

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 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 ended **December 31, 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 001-16465

Retractable Technologies, Inc.

(Exact name of registrant as specified in its charter)

Texas
(State or other jurisdiction of
incorporation or organization)

75-2599762
(I.R.S. Employer
Identification No.)

511 Lobo Lane
Little Elm, Texas
(Address of principal executive offices)

75068-5295
(Zip Code)

972-294-1010

Registrant's telephone number, including area code

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

Title of each class
Common

Trading Symbol
RVP

Name of each exchange on which registered
NYSE American LLC

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

Preferred Stock
(Title of class)

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 if the registrant is not required to file reports pursuant to Section 13 or Section 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 and post 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

The aggregate market value of the common equity held by non-affiliates as of June 30, 2020, was \$121,416,123, assuming a closing price of \$7.02 and outstanding shares held by non-affiliates of 17,295,744.

APPLICABLE ONLY TO REGISTRANTS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13, or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

(APPLICABLE ONLY TO CORPORATE REGISTRANTS)

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. As of March 12, 2021, there were 33,982,604 shares of our Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's [Proxy Statement filed on an even date herewith for the Annual Meeting of Shareholders to be held May 11, 2021](#) are incorporated by reference into Part III hereof.

RETRACTABLE TECHNOLOGIES, INC.
FORM 10-K
For the Fiscal Year Ended December 31, 2020

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PART I

FORWARD-LOOKING STATEMENT WARNING

Certain statements included by reference in this filing containing the words "could," "may," "believes," "anticipates," "intends," "expects," and similar such words constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act. Any forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the impact of COVID-19 on all facets of logistics and operations, as well as costs, our ability to complete capital improvements and ramp up domestic production in response to government agreements, potential tariffs, our ability to maintain liquidity, our maintenance of patent protection, our ability to maintain favorable third party manufacturing and supplier arrangements and relationships, foreign trade risk, our ability to access the market, production costs, the impact of larger market players, specifically Becton, Dickinson and Company ("BD"), in providing devices to the safety market, and other factors referenced in Item 1A. Risk Factors. Given these uncertainties, undue reliance should not be placed on forward-looking statements.

Item 1. Business.

DESCRIPTION OF BUSINESS

General Development of Business

Retractable Technologies, Inc. was incorporated in Texas in 1994. Our business is the manufacturing and marketing of safety medical products (predominately syringes)

for the healthcare industry. Our syringes are used for vaccinations and our revenues for 2020 materially increased over prior years due to demand during the COVID-19 pandemic. Our principal customer was the U.S. government which purchased products representing 39.0% (\$31.6 million) of our revenues in 2020. We have manufacturing facilities in Little Elm, Texas and use manufacturers in China as well. We are increasing our capacity for production at our U.S. manufacturing facility, funded in part by a grant by the U.S. government.

Description of Business

Our dominant revenue-generating products are our injection devices (syringes and needles). Such products are marketed under the VanishPoint[®], Patient Safe[®], and EasyPoint[®] brands. Other products which make up approximately 4.3% of our revenues include our blood collection devices and IV catheters. We have only one reporting segment. Most of our products incorporate a feature whereby our needles retract which is a safety feature designed to protect healthcare workers from needlestick injuries. Our VanishPoint[®] 1mL syringes meet the criteria set by pharmaceutical manufacturers for low dead space, which results in a reduction of wasted medication caused by residual medication remaining in the syringe after a dose has been administered. In some instances, the low dead space allows for additional doses to be obtained from a medication vial.

In 2020, the U.S. government was a significant customer due to efforts to vaccinate the U.S. population against COVID-19. On May 1, 2020, we received an order from the Department of Health and Human Services to supply certain automated safety syringes through May 2021 for \$83.8 million (the "HHS Order"), plus \$10 million in expedited freight costs. As of December 31, 2020, we recorded sales of \$31.6 million under the 2020 HHS Order, representing 39.0% of our overall revenues for 2020. In February 2021, we received a new contract from the Department of Health and Human Services for additional safety syringes representing \$54.2 million in expected revenues and reimbursable freight costs for a five-month base period of performance (February 15, 2021 to July 14, 2021) with additional renewal periods available at the option of the U.S. government.

During 2020, we also continued to provide products to our existing and new private healthcare customers. Our growth in sales in 2020 was predominantly driven by demand for syringes for COVID-19 vaccines and flu vaccines. Meeting demand for COVID-19 vaccines will continue to be our primary focus for the first half of 2021. As of December 31, 2020, our production and deliveries materially met or exceeded contract requirements despite the significant increase in demand.

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Our goal is to become a leading provider of safety medical products. Our principal products were designed to protect healthcare workers, patients, and others from needlestick injuries, cross-contamination through reuse, and reduce disposal costs.

VanishPoint[®] syringe sales have historically comprised most of our sales. VanishPoint[®] syringe sales were 84.0%, 85.3%, and 84.0% of our revenues in 2018, 2019, and 2020. EasyPoint[®] products accounted for 11.8% of sales in 2020.

We currently have under development additional safety products that add to or build upon our current product line offering. Notwithstanding the foregoing, our primary focus over the last year has centered on providing existing products to meet demand related to COVID-19 vaccinations.

Our products are sold to and used by healthcare providers primarily in the U.S. (with 9.8% of revenues in 2020 generated from sales outside the U.S.).

In years not dominated by direct sales to the U.S. government, representatives of group purchasing organizations ("GPOs") and purchasing representatives (rather than the end-users of the product) make the vast majority of decisions relating to the purchase of medical supplies. The GPOs and larger manufacturers often enter into contracts which can prohibit or limit entry in the marketplace by competitors.

We distribute our products throughout the U.S. through general line and specialty distributors. We also use international distributors. We have developed a national direct marketing network in order to market our products to health care customers and their purchaser representatives.

Sources and Availability of Raw Materials

Our product components, including needle adhesives and packaging materials, are purchased from various suppliers. There is no current scarcity of such materials or such suppliers.

Intellectual Property

Intellectual property rights, particularly patent rights, are material to our business. The patent rights are jointly owned by the Company and Thomas J. Shaw, our founder and CEO, and have varying expiration dates. Under the terms of an exclusive license agreement that has been in effect since 1995, the Company is exclusively licensed to use the patent rights held by Mr. Shaw, and Mr. Shaw generally receives a five percent (5%) royalty on gross sales of products subject to the license and he receives fifty percent (50%) of the royalties paid to the Company by certain sublicensees of the technology subject to the license.

Recent and expected modifications to our VanishPoint[®] syringes will effectively cause the modified VanishPoint[®] syringes products to have extended patent expiration dates. Following the expiration of patents related to the old design, competitors may attempt to copy aspects of such prior design, but not the current design. Patents related to recent modifications to the VanishPoint[®] syringes and core technology of the VanishPoint[®] syringes will expire during the years 2028 through 2032. Other patent applications covering inventions applicable to the VanishPoint[®] syringes are pending.

The Company has unexpired patents which relate to the EasyPoint[®] technology and other products as well.

The Company has registered the following trade names and trademarks for our products: VanishPoint[®], EasyPoint[®], Patient Safe[®], VanishPoint[®] logos, RT and design, the VanishPoint[®] and design, the spot design and the Company slogans "The New Standard for Safety"[®] and "We Make Safety Safe"[®].

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Seasonality

Historically, unit sales have increased during the flu season. We cannot determine what percent of our increase in domestic sales (excluding the HHS Order) in the second half of 2020 were attributable to flu shots versus preparation for a COVID-19 vaccine.

Dependence on Customers

Although our business has historically derived significant percentages of its revenues from a few customers, we do not believe that the loss of any one of these customers would have a material adverse effect on our business.

Government Contracts

In 2020, we entered into a material contract with the U.S. government providing a significant grant and accepted the HHS Order under an existing contract for the sale of syringes. In February 2021, we and the Department of Health and Human Services entered into a new contract and it placed another material order with us for syringes. All such contracts may be terminated by the U.S. government but given current conditions with COVID-19, we do not believe termination (or renegotiation) is likely.

Government Approval and Government Regulations

The development, manufacture, marketing, sale, promotion, and distribution of our products are subject to government regulation by the U.S. Food and Drug Administration (FDA) and similar international regulatory agencies. Regulation by various international, federal and state agencies address the development and approval to market medical products, as well as approval and supervision of manufacturing, labeling, packaging, supply chains, distribution and record-keeping.

For all products manufactured for sale in the domestic market, we have given notice of intent to market to the FDA, and the devices were shown to be substantially equivalent to the predicate devices for the stated intended use. For all products manufactured for sale in the domestic market and foreign market, we hold a Quality Management System certification to ISO 13485:2016. Additionally, for all products manufactured for sale into the applicable countries, we hold a Quality Management System certification in compliance with the Medical Device Single Audit Program (MDSAP). For all products manufactured for sale into European Union countries, we hold a Full Quality Assurance System certification to Directive 93/42/EEC Annex II (excluding section 4). All of these certifications are issued by our notified body, BSI, and are reviewed annually.

Compliance with domestic and international laws and regulations may affect our business. Among other effects, health care regulations and significant changes thereto may substantially increase the time, difficulty, and costs incurred in developing, obtaining, and maintaining approval to market, and marketing newly developed and existing products. We expect this regulatory environment will continue to require effort and investment to ensure compliance. Failure to comply could delay the release of a new product or result in regulatory and enforcement actions, the seizure or recall of a product, the suspension or revocation of the authority necessary for a product's production and sale, and other civil or criminal sanctions including fines and penalties.

The regulation of data privacy and security, and the protection of the confidentiality of certain personal information (including patient health information, financial information, and other sensitive personal information), is increasing. For example, the European Union, various other countries, and various U.S. states (e.g., California) have enacted stricter data protection laws that contain enhanced financial penalties for noncompliance. Similarly, the U.S. Department of Health and Human Services has issued rules governing the use, disclosure, and security of protected health information, and the FDA has issued further guidance concerning cybersecurity for medical devices. In addition, certain countries have issued or are considering "data localization" laws, which limit companies' ability to transfer protected data across country borders. Failure to comply with data privacy and security laws and regulations can result in business disruption and enforcement actions, which could include civil or criminal penalties.

The sale of medical products is subject to laws and regulations pertaining to health care fraud and abuse, including state and federal anti-kickback, anti-self-referral, and false claims laws in the United States.

We will continue to comply with applicable regulations of all countries in which our products are registered for sale.

In a typical year, the cost of compliance with government regulations does not have a material effect on our capital expenditures, earnings, or competitive position (as measured against other U.S. entities). We believe that we do not incur material costs in connection with compliance with environmental laws.

Competitive Conditions

Major domestic competitors include BD and Medtronic Minimally Invasive Therapies ("Medtronic," formerly known as Covidien). Terumo Medical Corp., Smiths Medical, and B Braun are additional competitors with smaller market shares. BD and Medtronic have controlling U.S. market share; greater financial resources; larger and more established sales, marketing, and distribution organizations; and greater market influence, including long-term and/or exclusive contracts. Additionally, BD may be able to use its resources to improve its products through research or acquisitions or develop new products which may compete with our products.

We compete primarily on the basis of healthcare worker and patient safety, product performance, and quality. We believe our competitive advantages include, but are not limited to, our leadership in quality and innovation. We believe our products continue to be the most effective safety devices in today's market. Our VanishPoint[®] 1mL syringes meet the criteria set by pharmaceutical manufacturers for low dead space, which results in a reduction of wasted medication caused by residual medication remaining in the syringe after a dose has been administered. In some instances, the low dead space allows for additional doses to be obtained from a medication vial. Our syringe products include passive safety activation, require less disposal space, and are activated while in the patient, reducing exposure to the contaminated needle. Our price per unit is competitive or even lower than the competition once all the costs incurred during the life cycle of a syringe are considered. Such life cycle costs include disposal costs, testing and treatment costs for needlestick injuries, and treatment for contracted illnesses resulting from needlestick injuries.

EasyPoint[®] retractable needles offer unique safety benefits not found in other commercially available safety needles. Manually activated safety needles that compete with EasyPoint[®] must be removed from the patient, exposing the contaminated needle prior to activation of the manual safety mechanism. EasyPoint[®] needles allow for activation of the automated retraction mechanism while the needle is still in the patient, reducing exposure to the contaminated needle and effectively reducing the risk of needlestick injuries. EasyPoint[®] retractable needles are compatible with Luer-fitting syringes, including pre-filled syringes. In addition, EasyPoint[®] retractable needles may be activated with fluid in the syringe, making it applicable for aspiration procedures such as blood collection.

Employees

As of March 9, 2021, we had 182 employees. 178 of such employees were full time employees. We provide equal employment opportunities to all employees and applicants for employment without regard to race, color, religion, gender, national origin, age, disability, marital status, ancestry, veteran status, workers' compensation status or any other characteristic protected by federal, state, or local law. We have adopted a policy of zero tolerance for any form of unlawful discrimination or retaliation.

Available Information

We make available, free of charge on our website (www.retractable.com), our Form 10-K Annual Report and Form 10-Q Quarterly Reports and Current Reports on Form 8-K (and any amendments to such reports) as soon as reasonably practical after such reports are filed.

Item 1A. Risk Factors.

You should carefully consider the following material risks facing us. If any of these risks occur, our business, results of operations, or financial condition could be materially affected.

We Are Challenged by Uncertainties in Obtaining and Enforcing Intellectual Property Rights

Our main competitive strength is our technology. We are dependent on patent rights, and if the patent rights are invalidated or circumvented, our business would be adversely affected. Patent protection is considered, in the aggregate, to be of material importance in the design, development, and marketing of our products.

VanishPoint[®] syringes comprised 84.0% of sales in 2020. When the patents of the VanishPoint[®] syringes and other products expire, we may experience a significant and rapid loss of sales, and our competitive position in the marketplace may weaken if other competitors use our technology. Such occurrences could have a material adverse effect on profitability.

We do not maintain patent or trademark protection in all foreign countries, but, where possible, have taken steps to protect our patents and trademarks in those countries where we market our products or where we believe other manufacturers are most likely to attempt to replicate our technology. Our lack of patent and trademark protection in certain foreign countries heightens the risk that our designs may be copied by a competitor in those countries.

We Are Vulnerable to New Technologies

Because we have a narrow focus on particular product lines and technology (currently, predominantly retractable needle products), we are vulnerable to the development of superior competing products and to changes in technology which could eliminate or reduce the need for our products. If a superior technology is created, the demand for our products could greatly diminish.

Our Competitors Have Greater Resources

Our competitors have greater financial resources, larger and more established sales and marketing and distribution organizations, and greater market influence, including long-term contracts. These competitors may be able to use these resources to improve their products through research and acquisitions or develop new products, which may compete more effectively with our products. If our competitors choose to use their resources to create products superior to ours, we may be unable to sell our products and our ability to continue operations would be weakened.

Operations May Be Affected by Foreign Trade Policy

We are subject to risks associated with foreign trade policy. In 2020, we used Chinese manufacturers to produce 85.2% of our products. We are currently working to expand our U.S. manufacturing facility, however.

In the event that we become unable to purchase such product from our Chinese manufacturers, we would need to find an alternate manufacturer for the blood collection set, IV catheter, Patient Safe[®] syringe, 0.5mL insulin syringe, 0.5mL autodisable syringe, and 2mL, 5mL, and 10mL syringes and we would increase domestic production for the 1mL and 3mL syringes. Even with increased domestic production, we may not be able to avoid a disruption in supply.

Trade protection measures, including tariffs, and/or changes to import or export requirements could materially adversely impact our operations. We cannot predict the impact of potential changes to U.S. foreign trade policy. Additionally, we derive 9.8% of our revenues from international sales. International sales, particularly in emerging market countries, are further subject to a variety of regulatory, economic, and political risks as well.

We Are Controlled by One Shareholder

Thomas J. Shaw, our President and Chief Executive Officer, has investment or voting power over a total of 46.1% of the outstanding Common Stock as of March 12, 2021. Mr. Shaw therefore has the ability to direct our operations and financial affairs and significant influence to elect members of our Board of Directors. His interests may not always coincide with the Company's interests or the interests of other stockholders. This concentration of ownership, for example, may have the effect of delaying, deferring, or preventing a change in control, impeding a merger, consolidation, takeover, or other business combination involving us, or discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of us, which in turn could materially adversely affect

the market price of our Common Stock. Mr. Shaw's rights under the Technology License Agreement, as the owner of the technology we produce, present similar conflicts of interest.

