant Falls plant with an "Amount Due" balance of \$696,000 as of March 31, 2015 without any description as to the period of time covered by the invoice.

The Company filed a Motion for Summary Judgment on March 14, 2014, seeking dismissal of Niagara's claims and oral arguments on the motions were held on June 13, 2014. On October 1, 2014, the Court granted the Company's motion, denied Niagara's motion and ruled that the Company is entitled to receive electrical power pursuant to the power covenants. On October 26 and October 30, 2014, Niagara and the other party filed separate notices of appeal of the Court's decision. On March 31, 2016 the Supreme Court of New York, Appellate Division, Third Department reversed the trial court decision and held that the free power covenants are no longer enforceable. The Company's application for leave to appeal this ruling was dismissed as premature by the New York Court of Appeals on September 20, 2016. On May 26, 2017 the Company again moved for leave to appeal the March 31, 2016 decision. That motion was granted on October 7, 2017 by the New York State Court of Appeals. The Company filed its brief and record on January 26, 2018. Niagara and the other party to the lawsuit, Albany Engineering Corporation, filed their responses on July 16, 2018 and the Company filed its reply on August 14, 2018.

On February 20, 2019, the Company, Niagara and Albany entered into a Final Settlement Agreement pursuant to which the Company agreed, among other things, to cancel and forgo its rights to free power from either Niagara or Albany under the power covenants. The New York State Court of Appeals granted a request of all parties to withdraw the appeal on March 5, 2019 and all parties entered a Stipulation of Discontinuance on March 7, 2019 which discontinued the litigation. By separate agreement, Niagara paid the Company \$750,000 as consideration for the Company's agreements pursuant to the settlement. On March 15, 2019 the Appellate Division of the Supreme Court of New York granted Niagara's request to withdraw its pending appeal. The matter is now fully concluded.

#### Employment Contract

In March 2007, the Company entered into a three year employment contract with its chief executive officer. The contract is subject to automatic annual renewals after the initial term unless notification is given. The contract was amended and restated in December 2009 without extending its term. The contract includes termination without cause and change of control provisions, under which the chief executive officer is entitled to receive specified severance payments generally equal to two times ending annual salary if the Company terminates his employment without cause or he voluntarily terminates his employment with "good reason." "Good Reason" generally includes changes in the scope of his duties or location of employment but also includes (i) the Company's written election not to renew the Employment Agreement and (ii) certain voluntary resignations by the chief executive officer following a "Change of Control" as defined in the Agreement.

## 10. 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. Disaggregation information of sales by region, and by product, are as follows:

### Sales by Region

	2020	2019	2018
Domestic United States	\$ 23,138,276	\$ 23,541,614	\$ 25,711,912
Europe	1,422,660	877,308	1,428,245
Canada	829,901	758,145	795,357
Latin America	3,122,929	2,450,969	1,855,013
Middle East	693,716	464,470	857,066
Far East	2,686,206	3,259,905	3,107,339
Other International	574	29,110	5,021
	<u>\$ 31,894,262</u>	<u>\$ 31,381,521</u>	<u>\$ 33,759,953</u>

### Sales by Product

	2020	2019	2018
Respiratory care products	\$ 8,555,954	\$ 8,993,216	\$ 9,037,704
Medical gas equipment	15,282,732	16,031,109	17,645,413
Emergency medical products	8,055,576	6,357,196	7,076,836
	<u>\$ 31,894,262</u>	<u>\$ 31,381,521</u>	<u>\$ 33,759,953</u>

## 11. Quarterly Financial Data (unaudited)

Summarized quarterly financial data for fiscal 2020 and 2019 appears below (all amounts in thousands except per share amounts):

Three months ended,	June 30, 2020	March 31, 2020	Dec. 31, 2019	Sept. 30, 2019	June 30, 2019	March 31, 2019	Dec. 31, 2018	Sept. 30, 2018
Net sales	\$ 8,511	\$ 8,097	\$ 7,310	\$ 7,976	\$ 7,690	\$ 8,316	\$ 8,107	\$ 7,269
Gross profit	1,378	1,586	1,347	1,260	1,405	1,550	1,205	879
Loss from operations	(638)	(305)	(1,512)	(607)	(433)	(353)	(762)	(1,226)
Net income (loss)	(539)	(330)	(1,531)	(614)	(474)	378	(779)	(1,235)
Basic earnings (loss) per share	(0.14)	(0.08)	(0.38)	(0.15)	(0.12)	0.09	(0.19)	(0.31)
Diluted earnings (loss) per share	(0.14)	(0.08)	(0.38)	(0.15)	(0.12)	0.09	(0.19)	(0.31)

Earnings per share is computed independently for each of the quarters presented. Therefore, the sum of the quarterly amounts will not necessarily equal the total for the year.

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

**Item 9A. Controls and Procedures**

(a) Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized and reported within the time period specified in the rules and forms of the SEC, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In connection with our Annual Report on Form 10-K for the fiscal year ended June 30, 2020, as required under Rule 13a-15(b) of the Exchange Act, our management, including our Chief Executive Officer and Chief Financial Officer, conducted an evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the date of such evaluation to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC’s rules and forms.

(b) Internal control over financial reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, which is defined as a process designed by, or under supervision of, our principal executive and principle financial officer and effected by our Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. However these inherent limitations are known features of the financial reporting process. It is possible to design into the process safeguards to reduce, though not eliminate, the risk that misstatements are not prevented or detected on a timely basis.

Management assessed the effectiveness of our internal control over financial reporting as of June 30, 2020. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013). Based on this assessment, our management concluded that, as of June 30, 2020, our internal control over financial reporting was effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation and presentation of financial statements for external purposes in accordance with generally accepted accounting principles.

There were no changes to the Company’s internal controls over financial reporting during the fourth quarter that have materially affected, or are reasonably likely to materially affect the Company’s internal controls over financial reporting.

**Item 9B. Other Information**

None.

**PART III**

**Item 10. Directors, Executive Officers and Corporate Governance**

A list of our executive officers and biographical information appears under the caption “Information About our Executive Officers,” in Part I of this report. A definitive proxy statement is expected to be filed with the Securities and Exchange Commission within 120 days after June 30, 2020. The information required by this item is set forth under the caption “Election of Directors”, under the caption “Executive Officers”, and under the caption Section 16(a) Beneficial Ownership Reporting Compliance in 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" in the definitive proxy statement, which information is incorporated herein by reference thereto.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

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

**Item 13. Certain Relationships and Related Transactions, and Director Independence**

None

**Item 14. Principal Accounting Fees and Services**

The information required by this item will appear in the section entitled "Audit Fees" included in the definitive proxy statement relating to the 2020 Annual Meeting of stockholders and such information is incorporated herein by reference.

**PART IV****Item 15. Exhibits and Financial Statement Schedules****1. Financial Statements**

The following financial statements of the Company are included in response to Item 8:

Statement of Operations for the years ended June 30, 2020, 2019, and 2018

Balance Sheet at June 30, 2020 and 2019

Statement of Changes in Stockholders' Equity for the years ended June 30, 2020, 2019 and 2018

Statement of Cash Flows for the years ended June 30, 2020, 2019 and 2018

Notes to Financial Statements

Report of Independent Registered Public Accounting Firm

**2. Financial Statement Schedule**

Financial statement schedules which are not required under applicable regulations or related instructions and notes thereto or which are inapplicable have been omitted.

**3. Exhibits**

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

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

/s/ Daniel C. Dunn

Daniel C. Dunn  
Vice President, Chief Financial Officer, and Secretary

Dated: September 28, 2020

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 28th, 2020.