Our Stock Has Recently Experienced Significant Price Fluctuation

Our stock price experienced significant fluctuation during 2020 and may continue to be unpredictable. Our stock price fluctuated in 2020 from a low price in January of \$1.36 per share to a high in December of \$15.79 per share. As of March 12, 2021, the stock price was \$13.65 per share. We expect that the overall increase is connected with our recent orders from the Department of Health and Human Services and the Technology Investment Agreement, a contract with the U.S. government described in Item 2 of this report ("TIA"). We do not have assurance that the TIA will translate into increased sales of our products. Additionally, the products sold to the Department of Health and Human Services will be used in connection with administering a vaccine for COVID-19. We cannot predict our sales volumes if the country slows its immunization efforts.

Challenges from the Significant Orders

In 2020, the U.S. government was a significant customer representing 39.0% (\$31.6 million) of our net sales. With additional 2021 deliveries under the HHS Order plus the new February 2021 contract from the U.S. government, the U.S. government will likely continue to be a materially significant customer in 2021. This presents unusual challenges to our business. Our 2021 performance under these orders will be somewhat dependent upon our timely completion of expansions to our facility and machinery, which we cannot guarantee will occur according to schedule. Moreover, in light of the government's significant volume requirements, we may not be able to maintain our usual service levels to our existing customers. However, during 2020, we not only fulfilled obligations under the government's order, but we also increased delivery volumes to existing customers.

We Face Inherent Product Liability Risks

As a manufacturer and provider of safety needle products, we face an inherent business risk of exposure to product liability claims. Additionally, our success depends on the quality, reliability, and safety of our products and defects in our products could damage our reputation. If a product liability claim is made and damages are in excess of our product liability coverage, our competitive position could be weakened by the amount of money we could be required to pay to compensate those injured by our products. In the event of a recall, we have recall insurance.

Our Business May Be Affected by Changes in the Health Care Regulatory Environment

In the U.S. and internationally, government authorities may enact changes in regulatory requirements, reform existing reimbursement programs, and/or make changes to patient access to health care, all of which could adversely affect the demand for our products and/or put downward pressure on our prices. Future healthcare rulemaking could affect our business. We cannot predict the timing or impact of any future rulemaking or changes in the law.

We May Experience Losses in Our Investment Account

Our investment portfolio is subject to market risk. As a result, the value and liquidity of our cash equivalents and marketable securities could fluctuate substantially. Likewise, our other income and expenses could vary materially depending on gains or losses realized on the sale or exchange of investments and other factors. Increased volatility in the financial markets and overall economic uncertainty could increase the risk that actual amounts realized on our investments may differ from the fair values currently assigned to them. Because 31.5% of our liquid assets are invested in the market, fluctuations in market values could have a material adverse impact on our business, financial condition, results of operations, or cash flows.

Health Crises Could Have an Adverse Effect on Our Business

Particularly during 2020, several states and local jurisdictions imposed, and others in the future may impose, "shelter-in-place" orders, quarantines, executive orders and similar government orders and restrictions for their residents to control the spread of COVID-19. Although our manufacturing facility has continued to operate during the 2020-2021 COVID-19 pandemic due to its status as an essential business, we continue to monitor the evolving

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situation and cannot guarantee that the situation would be the same for any future pandemic. In the future, we may elect or be required to close temporarily which would result in a disruption in our activities and operations. Our supply chain, including transportation channels, may be impacted by any such restrictions as well. Any such disruption could impact our sales and operating results.

Widespread health crises also negatively affect economies which could affect demand for our products. With a new contract in place for 2021 sales directly to the U.S. government, our risk is somewhat mitigated for the 2021 year. However, in the event of a resurgence of this disease or in the case of any future pandemic, there is no guarantee that revenues from syringes needed for vaccines would offset the effects to our business of a global economic decline.

Health systems and other healthcare providers in our markets that provide procedures that use our products have suffered financially and operationally and may not be able to return to pre-pandemic levels of operations. Travel and import restrictions may also disrupt our ability to manufacture or distribute our devices. Any import or export or other cargo restrictions related to our products or the raw materials used to manufacture our products could restrict our ability to manufacture and ship products and harm our business, financial condition, and results of operations.

Our key personnel and other employees could still be affected by COVID-19 or any future pandemic, which could affect our ability to operate efficiently. In addition, the conduct of clinical trials and/or regulatory reviews of our new products may continue to be affected by the COVID-19 pandemic and would be affected in any future pandemic. Our sales and marketing personnel often rely on in-person and onsite access to healthcare providers which is currently restricted as hospitals are still not operating at pre-pandemic levels.

Disruption of Critical Information Systems or Material Breaches in the Security of Our Systems Could Harm Our Business, Customer Relations, and Financial Condition

Information technology helps us operate efficiently, interface with customers and suppliers, maintain financial accuracy and efficiency, and accurately produce our financial statements. If we do not allocate and effectively manage the resources necessary to build and sustain the proper technology infrastructure, we could be subject to transaction errors, processing inefficiencies, the loss of customers, business disruptions, or the loss of or damage to intellectual property through security breach. If our data management systems do not effectively collect, store, process, and report relevant data for the operation of our business, whether due to equipment malfunction or constraints, software deficiencies, or human error, our ability to effectively plan, forecast, and execute our business plan and comply with applicable laws and regulations will be impaired, perhaps materially. Any such impairment could materially and adversely affect our financial condition, results of operations, cash flows, and the timeliness with which we report our internal and external operating results. Third parties may attempt to fraudulently induce employees or customers into sensitive information, which may in turn be used to access our information technology systems. In addition, unauthorized persons may attempt to hack into our systems to obtain our confidential or proprietary information or confidential information we hold on behalf of third parties. If the unauthorized persons successfully hack into or interfere with our system, we may experience a negative impact to our business and reputation. We have programs in place to detect, contain, and respond to data security incidents, and we make ongoing improvements to our systems in order to minimize vulnerabilities, in accordance with industry and regulatory standards. However, we may not be able to anticipate and prevent these intrusions or mitigate them when and if they occur. We also rely on external vendors to supply and/or support certain aspects of our information technology systems. The systems of these external vendors may contain defects in design or manufacture or other problems that could unexpectedly compromise information security of our own systems, and we are dependent on these third parties to deploy appropriate security programs to protect their systems. It is possible for such vulnerabilities to remain undetected for an extended period, including several years or longer. The costs to us to eliminate or alleviate network security problems, bugs, viruses, worms, ransomware and other malicious software programs, and security vulnerabilities could be significant. Our efforts to address these problems may not be successful and could result in unexpected interruptions, delays, cessation of service, and harm to our business operations. Depending on the type of breach, we could also be exposed to a risk of loss or litigation and potential liability, which could have a material adverse impact on our business, financial condition, results of operations, or cash flows.

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Illegal Distribution and Sale by Third Parties of Counterfeit Versions of Our Products Could Have A Negative Impact

Third parties may illegally distribute and sell counterfeit versions of our products which do not meet our rigorous manufacturing and testing standards. Our reputation and business could suffer hamas a result. In addition, diversion of products into other channels may result in reduced revenues.

We Are Subject to Various Risks Related To The PPP Loan.

Under our promissory note in favor of Independent Bank pursuant to the Paycheck Protection Program (the "PPP Loan"), we will be required to repay any portion of the outstanding principal that is not forgiven, along with accrued interest, and we cannot provide any assurance that we will be eligible for loan forgiveness or that any amount of the

PPP Loan will ultimately be forgiven by the SBA. There can be no assurance that we will be eligible or able to take advantage of certain of the changes under the PPP Flexibility Act. The PPP Loan application required us to certify, among other things, that the current economic uncertainty made the PPP Loan request necessary to support our ongoing operations. While we made this certification in good faith after analyzing, among other things, our financial situation and access to alternative forms of capital, and believe that we satisfied all eligibility criteria for the PPP Loan and that our receipt of the PPP Loan is consistent with the broad objectives of the PPP of the CARES Act, the certification described above does not contain any objective criteria and is subject to interpretation. In addition, the SBA has stated that it is unlikely that a public company with substantial market value and access to capital markets will be able to make the required certification in good faith. The lack of clarity regarding loan eligibility under the Paycheck Protection Program has resulted in significant media coverage and controversy with respect to public companies applying for and receiving loans. If, despite our good faith belief that we satisfied all eligibility requirements for the PPP Loan, we are found to have been ineligible to receive the PPP Loan or in violation of any of the laws or governmental regulations that apply to us in connection with the PPP Loan, including the False Claims Act, we may be subject to administrative penalties and could be required to repay the PPP Loan. Our request for loan forgiveness remains subject to audit and review by governmental entities.

General Risk Factors

We face risk factors common to other U.S. businesses. We could be subject to complex and costly regulation. Our business could suffer if we or our suppliers encounter manufacturing problems or disruptions to transportation channels. We could be subject to risks associated with doing business outside of the U.S, including risks associated with global economic, regulatory, or political changes, or health crises. Current or worsening economic conditions may adversely affect our business and financial condition.

Item 1B. Unresolved Staff Comments.

Not applicable and none.

Item 2. Properties.

Our headquarters are located at 511 Lobo Lane, on 35 acres, which we own, overlooking Lake Lewisville in Little Elm, Texas. The headquarters are in good condition and houses our administrative offices and manufacturing facility. The manufacturing facility produced approximately 14.8% of the units that were manufactured in 2020. In the event that we become unable to purchase product from our Chinese manufacturers, we would need to find an alternate manufacturer for the blood collection set, IV catheter, Patient Safe[®] syringe, 0.5mL insulin syringe, 0.5mL autodisable syringe, and 2mL, 5mL, and 10mL syringes and we would increase domestic production for the 1mL and 3mL syringes. The 5mL and 10mL syringes are sold principally in the international market.

A loan in the original principal amount of approximately \$4,210,000 is secured by our land and buildings. See Note 8 to our financial statements for more information.

In the opinion of Management, the property and equipment are suitable for their intended use and are adequately covered by an insurance policy.

Effective July 1, 2020, we entered into a Technology Investment Agreement ("TIA") with the United States Government Department of Defense, U.S. Army Contracting Command-Aberdeen Proving Ground, Natick Contracting Division & Edgewood Contracting Division (ACC-APG, NCD & ECD) on behalf of the Biomedical Advanced Research and Development Authority (BARDA) for \$53,664,286 in government funding for expanding our domestic production of needles and syringes. Pursuant to the terms of the TIA, we are expecting to make significant additions to our facilities which should allow us to increase domestic production. We have substantially completed construction of new controlled environment facilities and have begun construction of additional warehousing facilities which should be completed within the second quarter of 2021. The estimated cost of the controlled environment within existing properties is \$6.4 million, and construction of the new warehouse is estimated to be \$5.8 million. The cost of the controlled environment will be funded by the U.S. government under the TIA, while the cost of the new warehouse will be our financial obligation.

Item 3. Legal Proceedings.

Please refer to Note 10 to the financial statements for a complete description of all legal proceedings.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

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

MARKET INFORMATION

Our Common Stock has been listed on the NYSE American (or its predecessor entities) under the symbol "RVP" since May 4, 2001.

SHAREHOLDERS

As of March 12, 2021, there were 33,982,604 shares of Common Stock held by 184 shareholders of record, not including Cede & Co. participants or beneficial owners thereof.

DIVIDENDS

We have not ever declared or paid any dividends on the Common Stock. We have no current plans to pay any cash dividends on the Common Stock. Dividends on Common Stock cannot be paid so long as preferred dividends are unpaid. As of December 31, 2020, there was an aggregate of \$5.0 million in preferred dividends in arrears. As of December 31, 2019, there was an aggregate of \$12.3 million in preferred dividends in arrears.

EQUITY COMPENSATION PLAN INFORMATION

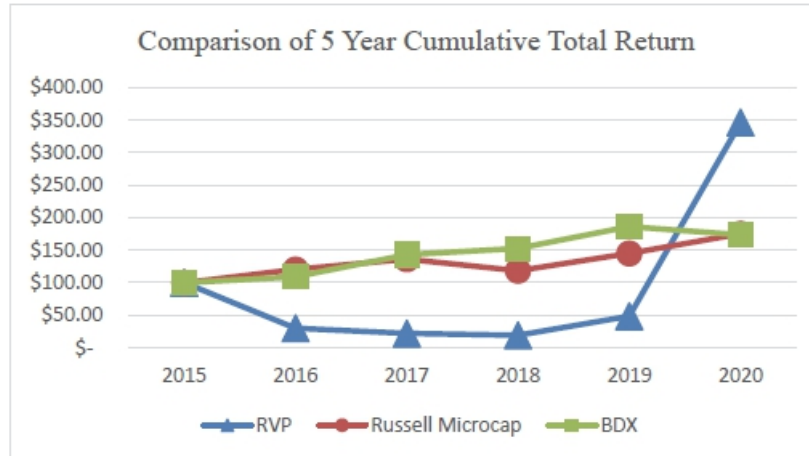
The following table sets forth information relating to our equity compensation plans as of December 31, 2020:

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column(a)) (c)
Equity compensation plans approved by security holders	199,450	\$2.05	—
Total	199,450	\$2.05	—

STOCK PERFORMANCE GRAPH

The following graph compares the cumulative total return for our Common Stock (RVP) from December 31, 2015 to December 31, 2020, to the total returns for the Russell Microcap[®] and Becton, Dickinson and Company (or "BDX"), a peer issuer. The graph assumes an investment of \$100 in the aforementioned equities as of December 31, 2015, and that all dividends are reinvested.



UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

In addition to the transactions disclosed previously in Item 2 of Part II of the Quarterly Reports on Form 10-Q, in October 2020, we purchased a total of 30,000 shares of Series IV Preferred Stock and 25,000 shares of Series V Preferred Stock from six shareholders in exchange for a total of \$400,000 (of which \$303,330 is to be paid over a three-year period beginning February 2021) and 110,000 shares of Common Stock. Such preferred shareholders agreed to waive all unpaid dividends in arrears associated with their Preferred Stock, which resulted in a waiver of a total of \$757,759 in unpaid dividends in arrears.

In December 2020, we purchased a total of 20,000 shares of Series III Preferred Stock, 5,000 shares of Series IV Preferred Stock, and 9,000 shares of Series V Preferred Stock from five shareholders in exchange for a total of \$286,000 and 34,000 shares of Common Stock. Such preferred shareholders agreed to waive all unpaid dividends in arrears associated with their Preferred Stock, which resulted in a waiver of a total of \$592,892 in unpaid dividends.

We are relying on Section 3(a)(9) of the Securities Act of 1933, as amended (the "Securities Act") to exempt the foregoing transactions from the registration requirements of the Securities Act.

PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Purchases by affiliate(s) during 2020 were not repurchases by or on behalf of the issuer.

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
December 31, 2020 ⁽¹⁾	14,300	\$7.50 ⁽²⁾	14,300	0

(1) On November 24, 2020, we delivered to holders of Class B Series I Preferred Stock a Notice of Redemption notifying such preferred shareholders that, pursuant to the Certificate of Designation for the Series I Preferred Stock, we determined to redeem all Series I Preferred Stock. The redemption date was December 31, 2020. The redemption was publicly announced on Form 8-K on December 1, 2020.

(2) Not all Series I Preferred Shareholders have submitted adequate documentation to receive the redemption payments.

Item 6. Selected Financial Data.

Not required.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation.

FORWARD-LOOKING STATEMENT WARNING

Certain statements included by reference in this filing containing the words "could," "may," "believes," "anticipates," "intends," "expects," and similar such words constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act. Any forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the impact of COVID-19 on all facets of logistics and operations, as well as costs, our ability to complete capital improvements and ramp up domestic production in response to government agreements, potential tariffs, our ability to maintain liquidity, our maintenance of patent protection, our ability to maintain favorable third party manufacturing and supplier arrangements and relationships, foreign trade risk, our ability to access the market, production costs, the impact of larger market players, specifically Becton, Dickinson and Company ("BD"), in providing devices to the safety market, and other factors referenced in **Item 1A. Risk Factors**. Given these uncertainties, undue reliance should not be placed on forward-looking statements.

Overview

We have been manufacturing and marketing our products since 1997. VanishPoint[®] syringes comprised 84.0% of our sales in 2020. EasyPoint[®] products accounted for 11.8% of sales in 2020. We also manufacture and market a blood collection tube holder, IV safety catheter, and VanishPoint[®] Blood Collection Set.

Our products have been and continue to be distributed nationally and internationally through numerous distributors.

On May 1, 2020, we were awarded the HHS Order under an existing contract by the Department of Health and Human Services of the United States to supply automated retraction safety syringes for COVID-19 vaccination efforts, which order was in the amount of \$83.8 million plus \$10 million in expedited freight costs. As of December 31, 2020, we recorded sales of \$31.6 million under the 2020 HHS Order, representing 39.0% of our overall revenues

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for 2020, and we expect the remaining sales under the HHS Order in 2021. During 2020 and through March 2021, we have timely completed our delivery obligations under the HHS Order.

The Department of Health and Human Services awarded us another contract on February 12, 2021 to supply low dead space safety syringes for COVID-19 vaccination efforts. The base price for the contract and purchase order is \$54,217,800 for the five-month base period of performance (February 15, 2021 to July 14, 2021). Such price includes both the fixed price for the products as well as cost reimbursement for freight. The terms of the contract allow for extensions at the option of the U.S. government for up to seven additional one-month periods. If all option periods are exercised, the value of the contract could increase by an additional \$92,772,680, including the price of the products and freight reimbursement. For each period, the freight cost is estimated at approximately 25% of the overall price.

Effective July 1, 2020, we entered into the TIA with the United States Government Department of Defense, U.S. Army Contracting Command-Aberdeen Proving Ground, Natick Contracting Division & Edgewood Contracting Division (ACC-APG, NCD & ECD) on behalf of the Biomedical Advanced Research and Development Authority (BARDA) for \$53,664,286 in government funding for expanding our domestic production of needles and syringes. Pursuant to the terms of the TIA, we are expecting to make significant additions to our facilities which should allow us to increase domestic production. Additionally, the TIA provides for reimbursement for equipment and supplies. As of early March 2021, we have negotiated contracts for the purchase of automated assembly equipment, molds, and molding equipment, as well as portions of auxiliary equipment, for approximately \$42.1 million. As of March 2021, we have substantially completed construction of expanded facilities consisting of approximately 27,800 square feet of additional controlled environment within existing properties and we expect to complete approximately 55,000 square feet of new warehouse space within the second quarter of 2021. The estimated cost of the controlled environment within existing properties is \$6.4 million. The increase from the original \$6 million estimate is due to change orders and an expedited completion date in order to receive certain manufacturing equipment at an earlier date. The cost of the controlled environment will be funded by the U.S. government under the TIA, while the cost of the new warehouse will be our financial obligation.

Both of the abovementioned orders from the Department of Health and Human Services as well as the TIA from the U.S. government are material events particular to the COVID-19 pandemic and may not be indicative of future operations. While the addition of manufacturing equipment and facilities will greatly increase our production capacity, we cannot be assured that there will be increased demand for our products once orders from the U.S. government have been filled. If future orders are not placed by the U.S. government and orders from new and existing customers do not materialize, we would have significant excess productive capabilities.

On April 17, 2020, we entered into the PPP Loan in the principal amount of \$1,363,000 in favor of Independent Bank pursuant to the Paycheck Protection Program (the "PPP") of the Coronavirus Aid, Relief, and Economic Security Act, administered by the U.S. Small Business Administration ("SBA"). The PPP Loan's original maturity date is April 17, 2022 and bears interest at a rate of 1.0% per annum. We have applied for forgiveness for the entirety of the loan granted under the PPP. We cannot be certain of the amount, if any, which may be forgiven.

As detailed in Note 4 to the financial statements, we held \$8.1 million in debt and equity securities as of December 31, 2020, which represented 11.6% of our current assets. We continually monitor our invested balances.

During 2020, we hired 48 new full-time employees, predominantly as production line workers, and terminated several back office employees. We also moderately increased non-executive pay. The net effect of these actions caused a net increase of approximately \$1.8 million in our operating expenses for 2020 as compared to 2019.

Historically, unit sales have increased during the flu season. We cannot determine what percent of our increase in domestic sales (excluding the HHS Order) in the second half of 2020 were attributable to flu shots versus preparation for a COVID-19 vaccine.

Product purchases from our Chinese manufacturers have enabled us to increase manufacturing capacity with little capital outlay and have provided a competitive manufacturing cost. In 2020, our Chinese manufacturers produced approximately 85.2% of our products. In the event that we become unable to purchase products from our Chinese manufacturers, we would need to find an alternate manufacturer for the blood collection set, IV catheter,

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Patient Safe[®] syringe, 0.5mL insulin syringe, 0.5mL autodisable syringe, and 2mL, 5mL, and 10mL syringes and we would increase domestic production for the 1mL and 3mL syringes and EasyPoint[®] needles.

In 1995, we entered into a license agreement with Thomas J. Shaw for the exclusive right to manufacture, market, and distribute products utilizing his patented automated retraction technology and other patented technology. This technology is the subject of various patents and patent applications owned by Mr. Shaw. The license agreement generally provides for quarterly payments of a 5% royalty fee on gross sales of products subject to the license and he receives fifty percent (50%) of the royalties paid to the Company by certain sublicensees of the technology subject to the license.

With increased volumes, our manufacturing unit costs have generally tended to decline. Factors that could affect our unit costs include increases in costs by third party manufacturers, changing production volumes, costs of petroleum products, and transportation costs. Increases in such costs may not be recoverable through price increases of our products.

RESULTS OF OPERATIONS

The following discussion contains trend information and other forward-looking statements that involve a number of risks and uncertainties. Our actual future results could differ materially from our historical results of operations and those discussed in the forward-looking statements. All period references are to our fiscal years ended December 2020 and 2019. Dollar amounts have been rounded for ease of reading.

Comparison of Year Ended December 31, 2020 and Year Ended December 31, 2019

Domestic sales, including sales to the U.S. government, accounted for 90.2% and 76.3% of the revenues in 2020 and 2019, respectively. Domestic revenues increased 131.4% principally due to increased volumes. Domestic unit sales increased 120.0%. Domestic unit sales were 85.9% of total unit sales for 2020. Domestic unit sales excluding the HHS Order rose approximately 36.4%. International revenues decreased 18.6% representing a return to normal levels after unusually high volumes in 2019. Our international orders may be subject to significant fluctuation over time. Overall unit sales increased 74.0%. Other than the Department of Health and Human Services, our increased sales are predominantly attributable to existing customers as well as several new smaller customers who do not operate as distributors. Our sales under the HHS Order were approximately \$31.6 million in 2020 and we expect the remaining sales under the HHS Order in 2021, as well as orders of at least \$54.2 million under the new February 2021 contract.

Cost of manufactured product increased 62.7% principally due to an increase in units sold. Royalty expense increased 58.7% due to increased gross sales. Gross profit margins increased from 33.8% in 2019 to 45.2% in 2020 principally due to an overall increase in sales.

Operating expenses increased 15.9% from the prior year due substantially to increased headcount and other employee-related expenses attributable to a larger volume of orders and the expansion activities required by the TIA.

Income from operations was \$24.1 million in 2020 compared to income from operations of \$3.0 million in 2019 due to the increase in net revenues and resulting gross profit.

Interest and other income increased \$1.8 million for the year ended December 31, 2020 compared to the same period last year principally due unrealized gains from our investments.

For the year ended December 31, 2020, we recorded a provision for income taxes of \$1,850,234. For a detailed description of the determination and components of calculating the provision, please refer to Note 11 of the financial statements.

During 2020, we engaged in private purchase agreements to purchase shares of outstanding preferred stock in exchange for cash consideration and the issuance of new common stock. We repurchased a total of 22,500 shares of Series III Class B Convertible Preferred Stock, 342,500 shares of Series IV Class B Convertible Preferred Stock,

and 34,000 shares of Series V Class B Convertible Preferred Stock. The aggregate cash consideration equaled \$3,786,000, of which \$482,670 was paid in 2020 with the remainder payable over a three-year period beginning in February 2021. The aggregate consideration was 754,000 shares of Common Stock. As a result of the transactions, \$7,642,049 in unpaid dividends were waived by the shareholders, as measured from the effective date of the transactions. In connection with the transactions, the difference between the fair value of the consideration transferred to the preferred shareholders and the carrying amount of the preferred stock was added to net income available to common shareholders as a deemed capital contribution for the purpose of the calculation of earnings per share. As a result of the described transactions, a total of \$2,975,708 was included in the calculation of Income (loss) applicable to common stockholders. Amounts payable as the result of our purchase of preferred stock also comprises a portion of the long-term liabilities set forth on our Balance Sheets. As further discussed in Note 9 of the financial statements, the long-term liabilities of \$24,478,697 also includes amounts related to reimbursements from the U.S. government in connection with the TIA.

A comparison of the results of operations for the years ended December 31, 2019 and December 31, 2018 is omitted from this discussion. Such comparison was included in our Annual Report on Form 10-K filed with the SEC on March 30, 2020 in Item 7 of Part II thereof.

LIQUIDITY AND CAPITAL RESOURCES

Discussion of Statement of Cash Flow Items

Cash flow from operations was \$19.0 million in 2020, principally due to our net income for the year. The increase in cash was offset by an increase in accounts receivable, largely driven by the HHS Order. There was also an increase in inventory. Additionally, we have recorded a deferred tax asset of \$4,631,206 which is material to the adjustments to total cash flow from operations. The deferred tax asset represents amounts available to reduce income taxes payable on taxable income in future years. The determination and calculation of such asset is further discussed in Note 11 of the financial statements.

Cash used by investing activities was \$19.3 million for the year ended December 31, 2020 due primarily to the purchase of property, plant and equipment, but offset by the net proceeds from the sales and purchases of debt and equity securities. The \$21.0 million impact to cash from the purchase of such fixed assets reflects down payments on orders for certain assets detailed in this report in connection with the TIA.

Cash provided by financing activities was \$12.0 million for the year ended December 31, 2020. This was primarily due to the proceeds from the PPP Loan, proceeds from the exercise of stock options, and proceeds from the government under the TIA for down payments on our orders for fixed assets.

Historical Sources of Liquidity

We have historically funded operations primarily from the proceeds from revenues, private placements, litigation settlements, and loans.

Internal Sources of Liquidity

Margins

The mix of domestic and international sales affects the average sales price of our products. Generally, the higher the ratio of domestic sales to international sales, the higher the average sales price will be. Some international sales of our products are shipped directly from China to the customer. The number of units produced by us versus manufactured in China can have a significant effect on the carrying costs of inventory as well as Cost of sales. Additionally, the effect of an overall increase in units sold also has a positive effect on margins. We will continue to evaluate the appropriate mix of products manufactured domestically and those manufactured in China to achieve economic benefits as well as to maintain our domestic manufacturing capability.

Cash Requirements

We have sufficient cash reserves, received a PPP Loan, and have begun to realize income from operations. We also have access to our investments which may be liquidated in the event that we need to access the funds for operations.

Contracts with the U.S. Government

As discussed above, we were awarded a material delivery order by the Department of Health and Human Services of the United States in the total amount of approximately \$83.8 million, plus certain expedited freight expenses. For the year ended December 31, 2020, our sales under this HHS Order were approximately \$31.6 million and we expect such sales to increase each quarter through May 2021. In February 2021, we received a new contract from the Department of Health and Human Services for additional safety syringes representing \$54.2 million in expected revenues and reimbursable freight costs for a five-month base period of performance (February 15, 2021 to July 14, 2021) with additional renewal periods available at the option of the U.S. government.

As discussed above, we entered into a TIA with the U.S. government for approximately \$53.7 million in government funding for expanding our domestic production of needles and syringes. As of December 31, 2020, we have received approximately \$10.7 million for down payments on the purchase of certain fixed assets. Pursuant to the terms of the TIA, we have begun making significant additions to our facilities which should allow us to increase domestic production. We have substantially completed construction of new controlled environment facilities and we have begun construction of warehousing facilities which are expected to be completed in the second quarter of 2021. While a portion of the planned construction will be funded by the U.S. government, we expect to fund the construction of the new warehouse and expect the cost to be approximately \$5.8 million. Through December 31, 2020, have paid a total of approximately \$320,000 in progress payments for the new warehouse.

Option Exercises

Stock options were exercised by our employees and directors during 2020, and, consequently, we received approximately \$923 thousand to exercise such options.

External Sources of Liquidity

We recently received a PPP Loan, as described above, in the principal amount of \$1,363,000. We have applied for forgiveness of this loan but we cannot be certain of the amount, if any, which may be forgiven.

It is unlikely we would choose to raise funds by the public sale of equity despite recent increases in the value of our stock. Our stock price increased materially during 2020 and during the first several months of 2021.

We consider our investment portfolio a source of liquidity as well. For example, in the third quarter of 2020, we liquidated approximately \$4.0 million from our investment portfolio for operational needs. As of December 31, 2020, \$8.1 million was invested in third party securities.

Capital Resources

Since the execution of the TIA on July 1, 2020, we have begun construction for significant expansion to our facilities. As of March 2021, we have substantially completed construction of expanded facilities consisting of approximately 27,800 square feet of additional controlled environment within existing properties and we expect to complete approximately 55,000 square feet of new warehouse space within the second quarter of 2021. The estimated cost of the controlled environment within existing properties is \$6.4 million. The increase from the original \$6 million estimate is due to change orders and an expedited completion date in order to receive certain manufacturing equipment at an earlier date. As of early March 2021, we have negotiated contracts for the purchase of automated assembly equipment, molds, and molding equipment, as well as portions of auxiliary equipment, for approximately \$42.1 million. To fund the purchase of the automated assembly equipment, auxiliary equipment, and construction of the controlled environment, we are reimbursed by the U.S. government according to the terms in the TIA. The TIA also

allows us to request an advance of funds for larger purchases when necessary. The expenditures which are not reimbursable from the U.S. government under the TIA are funded with cash from operations.

OFF-BALANCE SHEET ARRANGEMENTS

None.

CONTRACTUAL OBLIGATIONS

Not applicable to smaller reporting companies.

CRITICAL ACCOUNTING ESTIMATES

We are responsible for developing estimates for amounts reported as assets and liabilities, and revenues and expenses in conformity with U.S. generally accepted accounting principles ("GAAP"). Those estimates require that we develop assumptions of future events based on past experience and expectations of economic factors. Among the more critical estimates management makes is the estimate for customer rebates. The amount reported as a contractual allowance for rebates involves examination of past historical trends related of our sales to customers and the related credits issued once contractual obligations of the customers have been met. The establishment of a liability for future claims of rebates against sales in the current period requires that we have an understanding of the relevant sales with respect to product categories, sales distribution channels, and the likelihood of contractual obligations being satisfied. We examine the results of estimates against actual results historically and use the determination to further develop our basis for assumptions in future periods, as well as the accuracy of past estimates.

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

Item 8. Financial Statements and Supplementary Data.

RETRACTABLE TECHNOLOGIES, INC.

**FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

DECEMBER 31, 2020, 2019, and 2018

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**RETRACTABLE TECHNOLOGIES, INC.
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Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of
Retractable Technologies, Inc.

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Retractable Technologies, Inc. (the "Company") as of December 31, 2020 and 2019, the related statements of operations, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2020, and the related notes and schedules (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

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 to 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.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the

critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Revenue Recognition - Rebates

As described in Note 2 to the financial statements, the Company’s rebate accrual at December 31, 2020 is \$3,435,352. The Company recognizes revenue when it has satisfied all performance obligations to the customer. Under certain contracts, revenue is recorded based on the sales price to distributors, less contractual pricing allowances. Contractual pricing allowances consist of: (i) rebates granted to distributors who provide tracking reports which show, among other things, the facility that purchased the products, and (ii) a provision for estimated contractual pricing allowances for products for which the Company has not received tracking reports. Once rebates are issued they are applied against the customer’s receivable balance.

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We identified management’s estimates of rebates attributable to contractual pricing allowances, which are based on management’s evaluation of available internal and external data and for which the Company has not received tracking reports, as a critical audit matter. The Company’s evaluation uses internally developed assumptions, which involves a high degree of judgement. This leads to a high degree of auditor judgment and an increased extent of effort is required when performing audit procedures to evaluate the methodology and reasonableness of the estimates and assumptions.