<b>Signatures</b>	<b>Title</b>
* _____ John D. Weil	Chairman of the Board
* _____ Earl R. Refsland	President, Chief Executive Officer and Director (Principal Executive Officer)
* _____ Joseph Root	Director
* _____ Judy Graves	Director
* _____ Susan Deuser	Director

\* By: /s/ Earl R. Refsland  
Earl R. Refsland  
Attorney-in-Fact

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

## INDEX TO EXHIBITS

<b>Exhibit No.</b>	<b>Description</b>
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)
<a href="#">3.1.1</a>	<a href="#">Certificate of Amendment to Amended and Restated Certificate of Incorporation (filed as Exhibit 99.1 to Current Report on Form 8-K filed December 6, 2016 with event date of December 5, 2016 and incorporated by reference)</a>
3.2	By-Laws of the Registrant (filed as Exhibit 3(2) to the Registration Statement and incorporated herein by reference)
<a href="#">4</a>	<a href="#">Description of Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934</a>
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)
<a href="#">10.2</a>	<a href="#">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 and incorporated by reference)</a>
<a href="#">10.3</a>	<a href="#">Form of Indemnification Agreement with officers and directors (filed as Exhibit 10.22 to the 2001 Form 10-K and incorporated herein by reference)</a>
<a href="#">10.4</a>	<a href="#">Amended and restated Employment Agreement dated December 21, 2009 by and between Allied Healthcare Products, Inc. and Earl Refsland (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2010 and incorporated by reference)</a>
<a href="#">10.4.1</a>	<a href="#">Change of Control Agreement dated March 16, 2007 by and between Allied Healthcare Products, Inc. and certain executive officers (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2007 and incorporated by reference)</a>
<a href="#">10.5</a>	<a href="#">Allied Healthcare Products, Inc. 2009 Incentive Stock Plan (filed as Appendix A to the Company's 2009 Proxy Statement on Schedule 14A)</a>
<a href="#">10.6</a>	<a href="#">Loan and Security Agreement dated February 27, 2017 by and between the Company and North Mill Capital, LLC, as successor in interest to Summit Financial Resources, L.P. (filed as Exhibit 99.1 to Current Report on Form 8-K filed March 1, 2017 with event date of February 27, 2017 and incorporated by reference)</a>
<a href="#">10.6.1</a>	<a href="#">First Amendment to Loan and Security Agreement, dated April 16, 2018 (filed as Exhibit 99.1 to Current Report on Form 8-K filed April 20, 2018 with event date of April 16, 2018)</a>
<a href="#">10.6.2</a>	<a href="#">Second Amendment to Loan and Security Agreement, dated April 24, 2019 (filed as Exhibit 99.1 to Current Report on Form 8-K filed on April 25, 2019 with event date of April 24, 2019)</a>
<a href="#">10.7</a>	<a href="#">Patent License Agreement, dated June 8, 2012, by and between Allied Healthcare Products, Inc. and Armstrong Medical Limited (filed as Exhibit 10.12 to the Company's annual report on for the fiscal year ended June 30, 2012 on Form 10-K and incorporated by reference)</a>

- [10.8](#) [Promissory Note, dated April 22, 2020, issued by the Company to Jefferson Bank and Trust Company in the original principal amount of \\$2.375 million under the terms of the Paycheck Protection Program administered by the Small Business Administration and the United States Treasury.](#)
- [23.1](#) [Consent of RubinBrown LLP \(filed herewith\).](#)
- [24](#) [Form of Power of Attorney – \(filed herewith\).](#)
- [31.1](#) [Certification of Chief Executive Officer \(filed herewith\).](#)
- [31.2](#) [Certification of Chief Financial Officer \(filed herewith\).](#)
- [32.1](#) [Sarbanes-Oxley Certification of Chief Executive Officer \(provided herewith\)\\*](#)
- [32.2](#) [Sarbanes-Oxley Certification of Chief Financial Officer \(provided herewith\)\\*](#)
- 101 Pursuant to Rule 405 of Regulation S-T, the following financial information from the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2020, is formatted in XBRL interactive data files: (i) Statement of Operations for the fiscal years ended June 30, 2020, 2019 and 2018; (ii) Balance Sheet at June 30, 2020 and June 30, 2019; (iii) Statement of Changes in Stockholders’ Equity for the fiscal years ended June 30, 2020, 2019 and 2018; (iv) Statement of Cash Flows for the fiscal years ended June 30, 2020, 2019 and 2018; and (v) Notes to Financial Statements.

\*Notwithstanding any incorporation of this Annual Report on Form 10-K in any other filing by the Registrant, Exhibits furnished herewith and designated with an asterisk (\*) shall not be deemed incorporated by reference to any other filing under the Securities Act of 1933 or the Securities Exchange Act of 1934 unless specifically otherwise set forth therein.

LOAN NUMBER	LOAN NAME	ACCT. NUMBER	NOTE DATE	INITIALS
5310597103	ALLIED HEALTHCARE PRODUCTS, INC.	AAA0992	04/13/20	DLD
NOTE AMOUNT	INDEX (w/Margin)	RATE	MATURITY DATE	LOAN PURPOSE
\$2,374,859.00	Not Applicable	1.000%	04/13/22	Commercial
Creditor				

**PROMISSORY  
NOTE**

(Commercial-Single  
Advance)

DATE AND PARTIES. The date of this Promissory Note (Note) is April 13, 2020. The parties and their addresses are:

LENDER:

JEFFERSON BANK AND TRUST COMPANY  
2301 Market Street  
Saint Louis, MO 63103  
Telephone: 314-621-0100

BORROWER:

ALLIED HEALTHCARE PRODUCTS, INC.  
a Missouri Corporation  
1720 Sublette Ave.  
Saint Louis, MO 63110

1. DEFINITIONS. As used in this Note, the terms have the following meanings:

- A. Pronouns. The pronouns "I," "me," and "my" refer to each Borrower signing this Note and each other person or legal entity (including guarantors, endorsers, and sureties) who agrees to pay this Note. "You" and "Your" refer to the Lender, any participants or syndicators, successors and assigns, or any person or company that acquires an interest in the Loan.
- B. Note. Note refers to this document, and any extensions, renewals, modifications and substitutions of this Note.
- C. Loan. Loan refers to this transaction generally, including obligations and duties arising from the terms of all documents prepared or submitted for this transaction such as applications, security agreements, disclosures or notes, and this Note.
- D. Loan Documents. Loan Documents refer to all the documents executed as a part of or in connection with the Loan.
- E. Property. Property is any property, real, personal or intangible, that secures my performance of the obligations of this Loan.
- F. Percent. Rates and rate change limitations are expressed as annualized percentages.
- G. Dollar Amounts. All dollar amounts will be payable in lawful money of the United States of America.

2. PROMISE TO PAY. For value received, I promise to pay you or your order, at your address, or at such other location as you may designate, the principal sum of \$2,374,859.00 (Principal) plus interest from April 13, 2020 on the unpaid Principal balance until this Note matures or this obligation is accelerated.

3. INTEREST. Interest will accrue on the unpaid Principal balance of this Note at the rate of 1.000 percent (Interest Rate).

- A. Post-Maturity Interest. After maturity or acceleration, interest will accrue on the unpaid Principal balance of this Note at the Interest Rate in effect from time to time, until paid in full.
- B. Maximum Interest Amount. Any amount assessed or collected as interest under the terms of this Note will be limited to the maximum lawful amount of Interest allowed by applicable law. Amounts collected in excess of the maximum lawful amount will be applied first to the unpaid Principal balance. Any remainder will be refunded to me.
- C. Accrual. Interest accrues using an Actual/360 days counting method.

4. REMEDIAL CHARGES. In addition to interest or other finance charges, I agree that I will pay these additional fees based on my method and pattern of payment. Additional remedial charges may be described elsewhere in this Note.

- A. Late Charge. If a payment is more than 15 days late, I will be charged 5.000 percent of the Unpaid Portion of Payment. However, this charge will not be greater than \$500.00. I will pay this late charge promptly but only once for each late payment.

5. PAYMENT. I agree to pay this Note in 18 payments. I will make 17 payments of \$133,673.80 beginning on November 13, 2020, and on the 13th day of each month thereafter. A single, final payment of the entire unpaid balance of Principal and interest will be due April 13, 2022.

Payments will be rounded to the nearest \$.01. With the final payment I also agree to pay any additional fees or charges owing and the amount of any advances you have made to others on my behalf. Payments scheduled to be paid on the 29th, 30th or 31st day of a month that contains no such day will, instead, be made on the last day of such month.

Each payment I make on this Note will be applied first to interest that is due, then to principal that is due, and finally to any charges that I owe other than principal and interest. If you and I agree to a different application of payments, we will describe our agreement on this Note. You may change how payments are applied in your sole discretion without notice to me. The actual amount of my final payment will depend on my payment record.