The following are the most relevant procedures we performed to address this critical audit matter:

- We evaluated and tested the appropriateness of management’s process for estimating rebates, including:
 - Testing the completeness, accuracy, and relevance of the underlying data used in management’s estimate.
 - Obtaining management’s analysis and supporting documentation related to sales distribution, and testing whether sales distribution factors used in the calculation of rebates were supported by the analysis provided by management.
- We developed an independent expectation of rebates based on historic trends in sales to distributors and credits issued and compared such expectation to the Company’s estimate, including testing the completeness and accuracy of the data used in the calculation, application of product categories and sales distribution channels determined by management and used in the calculation, and recalculation of the rebates.
- We compared the year end rebate allowance to credits issued subsequent to year end and investigated variances between management’s estimate and actual results.

/s/ Moss Adams LLP

Dallas, Texas
March 31, 2021

We have served as the Company’s auditor since 2016.

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**RETRACTABLE TECHNOLOGIES, INC.
BALANCE SHEETS**

	December 31,	
	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 17,566,682	\$ 5,934,749
Accounts receivable, net of allowance for doubtful accounts of \$205,822 and \$146,832	32,910,919	6,564,371
Investments in debt and equity securities, at fair value	8,081,833	7,771,660
Inventories, net	10,234,646	7,450,592
Income taxes receivable	—	50,392
Other current assets	684,317	635,201
Total current assets	69,478,397	28,406,965
Property, plant, and equipment, net	30,816,504	10,632,057
Income taxes receivable	—	50,393
Deferred tax asset	4,631,206	—
Other assets	44,567	88,315
Total assets	\$ 104,970,674	\$ 39,177,730
LIABILITIES AND STOCKHOLDERS’ EQUITY		
Current liabilities:		
Accounts payable	\$ 16,256,444	\$ 5,007,604
Current portion of long-term debt	1,030,763	260,939
Accrued compensation	826,762	607,339
Dividends payable	49,091	54,800
Accrued royalties to shareholder	1,973,781	921,445
Other accrued liabilities	3,398,904	1,387,149
Income taxes payable	4,365,770	17,944
Total current liabilities	27,901,515	8,257,220
Other long-term liabilities	24,478,697	—
Long-term debt, net of current maturities	2,710,337	2,378,055
Total liabilities	55,090,549	10,635,275
Commitments and contingencies – See Note 10		
Stockholders’ equity:		
Preferred Stock, \$1 par value:		
Class B; authorized: 5,000,000 shares		
Series I, Class B; outstanding: 0 and 96,000 shares at December 31, 2020 and 2019	—	96,000
Series II, Class B; outstanding: 156,200 and 171,200 shares at December 31, 2020 and 2019 (liquidation preference of \$1,952,500)	156,200	171,200

Net income	—	—	—	—	—	—	—	—	—	—	—	—
Balance as of December 31, 2019	96,000	96,000	171,200	171,200	129,245	129,245	342,500	342,500	34,000	34,000	32,674,954	—
Exchange of Preferred Stock for Common Stock	—	—	—	—	(22,500)	(22,500)	(342,500)	(342,500)	(34,000)	(34,000)	754,000	—
Conversion of Preferred Stock into Common Stock	(81,700)	(81,700)	(15,000)	(15,000)	—	—	—	—	—	—	96,700	—
Stock Option Exercises	—	—	—	—	—	—	—	—	—	—	431,550	—
Redemption	(14,300)	(14,300)	—	—	—	—	—	—	—	—	—	—
Dividends	—	—	—	—	—	—	—	—	—	—	—	—
Net income	—	—	—	—	—	—	—	—	—	—	—	—
Balance as of December 31, 2020	—	\$ —	156,200	\$156,200	106,745	\$106,745	—	\$ —	—	\$ —	33,957,204	\$ —

See accompanying notes to financial statements

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RETRACTABLE TECHNOLOGIES, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
Balance as of December 31, 2017	\$ 62,092,206	\$ (35,699,525)	\$ 27,174,126
Dividends	(220,450)	—	(220,450)
Net loss	—	(1,339,943)	(1,339,943)
Balance as of December 31, 2018	61,871,756	(37,039,468)	25,613,733
Conversion of Preferred Stock into Common Stock	8,500	—	—
Dividends	(219,512)	—	(219,512)
Net income	—	3,148,234	3,148,234
Balance as of December 31, 2019	61,660,744	(33,891,234)	28,542,455
Exchange of Preferred Stock for Common Stock	(3,090,672)	—	(3,489,672)
Conversion of Preferred Stock into Common Stock	96,700	—	—
Stock Option Exercises	922,512	—	922,512
Redemption	(92,950)	—	(107,250)
Dividends	(210,933)	—	(210,933)
Net income	—	24,223,013	24,223,013
Balance as of December 31, 2020	\$ 59,285,401	\$ (9,668,221)	\$ 49,880,125

See accompanying notes to financial statements

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RETRACTABLE TECHNOLOGIES, INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2020	2019	2018
Cash flows from operating activities:			
Net income (loss)	\$ 24,223,013	\$ 3,148,234	\$ (1,339,943)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:			

Depreciation and amortization	832,069	852,080	886,814
Realized gains on investments	(162,595)	(7,925)	—
Net unrealized gains on investments	(1,870,010)	(129,315)	—
Deferred taxes	(4,631,206)	—	—
Inventories reserve	—	—	(297,731)
Provision for doubtful accounts, net of write-offs	59,440	—	47,793
Loss on disposal of assets	33,140	—	—
(Increase) decrease in operating assets:			
Accounts receivable	(14,626,910)	(1,652,015)	145,407
Inventories	(2,784,054)	94,502	(1,041,202)
Other current assets	(49,116)	9,602	(226,649)
Income taxes receivable	100,785	100,937	(13,266)
Other assets	43,748	77,541	—
Increase (decrease) in operating liabilities:			
Accounts payable	11,248,840	(362,072)	411,927
Accrued liabilities	2,232,059	55,150	699,030
Insurance proceeds	—	—	(466,293)
Income taxes payable	4,347,826	7,919	(1,382)
Net cash provided (used) by operating activities	<u>18,997,029</u>	<u>2,194,638</u>	<u>(1,195,495)</u>
Cash flows from investing activities:			
Purchase of property, plant, and equipment	(21,049,656)	(632,078)	(382,156)
Purchase of debt and equity securities	(2,242,897)	(7,360,398)	(2,986,156)
Proceeds from the sales of debt and equity securities	3,965,329	2,712,134	—
Net cash used by investing activities	<u>(19,327,224)</u>	<u>(5,280,342)</u>	<u>(3,368,312)</u>
Cash flows from financing activities:			
Proceeds of long-term debt	1,363,000	—	—
Repayments of long-term debt	(260,894)	(407,014)	(446,350)
Proceeds from TIA	10,636,822	—	—
Proceeds from the exercise of stock options	922,512	—	—
Repurchase of preferred stock	(482,670)	—	—
Payment of Preferred Stock dividends	(216,642)	(219,825)	(220,450)
Net cash provided (used) by financing activities	<u>11,962,128</u>	<u>(626,839)</u>	<u>(666,800)</u>
Net increase (decrease) in cash and cash equivalents	11,631,933	(3,712,543)	(5,230,607)
Cash and cash equivalents at:			
Beginning of period	5,934,749	9,647,292	14,877,899
End of period	<u>\$ 17,566,682</u>	<u>\$ 5,934,749</u>	<u>\$ 9,647,292</u>
Supplemental schedule of cash flow information:			
Interest paid	\$ 260,264	\$ 166,897	\$ 177,190
Income taxes paid	\$ 2,106,000	\$ —	\$ 1,173
Supplemental schedule of noncash investing and financing activities:			
Preferred dividends declared, not paid	\$ 49,091	\$ 54,800	\$ 55,113
Conversion of preferred stock to common stock	\$ 96,700	\$ 8,500	\$ —
Redemption price payable	\$ 107,250	\$ —	\$ —
Preferred stock repurchase payable	\$ 3,007,002	\$ —	\$ —
Amounts receivable under TIA	\$ 11,779,078	\$ —	\$ —

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

1. BUSINESS OF THE COMPANY AND BASIS OF PRESENTATION

Business of the Company

Retractable Technologies, Inc. (the "Company") was incorporated in Texas on May 9, 1994, and designs, develops, manufactures, and markets safety syringes and other safety medical products for the healthcare profession. The Company began to develop its manufacturing operations in 1995. The Company's manufacturing and administrative facilities are located in Little Elm, Texas. The Company's products are the VanishPoint[®] 0.5mL insulin syringe; 1mL tuberculin, insulin, and allergy antigen syringes; 0.5mL, 1mL, 2mL, 3mL, 5mL, and 10mL syringes; the small diameter tube adapter; the blood collection tube holder; the allergy tray; the IV safety catheter; the Patient Safe[®] syringes; the Patient Safe[®] Luer Cap; the VanishPoint[®] Blood Collection Set; and the EasyPoint[®] needle, as well as a standard 3mL syringe packaged with an EasyPoint[®] needle. The Company also sells VanishPoint[®] autodisable syringes in the international market in addition to the Company's other products.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

Cash and cash equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash, money market accounts, and investments with original maturities of three months or less.

Accounts receivable

The Company records trade receivables when revenue is recognized. No product has been consigned to customers. The Company's allowance for doubtful accounts is primarily determined by review of specific trade receivables. Those accounts that are doubtful of collection are included in the allowance. This provision is reviewed to determine the adequacy of the allowance for doubtful accounts. Trade receivables are charged off when there is certainty as to their being uncollectible. Trade receivables are considered delinquent when payment has not been made within contract terms.

The Company requires certain customers to make a prepayment prior to beginning production or shipment of their order. Customers may apply such prepayments to their outstanding invoices or pay the invoice and continue to carry forward the deposit for future orders. Such amounts are included in Other accrued liabilities on the Balance Sheets and are shown in Note 7, Other Accrued Liabilities.

The Company records an allowance for estimated returns as a reduction to Accounts receivable and Gross sales. Historically, returns have been insignificant.

Inventories

Inventories are valued at the lower of cost or net realizable value, with cost being determined using actual average cost. The Company compares the average cost to the net realizable value and records the lower value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Management considers such factors as the amount of

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inventory on hand and in the distribution channel, estimated time to sell such inventory, the shelf life of inventory, and current market conditions when determining excess or obsolete inventories. A reserve is established for any excess or obsolete inventories or they may be written off.

Investments in debt and equity securities

The Company holds high-grade exchange-traded and closed-end funds (ETFs), mutual funds, equity securities, and debt securities as investments. These assets are readily marketable and are carried at fair value as of the date of the Balance Sheets. Net unrealized and realized gains or losses on investments in debt and equity securities are reflected as a component of Interest and other income. Realized gains or losses on investments in debt and equity securities are recognized using the specific identification method.

Property, plant, and equipment

Property, plant, and equipment are stated at cost. Expenditures for maintenance and repairs are charged to operations as incurred. Cost includes major expenditures for improvements and replacements which extend useful lives or increase capacity and interest cost associated with significant capital additions. Gains or losses from disposals are included in operations.

The Company's property, plant, and equipment primarily consist of buildings, land, assembly equipment, molding machines, molds, office equipment, furniture, and fixtures. Depreciation and amortization are calculated using the straight-line method over the following useful lives:

Production equipment	3 to 13 years
Office furniture and equipment	3 to 10 years
Buildings	39 years
Building improvements	15 years

Long-lived assets

The Company assesses the recoverability of long-lived assets using an assessment of the estimated undiscounted future cash flows related to such assets. In the event that assets are found to be carried at amounts which are in excess of estimated gross future cash flows, the assets will be adjusted for impairment to a level commensurate with fair value determined using a discounted cash flow analysis or appraised values of the underlying assets.

Fair value measurements

For assets and liabilities that are measured using quoted prices in active markets, total fair value is the published market price per unit multiplied by the number of units held without consideration of transaction costs. Assets and liabilities that are measured using significant other observable inputs are valued by reference to similar assets or liabilities, adjusted for contract restrictions and other terms specific to that asset or liability. For these items, a significant portion of fair value is derived by reference to quoted prices of similar assets or liabilities in active markets. For all remaining assets and liabilities, fair value is derived using a fair value model, such as a discounted cash flow model or Black-Scholes model.

Financial instruments

The Company estimates the fair value of financial instruments through the use of public market prices, quotes from financial institutions, and other available information. Judgment is required in interpreting data to develop estimates of fair value and, accordingly, amounts are not necessarily indicative of the amounts that could be realized in a current market exchange. Short-term financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, and other liabilities, consist primarily of instruments without extended maturities, the fair value of which, based on Management's estimates, equals their recorded values. Investments in equity securities consist primarily of individual equity securities, exchange-traded and closed-end funds and mutual funds and are reported at their fair value based upon quoted prices in active markets. Investments in

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U.S. Treasury Notes are reported at their fair value based upon quoted prices in active markets. Investments in certificates of deposit (CD) with original maturities of greater than three months are reported at their estimated fair value based upon the duration of the CD and the interest rate earned on the CD versus current interest rates of similar

duration CDs. The fair value of long-term liabilities, based on Management's estimates, approximates their reported values.

Concentration risks

The Company's financial instruments exposed to concentrations of credit risk consist primarily of cash, cash equivalents, certificates of deposit, U.S. Treasury Notes, exchange-traded and closed-end funds, mutual funds, equity securities, and accounts receivable. Cash balances, some of which exceed federally insured limits, are maintained in financial institutions; however, Management believes the institutions are of high credit quality. The majority of accounts receivable are due from companies that are well-established entities. The Company assesses market risk in debt and equity securities through consultation with its outside investment advisors. Management is responsible for directing investment activity based on current economic conditions. In 2020, a significant portion of the Company's sales were to the U.S. government, which Management does not consider a credit risk. As a consequence, Management considers any exposure from concentrations of credit risks to be limited.

The following table reflects our significant customers in 2020, 2019, and 2018:

	Years Ended December 31,		
	2020	2019	2018
Number of significant customers	2	3	2
Aggregate dollar amount of net sales to significant customers	\$41.6 million	\$19.0 million	\$13.1 million
Percentage of net sales to significant customers	50.6%	45.6%	39.2%

The Company increased its allowance for doubtful accounts by approximately \$125 thousand in 2020.

In 2020, approximately \$31.6 million of the Company's sales were to the Department of Health and Human Services of the United States in partial fulfillment of a recent \$83.8 million delivery order to supply automated retraction safety syringes (the "HHS Order"). Management expects the U.S. government to remain a significant customer through at least July 2021.

The Company manufactures some of its products in Little Elm, Texas, as well as utilizing manufacturers in China. The Company obtained roughly 85.2% of its products in 2020 from its Chinese manufacturers. Purchases from Chinese manufacturers aggregated 82.6% and 85.3% of products in 2019 and 2018, respectively. In the event that the Company becomes unable to purchase products from its Chinese manufacturers, the Company would need to find an alternate manufacturer for its blood collection set, IV catheter, Patient Safe[®] syringe, 0.5mL insulin syringe, 0.5mL autodisable syringe, and 2mL, 5mL, and 10mL syringes and would increase domestic production for the 1mL and 3mL syringes and EasyPoint[®] needles. Regardless of vendor availability, the Company expects to increase its domestic syringe production capacity at its facilities pursuant to the plans outlined in the TIA as hereinafter defined.

Revenue recognition

The Company recognizes revenue when it has satisfied all performance obligations to the customer, generally when title and risk of loss pass to the customer. Payments from customers with approved credit terms are typically due 30 days from the invoice date. Under certain contracts, revenue is recorded on the basis of sales price to distributors, less contractual pricing allowances. Contractual pricing allowances consist of: (i) rebates granted to distributors who provide tracking reports which show, among other things, the facility that purchased the products, and (ii) a provision for estimated contractual pricing allowances for products for which the Company has not received tracking reports. Rebates are recorded when issued and are applied against the customer's receivable balance. Distributors receive a rebate for the difference between the Wholesale

Acquisition Cost and the appropriate contract price as reflected on a tracking report provided by the distributor to the Company. If product is sold by a distributor to an entity that has no contract, there is a standard rebate (lower than a contracted rebate) given to the distributor. One of the purposes of the rebate is to encourage distributors to submit tracking reports to the Company. The provision for contractual pricing allowances is recognized in the period the related sales are recognized and is reviewed at the end of each quarter and adjusted for changes in levels of products for which there is no tracking report. Additionally, if it becomes clear that tracking reports will not be provided by individual distributors, the provision is further adjusted. The estimated contractual allowance is included in Accounts payable in the Balance Sheets and deducted from revenues in the Statements of Operations. Accounts payable included estimated contractual allowances for \$3,435,352 and \$3,586,726 as of December 31, 2020 and 2019, respectively. The terms and conditions of contractual pricing allowances are governed by contracts between the Company and its distributors. Revenue for shipments directly to end-users is recognized when title and risk of ownership pass from the Company. End-users do not receive any contractual allowances on their purchases. Any product shipped or distributed for evaluation purposes is expensed.