6. PREPAYMENT. I may prepay this Loan in full or in part at any time. Any partial prepayment will not excuse any later scheduled payments until I pay in full.

7. LOAN PURPOSE. The purpose of this Loan is CARES ACT PAYCHECK PROTECTION LOAN.

8. SECURITY. The Loan is secured by the following, previously executed, security instruments or agreements: UNSECURED.

9. LIMITATIONS ON CROSS COLLATERALIZATION. The cross-collateralization clause on any existing or future loan, but not including this Loan, is void and ineffective as to this Loan, including any extension or refinancing.

The Loan is not secured by a previously executed security instrument if a non-possessory, non-purchase money security interest is created in "household goods" in connection with a "consumer loan," as those terms are defined by federal law governing unfair and deceptive credit practices. The Loan is not secured by a previously executed security instrument if you fail to fulfill any necessary requirements or fail to conform to any limitations of the Real Estate Settlement Procedures Act, (Regulation X), that are required for loans secured by the Property or if, as a result, the other debt would become subject to Section 670 of the John Warner National Defense Authorization Act for Fiscal Year 2007.

The Loan is not secured by a previously executed security instrument if you fail to fulfill any necessary requirements or fail to conform to any limitations of the Truth in Lending Act, (Regulation Z), that are required for loans secured by the Property.

10. DEFAULT. I will be in default if any of the following events (known separately and collectively as an Event of Default) occur:

A. Payments. I fail to make a payment in full when due.

B. Insolvency or Bankruptcy. The death, dissolution or insolvency of, appointment of a receiver by or on behalf of, application of any debtor relief law, the assignment for the benefit of creditors by or on behalf of, the voluntary or involuntary termination of existence by, or the commencement of any proceeding under any present or future federal or state insolvency, bankruptcy, reorganization, composition or debtor relief law by or against me or any co-signer, endorser, surety or guarantor of this Note or any other obligations I have with you.

C. Business Termination. I merge, dissolve, reorganize, end my business or existence, or a partner or majority owner dies or is declared legally incompetent.

D. New Organizations. Without your written consent, I organize, merge into, or consolidate with an entity; acquire all or substantially all of the assets of another; materially change the legal structure, management, ownership or financial condition; or effect or enter into a domestication, conversion or interest exchange.

E. Failure to Perform. I fail to perform any condition or to keep any promise or covenant of this Note.

F. Other Documents. A default occurs under the terms of any other Loan Document.

G. Other Agreements. I am in default on any other debt or agreement I have with you.

H. Misrepresentation. I make any verbal or written statement or provide any financial information that is untrue, inaccurate, or conceals a material fact at the time it is made or provided.

I. Judgment. I fail to satisfy or appeal any judgment against me.

J. Name Change. I change my name or assume an additional name without notifying you before making such a change.

K. Property Transfer. I transfer all or a substantial part of my money or property.

L. Property Value. You determine in good faith that the value of the Property has declined or is impaired.

M. Material Change. Without first notifying you, there is a material change in my business, including ownership, management, and financial conditions.

N. Insecurity. You determine in good faith that a material adverse change has occurred in my financial condition from the conditions set forth in my most recent financial statement before the date of this Note or that the prospect for payment or performance of the Loan is impaired for any reason.

11. WAIVERS AND CONSENT. To the extent not prohibited by law, I waive protest, presentment for payment, demand, notice of acceleration, notice of intent to accelerate and notice of dishonor.

A. **Additional Waivers By Borrower.** In addition, I, and any party to this Note and Loan, to the extent permitted by law, consent to certain actions you may take, and generally waive defenses that may be available based on these actions or based on the status of a party to this Note.

- (1) You may renew or extend payments on this Note, regardless of the number of such renewals or extensions.
- (2) You may release any Borrower, endorser, guarantor, surety, accommodation maker or any other co-signer.
- (3) You may release, substitute or impair any Property securing this Note.
- (4) You, or any institution participating in this Note, may invoke your right of set-off.
- (5) You may enter into any sales, repurchases or participations of this Note to any person in any amounts and I waive notice of such sales, repurchases or participations.
- (6) I agree that any of us signing this Note as a Borrower is authorized to modify the terms of this Note or any instrument securing, guarantying or relating to this Note.