The Company provides product warranties that: i) the products are fit for medical use as generally defined within the boundaries of United States FDA approval; ii) the products are not defective; and iii) the products will conform to the descriptions set forth in their respective labeling, provided that they are used in accordance with such labeling and the Company's written directions for use. The Company has historically not incurred significant warranty claims.

The Company's domestic return policy provides that a customer may return incorrect shipments within 10 days following arrival at the distributor's facility. In all such cases, the distributor must obtain an authorization code from the Company and affix the code to the returned product.

The Company's domestic return policy also generally provides that a customer may return product that is overstocked. Overstocking returns are limited to two times in each 12-month period up to 1% of distributor's total purchase of products for the prior 12-month period. All product overstocks and returns are subject to inspection and acceptance by the Company.

The Company's international distribution agreements generally do not provide for any returns.

The Company requires certain customers to pay in advance of product shipment. Such prepayments from customers are recorded in Other accrued liabilities and are generally recognized as revenue upon shipment of the product.

The Company recognizes revenue from licensing agreements when collection of such amounts from third parties is reasonably assured. If the Company licenses its products for sale, the Company is obligated to pay Thomas J. Shaw, the owner of certain patented technology, a certain percentage of such revenue pursuant to the terms of the Technology License Agreement between the Company and Mr. Shaw.

Disaggregated information of revenue recognized from contracts with customers and licensing fees recognized are as follows:

For the year ended December 31, 2020:			
Blood Collection	EasyPoint [®]	Other	Total Product

<u>Geographic Segment</u>	<u>Syringes</u>	<u>Products</u>	<u>Needles</u>	<u>Products</u>	<u>Sales</u>
U.S. sales (excluding HHS Order)	\$ 30,446,858	\$ 2,116,108	\$ 9,542,122	\$ 64,375	\$ 42,169,463
HHS Order sales to U.S. government	31,634,343	—	—	—	31,634,343
North and South America sales (excluding U.S.)	5,733,116	8,450	86,816	1,064,768	6,893,150
Other international sales	917,478	239,329	235	8,455	1,165,497
Total	<u>\$ 68,731,795</u>	<u>\$ 2,363,887</u>	<u>\$ 9,629,173</u>	<u>\$ 1,137,598</u>	<u>\$ 81,862,453</u>

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<u>Geographic Segment</u>	For the year ended December 31, 2019:				
	<u>Syringes</u>	<u>Blood Collection Products</u>	<u>EasyPoint® Needles</u>	<u>Other Products</u>	<u>Total Product Sales</u>
U.S. sales	\$ 26,722,414	\$ 2,130,767	\$ 2,970,374	\$ 74,369	\$ 31,897,924
North and South America sales (excluding U.S.)	7,863,796	6,313	7,996	370,885	8,248,990
Other international sales	1,052,217	578,617	635	18,796	1,650,265
Total	<u>\$ 35,638,427</u>	<u>\$ 2,715,697</u>	<u>\$ 2,979,005</u>	<u>\$ 464,050</u>	<u>\$ 41,797,179</u>

<u>Geographic Segment</u>	For the year ended December 31, 2018:				
	<u>Syringes</u>	<u>Blood Collection Products</u>	<u>EasyPoint® Needles</u>	<u>Other Products</u>	<u>Total Product Sales</u>
U.S. sales	\$ 23,803,483	\$ 1,365,936	\$ 3,401,389	\$ 75,766	\$ 28,646,574
North and South America sales (excluding U.S.)	3,521,823	8,805	252	66,564	3,597,444
Other international sales	940,740	48,101	11,768	30,075	1,030,684
Total	<u>\$ 28,266,046</u>	<u>\$ 1,422,842</u>	<u>\$ 3,413,409</u>	<u>\$ 172,405</u>	<u>\$ 33,274,702</u>

Income taxes

The Company evaluates tax positions taken or expected to be taken in a tax return for recognition in the financial statements based on whether it is "more-likely-than-not" that a tax position will be sustained based upon the technical merits of the position. Measurement of the tax position is based upon the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement.

The Company provides for deferred income taxes through utilizing an asset and liability approach for financial accounting and reporting based on the tax effects of differences between the financial statement and tax bases of assets and liabilities, based on enacted rates expected to be in effect when such differences reverse in future periods. Deferred tax assets are periodically reviewed for realizability. In prior periods, the Company established a valuation allowance for its net deferred tax asset as future taxable income which could not be reasonably assured. Penalties and interest related to income taxes are classified as General and administrative expense and Interest expense, respectively. During the quarter ended June 30, 2020, the Company released its valuation allowance based on available evidence supporting that its deferred tax assets will be realized in full.

Earnings per share

The Company computes basic earnings or loss per share ("EPS") by dividing net earnings or loss for the period (adjusted for any cumulative dividends for the period) by the weighted average number of common shares outstanding during the period. Diluted EPS includes the determinants of basic EPS and, in addition, reflects the dilutive effect, if any, of the common stock deliverable pursuant to stock options or common stock issuable upon the conversion of convertible preferred stock. At December 31, 2020, the calculation of diluted EPS under the treasury stock method included 131,347 shares of Common Stock underlying issued and outstanding stock options. Common stock issuable upon the conversion of convertible preferred stock is excluded from the calculation of diluted EPS for 2020, 2019, and 2018 because the effect was antidilutive. At December 31, 2019 and December 31, 2018, the calculation of diluted EPS excluded 639,300 and 1,357,803 shares of common stock, respectively, underlying issued and outstanding stock options, as the exercise prices of the stock options were greater than the average stock prices. The potential dilution, if any, is shown on the following schedule:

	Years Ended December 31,		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net income (loss)	\$ 24,223,013	\$ 3,148,234	\$ (1,339,943)
Preferred stock dividend requirements	(573,868)	(702,618)	(704,996)

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	Years Ended December 31,		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Deemed contribution on extinguishment of preferred stock	2,975,708	—	—
Income (loss) applicable to common stockholders	<u>\$ 26,624,853</u>	<u>\$ 2,445,616</u>	<u>\$ (2,044,939)</u>
Weighted Average common shares outstanding	<u>33,169,307</u>	<u>32,672,475</u>	<u>32,666,454</u>
Weighted Average common and common equivalent shares outstanding - assuming dilution	<u>33,300,654</u>	<u>32,672,475</u>	<u>32,666,454</u>
Basic earnings (loss) per share	<u>\$ 0.80</u>	<u>\$ 0.07</u>	<u>\$ (0.06)</u>
Diluted earnings (loss) per share	<u>\$ 0.80</u>	<u>\$ 0.07</u>	<u>\$ (0.06)</u>

The FASB Codification 260-10-S99-2, *Effect on the Calculation of Earnings per Share for the Redemption or Induced Conversion of Preferred Stock*, requires the gain or loss on extinguishment of equity-classified preferred stock to be included in the net income per common stockholder used to calculate earnings per share (similar to the treatment of dividends paid on preferred stock). The difference between (1) the fair value of the consideration transferred to the holders of the preferred stock and (2) the carrying amount of the preferred stock (net of issuance costs) is subtracted from (or added to) net income to arrive at income available to common stockholders in the calculation of earnings per share.

The Company has determined to apply this guidance to its accounting treatment of the preferred stock transactions described in Note 19.

Shipping and handling costs

The Company classifies shipping and handling costs as part of Cost of sales in the Statements of Operations.

Self-insured employee benefit costs

The Company self-insures certain health insurance benefits for its employees under certain policy limits. The Company has additional coverage provided by an insurance company for any individual with claims in excess of \$100,000 and/or total plan claims in excess of \$1,000,000 for the plan year.

Research and development costs

Research and development costs are expensed as incurred.

Share-based compensation

The Company's share-based payments are accounted for using the Black-Scholes fair value method. The Company records share-based compensation expense on a straight-line basis over the requisite service period.

Insurance Proceeds

Receipts from insurance, up to the amount of any loss recognized by the Company, are considered recoveries. Any such recoveries are recorded when they are received. Insurance proceeds are not recognized as a component of income (loss) from operations until all repairs are made.

Leases

The Company determines if an arrangement is a lease at inception. Operating and finance leases are included in Other assets, Other accrued liabilities, and Other long-term liabilities on the Balance Sheets. Right-of-use

("ROU") assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As the Company's leases do not provide an implicit rate, the incremental borrowing rate based on information available at the commencement date was used in determining the present value of lease payments.

The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Leases with an initial term of twelve months or less are not recorded on the Balance Sheets; however, rent expense is recognized on a straight-line basis over the lease term.

Technology Investment Agreement (TIA)

Effective July 1, 2020, the Company entered into a Technology Investment Agreement ("TIA") with the United States Government Department of Defense, U.S. Army Contracting Command-Aberdeen Proving Ground, Natick Contracting Division & Edgewood Contracting Division (ACC-APG, NCD & ECD) on behalf of the Biomedical Advanced Research and Development Authority (BARDA) for \$53,664,286 in government funding for expanding the Company's domestic production of needles and syringes. Pursuant to the terms of the TIA, the Company is expected to make significant additions to its facilities which should allow the Company to increase domestic production. As reimbursements are received from the U.S. government for such expenditures, the Company records a deferred liability. The deferred liability will be systematically amortized as a gain over the life of the related property, plant, and equipment as to offset the related depreciation expense of the assets acquired. The amortization will be presented separately from the depreciation expense on the Statements of Operations.

Recently Adopted Pronouncements

The Company adopted ASU 2016-13, "Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," as well as subsequent clarifying amendments on January 1, 2020. Among other things, these amendments require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Many of the loss estimation techniques applied previously will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. The adoption of ASU 2016-13, as well as the Targeted Transition Relief as provided by ASU 2019-05, "Financial Instruments – Credit Losses (Topic 326) – Targeted Transition Relief" did not have a significant impact on the Company's financial statements.

The Company adopted ASU 2018-15, "Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract (a Consensus of the FASB Emerging Issues Task Force)" on January 1, 2020. This amendment requires that implemented costs incurred in a hosting arrangement that is a service contract should be accounted for in accordance with ASC 350-40 Internal-Use Software. Accordingly, costs incurred during the preliminary project and post-implementation stages are expensed and costs associated with the application development phase are capitalized. The amendment also requires that capitalized costs be amortized over the term of the hosting arrangement and that capitalized costs should be evaluated for impairment. The adoption of this ASU did not have a significant impact on the Company's financial statements or disclosures.

In August 2018, the FASB issued ASU 2018-13 "Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement." The amendment modifies, among other things, disclosure requirements on fair value measurements and eliminates certain disclosures related to transfers and valuation levels of Level 3 fair value measurements. Additionally, the amendment requires disclosure of changes in unrealized gains and losses in other comprehensive income for Level 3 fair value measurements and certain qualitative factors related to significant unobservable inputs used in Level 3 valuations. The amendment was effective for annual periods beginning after December 15, 2019 and interim periods within the annual period. The adoption of ASU 2018-13 did not have a significant effect on the

Company's financial statements, as the Company does not currently have any investments classified as Level 3 fair value measurements.

Recently Issued Pronouncements

In December 2019, the FASB issued ASU 2019-12, "Income Taxes: Simplifying the Accounting for Income Taxes". The new standard is intended to simplify the accounting for income taxes by eliminating certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The new guidance also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The standard is effective for annual periods beginning after December 15, 2020 and interim periods within the annual period, with early adoption permitted. Adoption of the standard requires certain changes primarily be made prospectively, with some changes to be made retrospectively. The Company has determined that the adoption of ASU 2019-12 will not have a material impact on its financial statements.

In March 2020, the FASB issued ASU No. 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting", to ease the potential burden in accounting for reference rate reform. The new guidance provides optional expedients for contracts that reference LIBOR, if certain criteria are met, that can be applied through December 31, 2022. As reference rate reform is still an ongoing process, the Company will continue to evaluate the timing and potential impact of adoption for optional expedients when deemed necessary.

3. INVENTORIES

Inventories consist of the following:

	December 31,	
	2020	2019
Raw materials	\$ 1,358,552	\$ 1,254,313
Finished goods	9,173,302	6,493,487
	<u>10,531,854</u>	<u>7,747,800</u>
Inventory reserve	(297,208)	(297,208)
	<u>\$ 10,234,646</u>	<u>\$ 7,450,592</u>

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

ASC 820, "Fair Value Measurements", defines fair value, establishes a framework for measuring fair value and requires additional disclosures regarding certain fair value measurements. ASC 820 establishes a three-tier hierarchy for measuring fair value, as follows:

- Level 1 – quoted market prices in active markets for identical assets and liabilities
- Level 2 – inputs other than quoted prices that are directly or indirectly observable
- Level 3 - unobservable inputs where there is little or no market activity

The following tables summarize the values of assets designated as Investments in debt and equity securities:

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Equity securities	\$ 3,990,533	\$ —	\$ —	\$ 3,990,533
Mutual funds and exchange traded funds	4,013,956	—	—	4,013,956
Certificates of deposit	—	77,344	—	77,344
	<u>\$ 8,004,489</u>	<u>\$ 77,344</u>	<u>\$ —</u>	<u>\$ 8,081,833</u>

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	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Mutual funds and exchange traded funds	\$ 6,708,746	\$ —	\$ —	\$ 6,708,746
Certificates of deposit	—	1,062,914	—	1,062,914
	<u>\$ 6,708,746</u>	<u>\$ 1,062,914</u>	<u>\$ —</u>	<u>\$ 7,771,660</u>

The Company holds high-grade ETFs, mutual funds, individual equity stocks, and debt securities as investments. These assets are readily marketable and are carried at fair value as of the date of the Balance Sheets. The Company intends to hold these assets for possible future operating requirements.

The following table summarizes gross unrealized gains and losses from Investments in debt and equity securities:

	December 31, 2020			
	Cost	Gross Unrealized		Aggregate Fair Value
		Gains	Losses	
Equity securities	\$ 2,098,144	\$ 1,892,389	\$ —	\$ 3,990,533
Mutual funds and exchange traded funds	3,909,364	104,592	—	4,013,956
Certificates of deposit	75,000	2,344	—	77,344
	<u>\$ 6,082,508</u>	<u>\$ 1,999,325</u>	<u>\$ —</u>	<u>\$ 8,081,833</u>

	December 31, 2019		
	Gross Unrealized		Aggregate

	Cost	Gains	Losses	Fair Value
Mutual funds and exchange traded funds	\$ 6,592,345	\$ 116,401	\$ —	\$ 6,708,746
Certificates of deposit	1,050,000	12,914	—	1,062,914
	<u>\$ 7,642,345</u>	<u>\$ 129,315</u>	<u>\$ —</u>	<u>\$ 7,771,660</u>

5. PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consist of the following:

	December 31,	
	2020	2019
Land	\$ 261,893	\$ 261,893
Buildings and building improvements	11,593,952	11,566,115
Production equipment	20,290,331	19,903,236
Office furniture and equipment	3,630,455	3,527,577
Construction in progress	21,365,915	765,176
	<u>57,142,546</u>	<u>36,023,997</u>
Accumulated depreciation	(26,326,042)	(25,391,940)
	<u>\$ 30,816,504</u>	<u>\$ 10,632,057</u>

Depreciation expense for the years ended December 31, 2020, 2019, and 2018 was \$832,069; \$851,673; and \$883,610, respectively.

6. LICENSE AGREEMENT

In 1995, the Company entered into a license agreement with the Chief Executive Officer of the Company, Thomas J. Shaw, for the exclusive right to manufacture, market, and distribute products utilizing automated retraction technology, which agreement has been amended twice. This technology is the subject of various patents and patent applications owned by Mr. Shaw. The license agreement provides for quarterly payments of a 5% royalty fee on gross sales. Additionally, if the Company sublicenses the technology and the sublicensee's customers are not known to the Company, then Mr. Shaw shall be entitled to receive from the Company fifty percent (50%) of the royalties actually paid to the Company by such sublicensee. The royalty fee expense is

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recognized in the period in which it is earned. Royalty fees of \$5,476,306; \$3,449,822; and \$2,944,102 are included in Cost of sales for the years ended December 31, 2020, 2019, and 2018, respectively. Royalties payable under this agreement aggregated \$1,973,781 and \$921,445 at December 31, 2020, and 2019, respectively. Gross sales upon which royalties are based were \$109,526,118; \$67,529,783; and \$58,882,042; for 2020, 2019, and 2018, respectively.