B. **No Waiver By Lender.** Your course of dealing, or your forbearance from, or delay in, the exercise of any of your rights, remedies, privileges or right to insist upon my strict performance of any provisions contained in this Note, or any other Loan Document, shall not be construed as a waiver by you, unless any such waiver is in writing and is signed by you.

12. **REMEDIES.** After I default, you may at your option do any one or more of the following.

- A. **Acceleration.** You may make all or any part of the amount owing by the terms of this Note immediately due.
- B. **Sources.** You may use any and all remedies you have under state or federal law or in any Loan Document.
- C. **Insurance Benefits.** You may make a claim for any and all insurance benefits or refunds that may be available on my default.
- D. **Payments Made On My Behalf.** Amounts advanced on my behalf will be immediately due and may be added to the balance owing under the terms of this Note, and accrue interest at the highest post-maturity interest rate.
- E. **Set-Off.** You may use the right of set-off. This means you may set-off any amount due and payable under the terms of this Note against any right I have to receive money from you.

My right to receive money from you includes any deposit or share account balance I have with you; any money owed to me on an item presented to you or in your possession for collection or exchange; and any repurchase agreement or other non-deposit obligation. "Any amount due and payable under the terms of this Note" means the total amount to which you are entitled to demand payment under the terms of this Note at the time you set-off.

Subject to any other written contract, if my right to receive money from you is also owned by someone who has not agreed to pay this Note, your right of set-off will apply to my interest in the obligation and to any other amounts I could withdraw on my sole request or endorsement.

Your right of set-off does not apply to an account or other obligation where my rights arise only in a representative capacity. It also does not apply to any Individual Retirement Account or other tax-deferred retirement account.

You will not be liable for the dishonor of any check when the dishonor occurs because you set-off against any of my accounts. I agree to hold you harmless from any such claims arising as a result of your exercise of your right of set-off.

F. **Waiver.** Except as otherwise required by law, by choosing any one or more of these remedies you do not give up your right to use any other remedy. You do not waive a default if you choose not to use a remedy. By electing not to use any remedy, you do not waive your right to later consider the event a default and to use any remedies if the default continues or occurs again.

13. **COLLECTION EXPENSES AND ATTORNEYS' FEES.** On or after the occurrence of an Event of Default, to the extent permitted by law, I agree to pay all expenses of collection, enforcement or protection of your rights and remedies under this Note or any other Loan Document. Expenses include, but are not limited to, attorneys' fees, court costs and other legal expenses, as allowed by law. These expenses are due and payable immediately. If not paid immediately, these expenses will bear interest from the date of payment until paid in full at the highest interest rate in effect as provided for in the terms of this Note. All fees and expenses will be secured by the Property I have granted to you, if any. In addition, to the extent permitted by the United States Bankruptcy Code, I agree to pay the reasonable attorneys' fees incurred by you to protect your rights and interests in connection with any bankruptcy proceedings initiated by or against me.

14. **COMMISSIONS,** I understand and agree that you (or your affiliate) will earn commissions or fees on any insurance products, and may earn such fees on other services that I buy through you or your affiliate.

15. **WARRANTIES AND REPRESENTATIONS.** I make to you the following warranties and representations which will continue as long as this Note is in effect:

A. **Power.** I am duly organized, and validly existing and in good standing in all jurisdictions in which I operate. I have the power and authority to enter into this transaction and to carry on my business or activity as it is now being conducted and, as applicable, am qualified to do so in each jurisdiction in which I operate.

B. **Authority.** The execution, delivery and performance of this Note and the obligation evidenced by this Note are within my powers, have been duly authorized, have received all necessary governmental approval, will not violate any provision of law, or order of court or governmental agency, and will not violate any agreement to which I am a party or to which I am or any of my Property is subject.

C. Name and Place of Business. Other than previously disclosed in writing to you I have not changed my name or principal place of business within the last 10 years and have not used any other trade or fictitious name. Without your prior written consent, I do not and will not use any other name and will preserve my existing name, trade names and franchises.