7. OTHER ACCRUED LIABILITIES

Other accrued liabilities consist of the following:

	December 31,	
	2020	2019
Prepayments from customers	\$ 1,686,868	\$ 998,601
Accrued professional fees	331,204	263,757
Current portion – preferred stock repurchase	1,092,282	—
Other accrued expenses	288,550	124,791
Total	<u>\$ 3,398,904</u>	<u>\$ 1,387,149</u>

8. LONG-TERM DEBT

Long-term debt consists of the following:

	December 31,	
	2020	2019
Loan from American First National Bank. Maturity date is April 10, 2028. The loan, in the original amount of \$4,209,608, provided funding for the expansion of the warehouse, additional office space, and a new Controlled Environment. The loan is secured by the Company's land and buildings. The interest rate is equal to prime rate plus 0.25%. The interest rate was 5.0% at December 31, 2020.	\$ 2,378,100	\$ 2,638,994
Loan from Independent Bank pursuant to the Paycheck Protection Program. Original maturity date is April 17, 2022. The interest rate is equal to 1.0% per annum.	1,363,000	—
	<u>3,741,100</u>	<u>2,638,994</u>
Less: current portion	(1,030,763)	(260,939)
	<u>\$ 2,710,337</u>	<u>\$ 2,378,055</u>

The fair value of long-term liabilities, based on Management's estimates, approximates their reported values.

The aggregate maturities of long-term debt as of December 31, 2020, are as follows:

2021	\$ 1,030,763
2022	896,210
2023	304,120
2024	319,685
2025	336,488
Thereafter	853,834
	<u>\$ 3,741,100</u>

9. OTHER LONG-TERM LIABILITIES

Other long-term liabilities consists of the following:

	December 31,	
	2020	2019
Technology Investment Agreement (TIA)	22,444,324	—
Stock repurchase	2,034,373	—
Total	<u>\$ 24,478,697</u>	<u>\$ —</u>

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The TIA provides for reimbursement to the Company for the purchase of equipment and supplies related to the expansion of the Company's domestic production of needles and syringes. Under the TIA, reimbursable amounts will be reflected as a liability until the time its deferred income can be systematically amortized over a period matching the useful life of the purchased assets.

The stock repurchase liability represents the long-term portion, at net present value, of \$3,303,330 gross payable by the Company to former preferred shareholders as a result of private stock purchases in 2020 of 320,333 shares of Class B Series IV preferred stock and 25,000 shares of Class B Series V preferred stock. The purchase price is payable in three annual installments of \$1,101,110.

10. COMMITMENTS AND CONTINGENCIES

On November 7, 2019, the Company filed a lawsuit in the 44th District Court of Dallas County, Texas (No. DC-19-17946) against Locke Lord, LLP and Roy Hardin in connection with their legal representation of the Company in its previous litigation against Becton, Dickinson and Company ("BD"). The Company alleges that the defendants breached their fiduciary duties, committed malpractice, and were negligent in their representation of the Company. The Company seeks actual and exemplary damages, disgorgement, costs, and interest. On October 6, 2020, the Court dismissed Defendants' motion to dismiss, which order was appealed by the Defendants on October 9, 2020 to the Court of Appeals, Fifth District of Texas at Dallas. Oral argument for the appeal has been set for April 7, 2021.

11. INCOME TAXES

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

	For the Years Ended December 31,		
	2020	2019	2018
Current tax provision (benefit)			
Federal	\$ 4,431,590	\$ —	\$ (13,318)
State	2,049,850	7,875	—
Total current provision (benefit)	<u>6,481,440</u>	<u>7,875</u>	<u>(13,318)</u>
Deferred tax provision (benefit)			
Federal	(3,428,399)	—	—
State	(1,202,807)	—	—
Total deferred tax provision (benefit)	<u>(4,631,206)</u>	<u>—</u>	<u>—</u>
Total income tax provision (benefit)	<u>\$ 1,850,234</u>	<u>\$ 7,875</u>	<u>\$ (13,318)</u>

The Company had \$23.3 million in tax benefits attributable to net operating losses for federal tax purposes as of December 31, 2019, which were fully utilized as of December 31, 2020. The Company has state net operating losses of \$3.6 million as of December 31, 2020 which will begin to expire in 2029. The Company also had credits for alternative minimum taxes ("AMT") paid of \$100 thousand as of December 31, 2019. The alternative minimum tax was repealed with the enactment of the Tax Cuts and Jobs Act. The Company recorded the AMT credit as a tax receivable on its financial statements as of December 31, 2019 rather than as a deferred tax asset, as this amount is a refundable credit. The AMT credit refund receivable at December 31, 2019 was claimed on the Company's 2019 corporate income tax return and was received in 2020.

Utilization of the state net operating loss carry forwards and credits may be subject to a substantial annual limitation due to the ownership change limitations provided by state rules that are similar to the Internal Revenue Code of 1986, as amended.

Deferred taxes are provided for those items reported in different periods for income tax and financial reporting purposes. The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities are presented below:

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	December 31,	
	2020	2019
Deferred tax assets		
Net operating loss carry forwards	\$ 198,675	\$ 5,748,724
Accrued expenses and reserves	824,920	573,382
Employee stock option expense	15,188	75,591
Nonemployee stock option expense	8,515	8,207
Inventories	98,748	110,455
Impairment	—	111,178
Deferred income – TIA contract	5,675,617	—
Unrealized gains/losses	—	30,434
Deferred tax assets	<u>6,821,663</u>	<u>6,657,971</u>
Deferred tax liabilities		
Unrealized gains/losses	(508,197)	—
Property, plant, and equipment	(1,682,260)	(1,628,133)
Deferred tax liabilities	<u>(2,190,457)</u>	<u>(1,628,133)</u>

Net deferred assets	4,631,206	5,029,838
Valuation allowance	—	(5,029,838)
Net deferred tax assets	<u>\$ 4,631,206</u>	<u>\$ —</u>

Deferred income tax calculations reflect the effects of temporary differences between the carrying amounts of assets and liabilities and their tax bases, as well as from net operating loss carry forwards, and are stated at the U.S. tax rate of 21%. Deferred income tax assets represent amounts available to reduce income taxes payable on taxable income in future years.

Deferred tax assets are periodically reviewed for realizability. In prior periods, the Company established a valuation allowance for its net deferred tax asset as future taxable income which could not be reasonably assured. The valuation allowance was fully released during the year ended December 31, 2020. The valuation allowance was decreased by \$5,029,838 for 2020 and decreased by \$1,121,560 for 2019.

Under the Tax Cuts and Jobs Act, net operating losses incurred after December 31, 2017 can only offset 80% of taxable income. However, these net operating losses may be carried forward indefinitely instead of limited to twenty years under previous tax law. Carryback of these losses is no longer permitted.

The CARES Act temporarily removed the 80% of taxable income limitation to allow NOL carryforwards to fully offset income. For tax years beginning before 2021, the Company can take an NOL deduction equal to 100% of taxable income. For tax years beginning after 2021, the Company can take: (1) a 100% deduction of NOLs arising in tax years prior to 2018, and (2) a deduction limited to 80% of modified taxable income for NOLs arising in tax years after 2017.

A reconciliation of income taxes based on the federal statutory rate and the effective income tax rate is summarized as follows:

	December 31,		
	2020	2019	2018
Income tax at the federal statutory rate	21.0%	21.0%	21.0%
State tax, net of federal tax	4.2	2.0	3.5
Change in valuation allowance	(19.2)	(35.6)	(24.3)
Permanent differences	(0.6)	—	(0.3)
Return-to-provision and other	1.7	12.9	(0.9)
Tax Reform and Jobs Act tax rate change	—	—	0.1
Effective tax rate	<u>7.1%</u>	<u>0.3%</u>	<u>(0.9)%</u>

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The Company files income tax returns in the U.S. federal jurisdiction and in various state and local jurisdictions. The Company's federal income tax returns for all tax years ended on or after December 31, 2017, remain subject to examination by the Internal Revenue Service. The Company's state and local income tax returns are subject to examination by the respective state and local authorities over various statutes of limitations, most ranging from three to five years from the date of filing.

12. DIVIDENDS

The Board declared and the Company paid cash dividends to Series I and Series II Class B Preferred Shareholders within one month of the end of each quarter in 2018, 2019, and 2020, resulting in cumulative annual payments of: \$49,250, and \$171,200 to Series I and Series II preferred shareholders, respectively, in 2018; \$48,625, and \$171,200 to Series I and Series II preferred shareholders, respectively, in 2019; \$48,000, and \$168,642 to Series I and Series II preferred shareholders, respectively, in 2020; and one payment of \$10,041, and \$39,050 to Series I and Series II preferred shareholders, respectively, in 2021.

13. STOCKHOLDERS' EQUITY

Preferred Stock

The Company is authorized to issue 5,000,000 shares of Preferred Stock Class A with a par value of One Dollar (\$1.00) per share; 5,000,000 shares of Preferred Stock Class B with a par value of One Dollar (\$1.00) per share; and 5,000,000 shares of Preferred Stock Class C with a par value of One Dollar (\$1.00) per share.

The Company has one class of Preferred Stock outstanding: Class B Convertible Preferred Stock ("Class B Stock"). The Class B Stock has two series: Series II and Series III. Series I, Series IV, and Series V were cancelled by Board resolution effective March 16, 2021.

The Class B Series II and III stock had 156,200 and 106,745 shares outstanding, respectively, at December 31, 2020. The remaining 4,737,055 authorized shares have not been assigned a series.

Series I Class B Stock

There were 0 and 96,000 shares of \$1 par value Series I Class B Stock outstanding at December 31, 2020 and 2019, respectively. Holders of Series I Class B Stock were entitled to receive a cumulative annual dividend of \$0.50 per share, payable quarterly if declared by the Board of Directors. The Company paid dividends of \$48,000 in 2020 and \$48,625 in 2019. At December 31, 2020, no dividends were in arrears.

Series I Class B Stock was redeemable at the option of the Company at a price of \$7.50 per share, plus all unpaid dividends. Such a redemption took place effective December 31, 2020. Each share of Series I Class B Stock was, at the option of the stockholder, convertible to one share of Common Stock. 81,700 shares of Series I Class B Stock was converted to Common Stock in 2020 and the remaining 14,300 shares were redeemed by the Company as of December 31, 2020 for a total redemption price payable of \$107,250. 2,500 shares of Series I Class B Stock were converted into Common Stock in 2019. In the event of voluntary or involuntary dissolution, liquidation, or winding up of the Company, holders of Series I Class B Stock then outstanding would have been entitled to \$6.25 per share, plus all unpaid dividends prior to any distributions to holders of Series II Class B Stock, Series III Class B Stock, Series IV Class B Stock, Series V Class B Stock, or Common Stock.

Series II Class B Stock

There were 156,200 and 171,200 shares of \$1 par value Series II Class B Stock outstanding at December 31, 2020 and 2019, respectively. Holders of Series II Class B Stock are entitled to receive a cumulative annual dividend of \$1.00 per share, payable quarterly if declared by the Board of Directors. Holders of Series II Class B Stock generally have no voting rights until dividends are in arrears and unpaid for twelve consecutive quarters. In such case, the holders of Series II Class B Stock have the right to elect one-third of the Board of Directors of the Company. The Company paid dividends of \$168,642 in 2020 and \$171,200 in 2019. At December 31, 2020, no dividends were in arrears.

Series II Class B Stock is redeemable at the option of the Company at a price of \$15.00 per share plus all unpaid dividends. Each share of Series II Class B Stock may, at the option of the stockholder, be converted to one share of Common Stock. 15,000 shares were converted into Common Stock in 2020. No shares were converted in 2019. In the event of voluntary or involuntary dissolution, liquidation, or winding up of the Company, holders of Series II Class B Stock then outstanding are entitled to \$12.50 per share, plus all unpaid dividends, prior to any distributions to holders of Series III Class B Stock or Common Stock.

Series III Class B Stock

There were 106,745 and 129,245 shares of \$1 par value Series III Class B Stock outstanding at December 31, 2020 and 2019. Holders of Series III Class B Stock are entitled to receive a cumulative annual dividend of \$1.00 per share, payable quarterly if declared by the Board of Directors. At December 31, 2020, approximately \$4,037,000 of dividends which have not been declared were in arrears.

Series III Class B Stock is redeemable at the option of the Company at a price of \$15.00 per share, plus all unpaid dividends. Each share of Series III Class B Stock may, at the option of the stockholder, be converted to one share of Common Stock. No shares were converted in 2020 or 2019. 22,500 shares were exchanged for Common Stock in private transactions in 2020. Please see Note 19 for a description of private exchange transactions in 2020. In the event of voluntary or involuntary dissolution, liquidation, or winding up of the Company, holders of Series III Class B Stock then outstanding are entitled to \$12.50 per share, plus all unpaid dividends, after distribution obligations to Series II Class B Stock have been satisfied and prior to any distributions to holders of Common Stock.

Series IV Class B Stock

There were 0 and 342,500 shares of \$1 par value Series IV Class B Stock outstanding at December 31, 2020 and 2019, respectively. Holders of Series IV Class B Stock were entitled to receive a cumulative annual dividend of \$1.00 per share, payable quarterly, if declared by the Board of Directors. At December 31, 2020, approximately \$101,000 of dividends which have not been declared were in arrears.

Series IV Class B Stock was redeemable at the option of the Company at a price of \$11.00 per share plus all unpaid dividends. Each share of Series IV Class B Stock was, at the option of the stockholder any time, convertible into one share of Common Stock. No shares of Series IV Class B Stock were converted into Common Stock in 2020 or 2019. 342,500 shares were exchanged for Common Stock in private transactions in 2020. Please see Note 19 for a description of private exchange transactions in 2020. In the event of voluntary or involuntary liquidation, dissolution, or winding up of the Company, holders of Series IV Class B Stock then outstanding would have been entitled to receive liquidating distributions of \$11.00 per share, plus all unpaid dividends after distribution obligations to Series I Class B Stock, Series II Class B Stock, and Series III Class B Stock have been satisfied and prior to any distribution to holders of Series V Class B Stock or Common Stock.

Series V Class B Stock

There were 0 and 34,000 shares of \$1 par value Series V Class B Stock outstanding at December 31, 2020 and 2019, respectively. Holders of Series V Class B Stock were entitled to receive a cumulative annual dividend of \$0.32 per share, payable quarterly, if declared by the Board of Directors. At December 31, 2020, approximately \$830,000 of dividends which have not been declared were in arrears.

Series V Class B Stock was redeemable at the option of the Company at a price of \$4.40 per share plus all unpaid dividends. Each share of Series V Class B Stock was, at the option of the stockholder any time, convertible into Common Stock. 0 and 6,000 shares of Series V Class B Stock were converted into Common Stock in 2020 and 2019, respectively. 34,000 shares were exchanged for Common Stock in private transactions in 2020. Please see Note 19 for a description of private exchange transactions in 2020. In the event of voluntary or involuntary liquidation, dissolution, or winding up of the Company, holders of Series V Class B Stock then outstanding would have been entitled to receive liquidating distributions of \$4.40 per share, plus all unpaid dividends after distribution obligations to Series I Class B Stock, Series II Class B Stock, Series III Class B

Stock, and Series IV Class B Stock have been satisfied and prior to any distribution to the holders of the Common Stock.

Common stock

The Company is authorized to issue 100,000,000 shares of no par value Common Stock, of which 33,957,204 and 32,674,954 shares were outstanding at December 31, 2020 and 2019, respectively. Additionally, as of December 31, 2020, a total of 462,395 shares of Common Stock were issuable upon the conversion of Preferred Stock and the exercise of stock options.

14. RELATED PARTY TRANSACTIONS

The Company has a license agreement with the Chief Executive Officer of the Company. See Note 6.