16. **APPLICABLE LAW.** This Note is governed by the laws of Missouri, the United States of America, and to the extent required, by the laws of the jurisdiction where the Property is located, except to the extent such state laws are preempted by federal law. In the event of a dispute, the exclusive forum, venue and place of jurisdiction will be in Missouri, unless otherwise required by law.

17. **JOINT AND SEVERAL LIABILITY AND SUCCESSORS.** My obligation to pay the Loan is independent of the obligation of any other person who has also agreed to pay it. You may sue me alone, or anyone else who is obligated on the Loan, or any number of us together, to collect the Loan. Extending the Loan or new obligations under the Loan, will not affect my duty under the Loan and I will still be obligated to pay the Loan. This Note shall inure to the benefit of and be enforceable by you and your successors and assigns and shall be binding upon and enforceable against me and my successors and assigns.

18. **AMENDMENT, INTEGRATION AND SEVERABILITY.** This Note may not be amended or modified by oral agreement. No amendment or modification of this Note is effective unless made in writing. This Note and the other Loan Documents are the complete and final expression of the agreement. If any provision of this Note is unenforceable, then the unenforceable provision will be severed and the remaining provisions will still be enforceable. No present or future agreement securing any other debt I owe you will secure the payment of this Loan if, with respect to this loan, you fail to fulfill any necessary requirements or fail to conform to any limitations of the Truth in Lending Act (Regulation Z) or the Real Estate Settlement Procedures Act (Regulation X) that are required for loans secured by the Property or if, as a result, this Loan would become subject to Section 670 of the John Warner National Defense Authorization Act for Fiscal Year 2007.

19. **INTERPRETATION.** Whenever used, the singular includes the plural and the plural includes the singular. The section headings are for convenience only and are not to be used to interpret or define the terms of this Note.

20. **NOTICE, FINANCIAL REPORTS AND ADDITIONAL DOCUMENTS.** Unless otherwise required by law, any notice will be given by delivering it or mailing it by first class mail or via a nationally recognized overnight courier to the appropriate party's address listed in the DATE AND PARTIES section, or to any other address designated in writing. Notice to one Borrower will be deemed to be notice to all Borrowers. I will inform you in writing of any change in my name, address or other application information. I will provide you any correct and complete financial statements or other information you request. I agree to sign, deliver, and file any additional documents or certifications that you may consider necessary to perfect, continue, and preserve my obligations under this Loan and to confirm your lien status on any Property. Time is of the essence.

21. **CREDIT INFORMATION.** I agree to supply you with whatever information you reasonably request. You will make requests for this information without undue frequency, and will give me reasonable time in which to supply the information.

22. **ERRORS AND OMISSIONS.** I agree, if requested by you, to fully cooperate in the correction, if necessary, in the reasonable discretion of you of any and all loan closing documents so that all documents accurately describe the loan between you and me. I agree to assume all costs including by way of illustration and not limitation, actual expenses, legal fees and marketing losses for failing to reasonably comply with your requests within thirty (30) days.

23. **AGREEMENT TO ARBITRATE.** You or I may submit to binding arbitration any dispute, claim or other matter in question between or among you and me that arises out of or relates to this Transaction (Dispute), except as otherwise indicated in this section or as you and I agree to in writing. For purposes of this section, this Transaction includes this Note and the other Loan Documents, and proposed loans or extensions of credit that relate to this Note. You or I will not arbitrate any Dispute within any "core proceedings" under the United States bankruptcy laws.

You and I must consent to arbitrate any Dispute concerning a debt secured by real estate at the time of the proposed arbitration. You may foreclose or exercise any powers of sale against real property securing a debt underlying any Dispute before, during or after any arbitration. You may also enforce a debt secured by this real property and underlying the Dispute before, during or after any arbitration.

You or I may, whether or not any arbitration has begun, pursue any self-help or similar remedies, including taking property or exercising other rights under the law; seek attachment, garnishment, receivership or other provisional remedies from a court having jurisdiction to preserve the rights of or to prevent irreparable injury to you or me; or foreclose against any property by any method or take legal action to recover any property. Foreclosing or exercising a power of sale, beginning and continuing a judicial action or pursuing self-help remedies will not constitute a waiver of the right to compel arbitration.