15. STOCK OPTIONS

Stock options

Options for the purchase of 3,649,508 shares of Common Stock have been issued under the 2008 Stock Option Plan. Options for the purchase of 199,450 shares under the 2008 Stock Option Plan were outstanding as of December 31, 2020. No shares are available for future issuance under the 2008 Stock Option Plan, which expired July 25, 2018.

The Compensation and Benefits Committee administered the Company's stock option plan prior to its termination.

Stock option exercises

Stock options were exercised by the Company's employees and directors during 2020, and, consequently, a total of 431,550 shares of Common Stock were issued for an aggregate payment to the Company of \$922,512 to exercise such options.

Director, officer, and employee options

A summary of Director, officer, and employee options granted and outstanding under the 2008 Stock Option Plan is presented below:

Years Ended December 31,

2020

2019

2018

	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of period	639,300	\$ 2.12	1,300,303	\$ 1.57	1,805,519	\$ 1.51
Granted	—	\$ —	—	\$ —	—	\$ —
Exercised	(431,550)	\$ (2.14)	—	\$ —	—	\$ —
Forfeited	(8,300)	\$ (2.75)	(661,003)	\$ (1.05)	(505,216)	\$ (1.36)
Outstanding at end of period	<u>199,450</u>	\$ 2.05	<u>639,300</u>	\$ 2.12	<u>1,300,303</u>	\$ 1.57
Exercisable at end of period	<u>199,450</u>	\$ 2.05	<u>639,300</u>	\$ 2.12	<u>1,300,303</u>	\$ 1.57

No options were issued in 2020, 2019, or 2018 to employees or non-employee directors.

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The following table summarizes information about Director, officer, and employee options outstanding under the stock option plan at December 31, 2020:

Exercise Prices	Shares Outstanding	Weighted Average Remaining Contractual Life	Shares Exercisable
\$ 1.05	82,500	5.99	82,500
\$ 2.75	116,950	5.70	116,950

Non-employee options

A summary of options outstanding and held by non-employees is as follows:

	Years Ended December 31,					
	2020		2019		2018	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of period	—	\$ —	57,500	\$ 0.81	57,500	\$ 0.81
Granted	—	\$ —	—	\$ —	—	\$ —
Exercised	—	\$ —	—	\$ —	—	\$ —
Forfeited	—	\$ —	(57,500)	\$ (0.81)	—	\$ —
Outstanding at end of period	<u>—</u>	\$ —	<u>—</u>	\$ —	<u>57,500</u>	\$ 0.81
Exercisable at end of period	<u>—</u>	\$ —	<u>—</u>	\$ —	<u>57,500</u>	\$ 0.81

The Company recorded no stock-based compensation expense in 2018, 2019, or 2020. At December 31, 2020, there were 199,450 stock options with exercise prices lower than the closing market price. The intrinsic value of these options at December 31, 2020 was \$1,733,856.

Options Pricing Models – Assumptions

The expected life is based on the Company's historical experience with option exercise trends. The assumptions for expected volatility are based on a calculation of volatility over the five-years preceding the grant date. Risk-free interest rates are set using grant-date U.S. Treasury yield curves. In its calculations, the Company assumed no dividends. The Company elected a policy to account for forfeitures as they occur, rather than on an estimated basis.

16. 401(k) PLAN

The Company implemented an employee savings and retirement plan (the "401(k) Plan") in 2005 that is intended to be a tax-qualified plan covering substantially all employees. The 401(k) Plan is available to all employees on the first day of the month after 90 days of service. Under the terms of the 401(k) Plan, employees may elect to contribute up to 88% of their compensation, or the statutory prescribed limit, if less. The Company may, at its discretion, match employee contributions. For 2020, 2019, and 2018, the Company matched each participant's elective deferrals up to 2% of the participant's compensation for the pay period. The total match was \$162,008; \$117,917; and \$145,146 in 2020, 2019, and 2018, respectively.

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17. BUSINESS SEGMENT

The following is a summary of the Company's sales and long-lived assets by geography:

	2020	2019	2018
U.S. sales	\$ 73,803,806	\$ 31,897,924	\$ 28,646,574
North and South America sales (excluding U.S.)	6,893,150	8,248,990	3,597,444
Other international sales	1,165,497	1,650,265	1,030,684
Total sales	<u>\$ 81,862,453</u>	<u>\$ 41,797,179</u>	<u>\$ 33,274,702</u>

Long-lived assets	2020	2019
U.S.	\$ 30,751,259	\$ 10,542,688
International	\$ 65,245	\$ 89,369

The Company does not operate in separate reportable segments. Shipments to international customers generally require a prepayment either by wire transfer or an irrevocable confirmed letter of credit. The Company does extend credit to international customers on some occasions depending upon certain criteria, including, but not limited to, the credit worthiness of the customer, the stability of the country, banking restrictions, and the size of the order. All transactions are in U.S. currency.

18. LEASES

The Company has operating leases for a warehouse and equipment. The leases have a remaining lease term of less than one year. The Company currently has no finance leases. The ROU asset is determined based on the lease liability adjusted for lease incentives received. Lease expense is recognized on a straight-line basis over the lease term. The leases may include various expenses incidental to the use of the property, such as common area maintenance, property taxes and insurance. These costs are separate from the minimum rent payment and are not considered in the determination of the lease liability and ROU asset. The Company has not noted any material instances in its leases where these costs were combined with the minimum rent payment and has therefore elected the policy to not separate lease from non-lease components if they are combined with the minimum rent payment. The option periods are not included in the determination of the lease liability and right-of-use asset as the Company is not reasonably certain if it will extend at the time of lease commencement.

The operating lease cost component of the lease expense was \$103,312 and \$80,648 for the years ended December 31, 2020 and 2019, respectively. The cash paid for amounts included in the measurement of lease liabilities as a component of cash flows related to leases was \$106,101 and \$80,648 for the years ended December 31, 2020 and 2019, respectively.

Assets and liabilities associated with these leases included in the Balance Sheets are as follows:

	December 31,	
	2020	2019
OPERATING LEASES		
Other assets	\$ 38,892	\$ 82,359
Other accrued liabilities	\$ 38,892	\$ 82,359
Other long-term liabilities	—	—
Total operating lease liabilities	<u>\$ 38,892</u>	<u>\$ 82,359</u>

19. PRIVATE EXCHANGES AND REDEMPTION

Private Exchanges of Preferred Stock for Common Stock

In 2020, the Company entered into several agreements with shareholders to purchase its outstanding Class B Convertible Preferred Stock. The consideration for these purchases consisted of both cash and Common Stock. In addition, in each such transaction, the preferred shareholder counterparty waived their rights to unpaid

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dividends in arrears. In total, 22,500 shares of Series III Class B Convertible Preferred Stock, 342,500 shares of Series IV Class B Convertible Preferred Stock, and 34,000 shares of Series V Class B Convertible Preferred Stock were purchased by the Company. The aggregate cash consideration equaled \$3,786,000, of which \$482,670 was paid in 2020 with the rest payable over a three-year period beginning February 2021. The aggregate stock consideration was 754,000 shares of Common Stock. As a result of the transactions, \$7,642,049 in unpaid dividends in arrears were waived, as measured from the effective date of each transaction.

Redemption of Class B Series I Preferred Stock

The Company caused a redemption of its Class B Series I Preferred Stock on December 31, 2020 pursuant to the terms of the Certificate of Designation for such series of preferred stock which required a redemption price of \$7.50 per share. Pursuant to such redemption, all shares of the Class B Series I Preferred Stock existing on December 31, 2020 (14,300 shares) were cancelled.

20. PAYCHECK PROTECTION PROGRAM LOAN

On April 17, 2020, the Company entered into a promissory note in the principal amount of \$1,363,000 (the "PPP Loan") in favor of Independent Bank pursuant to the Paycheck Protection Program (the "PPP") of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), administered by the U.S. Small Business Administration ("SBA"). The PPP Loan's original maturity date is April 17, 2022 and bears interest at a rate of 1.0% per annum. The PPP Loan may be prepaid by the Company at any time prior to maturity with no prepayment penalties. The PPP Loan is unsecured and is a non-recourse obligation. The Company has requested forgiveness for the PPP Loan but cannot be assured that such request will be granted.

Assuming the PPP Loan is not forgiven, the Company's obligations thereunder are as follows at December 31, 2020:

2021	\$ 755,907
2022	607,093
	<u>\$ 1,363,000</u>

21. COVID-19

To date, the Company's manufacturing facility in Little Elm, Texas has continued to operate due to its status as an essential business. As a result of the COVID-19 pandemic, the Company has implemented certain safety precautions at its facility to reduce the risk of the potential spread of the novel coronavirus. The Company has implemented arrangements to reduce the number of office staff employees working on-site at the production facility, as well as instituting personal distancing policies and monitoring of essential production staff to minimize the risk of infection. The Company continues to monitor the evolving situation and will work to further mitigate risks to staff and to customers. The Company is continuing to evaluate the ever-changing circumstances surrounding this pandemic as it relates to its ability to continue to source materials and products, maintain a workforce, and operate its business effectively and efficiently. Despite the global disruption of the coronavirus pandemic, the Company has not experienced a significant disruption to its supply chain. During 2020, the Company has experienced an increase in demand for its products and has been able to meet such demand with increased volumes despite the pandemic. The Company is unable to predict with certainty its ability to maintain its current operational functionality.

22. TECHNOLOGY INVESTMENT AGREEMENT

Effective July 1, 2020, the Company entered into the TIA with the U.S. government. The principal purpose of the TIA is to fund the expansion of the Company's manufacturing capacity for hypodermic safety needles and corresponding syringes in response to the worldwide COVID-19 global pandemic. The award is an expenditure-type TIA, whereby the U.S. government will make payments to the Company for the Company's expenditures for equipment and supplies in carrying out the expansion of the Company's domestic production. The Company's contributions under the terms of the TIA to enhance domestic capacity of pandemic-essential

technology include providing facilities, technical expertise, labor, and maintenance of the TIA-funded equipment for a ten-year term.

As of December 31, 2020, the Company has negotiated contracts for the purchase of automated assembly equipment, molds, and molding equipment, as well as portions of auxiliary equipment, for approximately \$41.5 million. As of March 2021, the Company has substantially completed construction of expanded facilities consisting of approximately 27,800 square feet of additional controlled environment within existing properties and is expected to complete approximately 55,000 square feet of new warehouse space within the second quarter of 2021. The estimated cost of the controlled environment within existing properties is \$6.4 million. The increase from the original \$6 million estimate is due to change orders and an expedited completion date in order to receive certain manufacturing equipment at an earlier date. The new warehouse space is estimated to cost \$5.8 million. The cost of the controlled environment will be funded by the U.S. government under the TIA, while the cost of the new warehouse will be funded by the Company.

23. SUBSEQUENT EVENTS

The Department of Health and Human Services entered into a contract with the Company on February 12, 2021 to supply low dead space safety syringes. The base price for the contract and purchase order is \$54,217,800 for the five-month base period of performance from February 15, 2021 to July 14, 2021. Such price includes both the fixed price for the products as well as cost reimbursement for freight. The terms of the contract allow for extensions at the option of the U.S. government for up to seven additional one-month periods. If all option periods are exercised, the value of the contract could increase by an additional \$92,772,680, including the price of the products and freight reimbursement.

On March 16, 2021, the Company approved the 2021 Stock Option Plan (the "Plan") and set aside and reserved 2,000,000 shares of Common Stock for issuance pursuant to the Plan. The Plan is subject to shareholder approval at the May 11, 2021 shareholder meeting. The Plan provides for the granting of incentive stock options and non-qualified stock options at a price equal to at least 100% of the fair market value of the Company's Common Stock as of the date of grant. Participants in the Plan may include employees, consultants, and non-employee Directors. On March 16, 2021, the Company approved option grants to purchase 1,000,000, 250,000, and 100,000 shares of Common Stock to the Company's chief executive officer, general counsel, and chief financial officer, respectively. These shares will vest in their entirety three years from the grant date. No award shall be exercisable unless and until the Plan has been approved by the shareholders.

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

There were no reportable disagreements with accountants on accounting and financial disclosures.

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures

Pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934 (the "Exchange Act"), Management, with the participation of our President, Chairman, and Chief Executive Officer, Thomas J. Shaw (the "CEO"), and our Vice President and Chief Financial Officer, John W. Fort III (the "CFO"), acting in their capacities as our principal executive and financial officers, evaluated the effectiveness of our disclosure controls and procedures, as defined in Rule 13a-15(e) under the Exchange Act. The term disclosure controls and procedures means controls and other procedures that are designed to ensure that information required to be disclosed by us in our periodic reports is: i) recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's (the "SEC") rules and forms; and ii) accumulated and communicated to our Management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Based upon this evaluation, the CEO and CFO concluded that, as of December 31, 2020, our disclosure controls and procedures were effective.

Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over our financial reporting as defined in Rule 13a-15(f) under the Exchange Act. The term internal control over financial reporting means a process designed by, or under the supervision of, our principal executive and principal financial officers 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 and includes those policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and dispositions of assets; (ii) provide reasonable assurance that our transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of Management and Directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements. Management used the *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission to evaluate the effectiveness of our internal control over financial reporting as required by paragraph (c) of Rule 13a-15 under the Exchange Act. Management, with the participation of our CEO and CFO, concluded that our internal control over financial reporting as of December 31, 2020, was effective. No material weaknesses in our internal control over financial reporting were identified by Management.

Our Management, including the CEO and CFO, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all instances of fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting during the fourth quarter of 2020 or subsequent to December 31, 2020, which has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information in the sections "Proposal – The Election of Three Class 1 Directors" and "Corporate Governance" in the 2021 proxy statement is incorporated herein by reference.

Item 11. Executive Compensation.

The information in the section "[Compensation](#)" in the 2021 proxy statement is incorporated herein by reference.

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

The information in the section "[Security Ownership](#)" in the 2021 proxy statement is incorporated herein by reference. See also Item 5 of Part II of this Annual Report for Equity Compensation Plan Information.

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

The information in the section "[Corporate Governance](#)" in the 2021 proxy statement is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services.

The information in the section "[Accounting Matters](#)" in the 2021 proxy statement is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

- (a) (1) All financial statements: See Retractable Technologies, Inc. Index to Financial Statements on Page F-2.
- (2) Those financial statement schedules required to be filed by Item 8 of this form, and by paragraph (b) below. Schedule II-Schedule of Valuation and Qualifying Accounts for the years ended December 31, 2020, 2019, and 2018:

	Balance at beginning of period	Additions	Deductions	Balance at end of period
Provision for Inventories				
Fiscal year ended 2018	\$ 594,939	\$ —	\$ 297,731	\$ 297,208
Fiscal year ended 2019	\$ 297,208	\$ —	\$ —	\$ 297,208
Fiscal year ended 2020	\$ 297,208	\$ —	\$ —	\$ 297,208
Provision for Accounts Receivable				
Fiscal year ended 2018	\$ 101,872	\$ 47,793	\$ —	\$ 149,665
Fiscal year ended 2019	\$ 149,665	\$ —	\$ 3,283	\$ 146,382
Fiscal year ended 2020	\$ 146,382	\$ 125,000	\$ 65,560	\$ 205,822
Deferred Tax Valuation				
Fiscal year ended 2018	\$ 5,825,954	\$ 325,444	\$ —	\$ 6,151,398
Fiscal year ended 2019	\$ 6,151,398	\$ —	\$ 1,121,560	\$ 5,029,838
Fiscal year ended 2020	\$ 5,029,838	\$ —	\$ 5,029,838	\$ —

	Balance at beginning of period	Additions	Deductions	Balance at end of period
		(A)	(B)	(C)
Provision for Rebates				
Fiscal year ended 2018	\$ 4,794,193	\$ 24,372,111	\$ 24,579,457	\$ 4,586,847
Fiscal year ended 2019	\$ 4,586,847	\$ 24,212,830	\$ 24,526,108	\$ 4,273,569
Fiscal year ended 2020	\$ 4,273,569	\$ 26,104,612	\$ 26,566,256	\$ 3,811,925

(A) Represents estimated rebates deducted from gross revenues.

(B) Represents rebates credited to the distributor and charge offs against the allowance.

(C) Includes \$3,435,352; \$3,586,726; and \$3,896,341 in Accounts payable for 2020, 2019, and 2018, respectively.

(3) Exhibits:

The following exhibits are filed herewith or incorporated herein by reference to exhibits previously filed with the SEC.