The arbitrator will determine whether a Dispute is arbitrable. A single arbitrator will resolve any Dispute, whether individual or joint in nature, or whether based on contract, tort, or any other matter at law or in equity. The arbitrator may consolidate any Dispute with any related disputes, claims or other matters in question not arising out of this Transaction. Any court having jurisdiction may enter a judgment or decree on the arbitrator's award. The judgment or decree will be enforced as any other judgment or decree.

You and I acknowledge that the agreements, transactions or the relationships which result from the agreements or transactions between and among you and me involve interstate commerce. The United States Arbitration Act will govern the interpretation and enforcement of this section.

The American Arbitration Association's Commercial Arbitration Rules, in effect on the date of this Note, will govern the selection of the arbitrator and the arbitration process, unless otherwise agreed to in this Note or another writing.

24. **WAIVER OF TRIAL FOR ARBITRATION.** You and I understand that the parties have the right or opportunity to litigate any Dispute through a trial by judge or jury, but that the parties prefer to resolve Disputes through arbitration instead of litigation. If any Dispute is arbitrated, you and I voluntarily and knowingly waive the right to have a trial by jury or judge during the arbitration.

ORAL OR UNEXECUTED AGREEMENTS OR COMMITMENTS TO LOAN MONEY, EXTEND CREDIT OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT INCLUDING PROMISES TO EXTEND OR RENEW SUCH DEBT ARE NOT ENFORCEABLE, REGARDLESS OF THE LEGAL THEORY UPON WHICH IT IS BASED THAT IS IN ANY WAY RELATED TO THE CREDIT AGREEMENT. TO PROTECT YOU (BORROWER) AND US (LENDER) FROM MISUNDERSTANDING OR DISAPPOINTMENT, ANY AGREEMENTS WE REACH COVERING SUCH MATTERS ARE CONTAINED IN THIS WRITING, WHICH IS THE COMPLETE AND EXCLUSIVE STATEMENT OF THE AGREEMENT BETWEEN US, EXCEPT AS WE MAY LATER AGREE IN WRITING TO MODIFY IT.

25. SIGNATURES. By signing, I agree to the terms contained in this Note. I also acknowledge receipt of a copy of this Note.

BORROWER:

ALLIED HEALTHCARE PRODUCTS, INC.

By /s/ Daniel C. Dunn  
DANIEL C DUNN, VICE  
PRESIDENT FINANCE/CFO

**Consent of Independent Registered Public Accounting Firm**

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 33-99960, 33-86019, 33-45147, 33-45146, 333-16489, 333-132223 and 333-177837) of Allied Healthcare Products, Inc. of our report dated September 28, 2020, relating to the financial statements, which appear in this Form 10-K.

/s/ RubinBrown LLP

St. Louis, Missouri

September 28, 2020

**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 2020 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.

## CERTIFICATION

I, EARL R. REFSLAND, certify that:

1. I have reviewed this Form 10-K of ALLIED HEALTHCARE PRODUCTS, INC.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 28, 2020

/s/ EARL R. REFSLAND

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Earl. R. Refsland  
President & Chief Executive Officer

## CERTIFICATION

I, DANIEL C. DUNN, certify that:

1. I have reviewed this Form 10-K of ALLIED HEALTHCARE PRODUCTS, INC.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 28, 2020

/s/ DANIEL C. DUNN

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Daniel C. Dunn  
Vice President, Chief Financial Officer & Secretary

CERTIFICATION Pursuant to 18 U.S.C. § 1350

The undersigned officer of ALLIED HEALTHCARE PRODUCTS, INC. (the "Company"), hereby certifies, to such officer's knowledge, that the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2020 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Earl R. Refsland

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Earl R. Refsland

President & Chief Executive Officer

September 28, 2020

CERTIFICATION Pursuant to 18 U.S.C. § 1350

The undersigned officer of ALLIED HEALTHCARE PRODUCTS, INC. (the "Company"), hereby certifies, to such officer's knowledge, that the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2020 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Daniel C. Dunn

Daniel C. Dunn

Vice President, Chief Financial Officer & Secretary

September 28, 2020