(b) Exhibits

Exhibit No.	Description of Document
3(i)	Restated Certificate of Formation with Certificates of Designation, Preferences, Rights and Limitations of Class B Preferred Stock (all Series) ⁽¹⁾
3(ii)	Fourth Amended and Restated Bylaws of RTI ⁽²⁾
4(i)	Restated Certificate of Formation with Certificates of Designation, Preferences, Rights and Limitations of Class B Preferred Stock (all Series) ⁽³⁾
4(vi)	Description of Securities ⁽⁴⁾
10.1	Sample United States Distribution Agreement ⁽⁵⁾
10.2	Sample Foreign Distribution Agreement ⁽⁶⁾
10.3	Employment Agreement between RTI and Thomas J. Shaw dated as of January 1, 2008 (This is a management compensation contract.) ⁽⁷⁾
10.4	Technology License Agreement between Thomas J. Shaw and RTI dated the 23rd day of June, 1995 ⁽⁸⁾
10.5	First Amendment to Technology License Agreement between Thomas J. Shaw and RTI dated the 3rd day of July, 2008 ⁽⁹⁾
10.6	Second Amendment to Technology License Agreement between Thomas J. Shaw and Retractable Technologies, Inc. dated as of the 7th day of September, 2012 ⁽¹⁰⁾
10.7	Retractable Technologies, Inc. First Amended 2008 Stock Option Plan ⁽¹¹⁾
10.8	Voting Agreement Between Thomas J. Shaw and Suzanne August dated November 8, 2006 ⁽¹²⁾
10.9	Technology Investment Agreement between RTI and U.S. Department of Defense dated July 1, 2020 ⁽¹³⁾

Exhibit No.	Description of Document
10.10	Agreement for the Purchase and Sale of Preferred Stock between RTI and Sovana Cayman Islands dated as of August 31, 2020 ⁽¹⁴⁾
10.11	U.S. Small Business Administration Note dated April 17, 2020 ⁽¹⁵⁾
10.12	2021 Stock Option Plan ⁽¹⁶⁾
14	Retractable Technologies, Inc. Code of Business Conduct and Ethics ⁽¹⁷⁾
31.1	Certification of Principal Executive Officer ⁽¹⁸⁾
31.2	Certification of Principal Financial Officer ⁽¹⁹⁾
32	Section 1350 Certifications ⁽²⁰⁾
101	The following materials from this report, formatted in XBRL (eXtensible Business Reporting Language): (i) Balance Sheets as of December 31, 2020, and 2019, (ii) the Statements of Operations for the years ended December 31, 2020, 2019, and 2018, (iii) the Statements of Changes in Stockholders' Equity for the years ended December 31, 2020, 2019, and 2018, (iv) the Statements of Cash Flows for the years ended December 31, 2020, 2019, and 2018, and (v) Notes to Financial Statements. ⁽²¹⁾

(1) Filed herewith

(2) Incorporated herein by reference to RTI's Form 8-K filed on May 13, 2010

(3) Filed herewith

(4) Filed herewith

(5) Incorporated herein by reference to RTI's Registration Statement on Form 10-SB filed on June 23, 2000

(6) Incorporated herein by reference to RTI's Registration Statement on Form 10-SB filed on June 23, 2000

(7) Incorporated herein by reference to RTI's Form 10-Q filed on November 14, 2008

(8) Incorporated herein by reference to RTI's Registration Statement on Form 10-SB filed on June 23, 2000

(9) Incorporated herein by reference to RTI's Form 10-K filed on March 31, 2009

(10) Incorporated herein by reference to RTI's Form 10-Q filed on November 14, 2012

(11) Incorporated herein by reference to RTI's Form 10-Q filed on November 14, 2014

(12) Incorporated herein by reference to RTI's Schedule TO filed on October 17, 2008

(13) Incorporated herein by reference to RTI's Form 10-Q filed on November 16, 2020

(14) Incorporated herein by reference to RTI's Form 8-K filed October 5, 2020

- (15) Incorporated herein by reference to RTI's Form 8-K filed April 22, 2020
- (16) Incorporated herein by reference to RTI's Schedule 14A filed March 31, 2021
- (17) Incorporated herein by reference to RTI's Form 8-K filed on August 17, 2020
- (18) Filed herewith
- (19) Filed herewith
- (20) Filed herewith
- (21) Filed herewith

(c) Excluded Financial Statement Schedules: None

Item 16. Form 10-K Summary.

None.

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.

RETRACTABLE TECHNOLOGIES, INC.
(Registrant)

By: /s/ Thomas J. Shaw
THOMAS J. SHAW
CHAIRMAN, PRESIDENT, AND
CHIEF EXECUTIVE OFFICER

March 31, 2021

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 and on the dates indicated.

/s/John W. Fort III
JOHN W. FORT III
VICE PRESIDENT, CHIEF FINANCIAL OFFICER, PRINCIPAL ACCOUNTING OFFICER,
TREASURER, AND DIRECTOR

March 31, 2021

/s/ Amy Mack
AMY MACK
DIRECTOR

March 31, 2021

/s/ Marco Laterza
MARCO LATERZA
DIRECTOR

March 31, 2021

/s/ Walter O. Bigby, Jr.
WALTER O. BIGBY, JR.
DIRECTOR

March 31, 2021

/s/ Darren E. Findley
DARREN E. FINDLEY
DIRECTOR

March 31, 2021

RESTATED CERTIFICATE OF FORMATION**OF****RETRACTABLE TECHNOLOGIES, INC.**

I, the undersigned natural person of the age of eighteen (18) years or more, do hereby adopt the following Restated Certificate of Formation for a corporation under the Texas Business Organizations Code:

ARTICLE I

The Corporation is a for-profit corporation. The name of the Corporation is Retractable Technologies, Inc.

ARTICLE II

The period of its duration is perpetual.

ARTICLE III

The purpose for which the Corporation is organized is the transaction of any or all lawful business for which corporations may be incorporated under the Texas Business Organizations Code.

ARTICLE IV

- 4.01 The aggregate number of shares which the Corporation shall have the authority to issue is 100,000,000 shares of Common Stock, no par value, 5,000,000 shares of Preferred Stock Class A with a par value of One Dollar (\$1.00) per share; 5,000,000 shares of Preferred Stock Class B with a par value of One Dollar (\$1.00) per share; and 5,000,000 shares of Preferred Stock Class C with a par value of One Dollar (\$1.00) per share.
- 4.02 The Corporation is authorized to issue four classes of stock, one designated as Common Stock, no par value, one designated as Preferred Stock Class A, par value One Dollar (\$1.00) per share; one designated as Preferred Stock Class B, par value One Dollar (\$1.00) per share; and one designated as Preferred Stock Class C, par value One Dollar (\$1.00) per share. Provided, however, that none of the shares of Preferred Stock of any class shall carry any voting rights for the election of Directors or for any other matters, except where specifically designated herein or required by the applicable provisions of the Texas Business Organizations Code.
- 4.03 The Directors shall have the authority to divide each class of the Preferred Stock into series and to set the relative rights and preferences as to and between series, including dividends, issuance of Preferred Stock, redemption of such shares and the conversion of any shares of Preferred Stock to other or common shares. Prior to the issuance of any Preferred Stock of a series established by resolution adopted by the Directors, the Corporation shall file with the Secretary of State the statement required by Section 21.156 of the Texas Business Organizations Code.
- 4.04 The relative rights and preferences of the shares of the Series II Preferred Stock Class B are set forth in the Certificate of Designation, Preferences, Rights, and Limitations of Series II Class B Convertible Preferred Stock of the Corporation filed on May 27, 1997, which certificate is attached hereto and incorporated herein for all purposes as Exhibit A.
- 4.05 The relative rights and preferences of the shares of the Series III Preferred Stock Class B are set forth in the Certificate of Designation, Preferences, Rights, and Limitations of Series III Class B Convertible Preferred Stock of the Corporation as amended on January 22, 2010, which certificate is attached hereto and incorporated herein for all purposes as Exhibit B.

ARTICLE V

Cumulative voting is expressly prohibited.

ARTICLE VI

The street address of its registered office is 2100 Ross Avenue, Suite 2600, Dallas, TX 75201 and the name of its registered agent is Ralph S. Janvey.

ARTICLE VII

The Directors of the Corporation shall be not less than three (3) nor more than twenty-one (21) in number and the name and address of the directors who are to serve until the annual meeting of year indicated or until their successors are elected and qualified or until their term is terminated are as follows:

<u>Director</u>	<u>Address</u>	<u>Term Expires</u>
Thomas J. Shaw	511 Lobo Lane PO Box 9 Little Elm, TX 75068-0009	2022
John W. Fort III	511 Lobo Lane PO Box 9 Little Elm, TX 75068-0009	2022
Marco Laterza	511 Lobo Lane PO Box 9 Little Elm, TX 75068-0009	2021
Amy Mack	511 Lobo Lane PO Box 9 Little Elm, TX 75068-0009	2021
Walter O. Bigby, Jr.	511 Lobo Lane	2022

ARTICLE VIII

The name and address of the incorporator are intentionally omitted.

ARTICLE IX

Corporate Governance

- a) *Number, Election, and Terms of Directors.* The business and affairs of the Corporation shall be managed by a Board of Directors, which, subject to the rights of holders of shares of any class of series of Preferred Stock of the Corporation then outstanding to elect additional directors under specified circumstances, shall consist of not less than three nor more than twenty-one persons. The exact number of directors within the minimum and maximum limitations specified in the preceding sentence shall be fixed from time to time by either (i) the Board of Directors pursuant to a resolution adopted by the majority of the entire Board of Directors, or (ii) the affirmative vote of the holders of 66-2/3% or more of the voting power of all of the

shares of the Corporation entitled to vote generally in the election of directors voting together as a single class. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director; provided, however, that the term of existing Directors may be shortened to comply with this Article IX and/or the Texas Business Organizations Code. The directors shall be divided into two classes as nearly equal in number as possible, where the term of office of the first class expired at the 2001 annual meeting of stockholders, and the term of office of the second class expired at the 2002 annual meeting of stockholders, and with the members of each class to hold office until their successors shall have been elected and qualified. At each annual meeting of stockholders following such initial classification and election, directors elected to succeed those directors shall be elected for a term of office to expire at the second succeeding annual meeting of stockholders after their election.

- b) *Newly Created Directorships and Vacancies.* Vacancies of generally elected directors may be filled by a majority vote of the remaining generally elected directors, though less than a quorum, or by a sole remaining generally elected director. Vacancies of directors elected pursuant to a dividend default election by preferred shareholders shall be filled by the remaining directors so elected or by a sole remaining director elected by such shareholders, if any. In the event that no directors elected pursuant to a dividend default election remain, the vacancy may be filled by a vote of those shareholders that originally elected the director whose office is vacant.
- c) *Removal.* Any director, or the entire Board of Directors, may be removed from office at any annual or special meeting called for such purpose, and then only for cause and only by the affirmative vote of the holders of 66-2/3% or more of the voting power of all of the shares of the Corporation entitled to vote in the election of such director(s) being removed. As used herein, cause shall mean only the following: proof that a director has been convicted of a felony, committed a grossly negligent or willful misconduct resulting in a material detriment to the Corporation, or committed a material breach of his or her fiduciary duty to the Corporation resulting in a material detriment to the Corporation.
- d) *Amendment, Repeal, etc.* Notwithstanding anything contained in this Certificate of Formation to the contrary and subject to the rights of the holders of any Preferred Stock outstanding, the affirmative vote of the holders of 66-2/3% or more of the voting power of all of the shares of the Corporation entitled to vote in the election of Directors, voting together as a single class, shall be required to alter, amend, or adopt any provision inconsistent with or repeal this Article IX or to alter, amend, adopt any provision inconsistent with or repeal comparable sections of the bylaws of the Corporation.
- e) *Call of Special Meeting to Alter Article IX.* Notwithstanding anything contained in this Certificate of Formation to the contrary, the affirmative vote of the holders of 66-2/3% or more of the voting power of all of the shares of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to call a special meeting of the shareholders in order to alter, amend, adopt any provision inconsistent with or repeal this Article IX, or to alter, amend, or adopt any provision inconsistent with comparable sections of the bylaws of the Corporation.

ARTICLE X

The Board of Directors is hereby authorized to create and issue, whether or not in connection with the issuance and sale of any of its stock or other securities, rights (the "Rights") entitling the holders thereof to purchase from the Corporation shares of capital stock or other securities. The times at which and the terms upon which the Rights are to be issued will be determined by the Board of Directors and set forth in the contracts or instruments that evidence the Rights. The authority of the Board of Directors with respect to the Rights shall include, but not be limited to, determination of the following:

- a) The initial purchase price per share of the capital stock or other securities of the Corporation to be purchased upon exercise of the Rights.
- b) Provisions relating to the times at which and the circumstances under which the Rights may be exercised or sold or otherwise transferred, either together with or separately from, any other securities of the Corporation.
-
- c) Provisions that adjust the number or exercise price of the Rights or amount or nature of the securities or other property receivable upon exercise of the Rights in the event of a combination, split, or recapitalization of any capital stock of the Corporation, a change in ownership of the Corporation's securities, or a reorganization, merger, consolidation, sale of assets, or other occurrence relating to the Corporation or any capital stock of the Corporation, and provisions restricting the ability of the Corporation to enter into any such transaction absent an assumption by the other party or parties thereto of the obligations of the Corporation under such Rights.
- d) Provisions that deny the holder of a specified percentage of the outstanding securities of the Corporation the right to exercise the Rights and/or cause the Rights held by such holder to become void.
- e) Provisions that permit the Corporation to redeem the Rights.

f) The appointment of a Rights agent with respect to the Rights.

ARTICLE XI

No holder of any shares of the Corporation shall have any preemptive right to subscribe or acquire any additional, unissued or treasury shares of the Corporation or any securities of the Corporation which are convertible into or which carry a right to subscribe for or acquire shares of the Corporation.

IN WITNESS WHEREOF, Thomas J. Shaw, the President of the Corporation, has executed this Restated Certificate of Formation of Retractable Technologies, Inc. effective as of the 16th day of March, 2021.

RETRACTABLE TECHNOLOGIES, INC.

BY: /s/ Thomas J. Shaw
THOMAS J. SHAW
PRESIDENT

CERTIFICATE OF DESIGNATION, PREFERENCES
RIGHTS AND LIMITATIONS OF THE SERIES II CLASS B
CONVERTIBLE PREFERRED STOCK
OF
RETRACTABLE TECHNOLOGIES, INC.

Pursuant to Texas law and its Certificate of Formation, Retractable Technologies, Inc., a corporation organized and existing under the laws of the State of Texas (the Corporation),

DOES HEREBY CERTIFY that pursuant to the authority conferred upon the Board of Directors of the Corporation by the Certificate of Formation, as amended, and pursuant to Texas law, said Board of Directors, by unanimous written consent executed May 10, 1995, adopted a resolution providing for the creation of a series of Preferred Stock consisting of not more than five million (5,000,000) shares of Series II Class B Convertible Preferred Stock, which resolution is and reads as follows:

RESOLVED that, pursuant to the authority provided in the Corporation's Certificate of Formation and expressly granted to and vested in the Board of Directors of Retractable Technologies, Inc. (the "Corporation"), the Board of Directors hereby creates out of the Preferred Stock, par value one dollar per share, of the Corporation a series of Series II Class B Preferred Stock consisting of not more than five million (5,000,000) shares, and the Board of Directors hereby fixes the designation and the powers, preference and rights, and the qualifications, limitations and restrictions thereof, to the extent not otherwise provided in the Corporation's qualifications, limitations and restrictions thereof, to the extent not otherwise provided in the Corporation's Certificate of Formation, as follows:

1. Designation of Series. The designation of the series of Preferred Stock created by this resolution shall be "Series II Class B Convertible Preferred Stock" (the "Series II Class B Preferred Stock").

2. Dividends on Series II Class B Preferred Stock.

a. Dividend Amount. The holders of the Series II Class B Preferred Stock shall be entitled to receive, in any calendar year, if, when and as declared by the Board of Directors, out of any assets at the time legally available therefor and subject to the further limitations set out herein, dividends at the per annum rate of \$1.00 per share, all such dividends due quarterly in arrears as of the last day of each March, June, September and December of each year, the first dividend being declarable on December 31, 1997. On each date which a dividend may be declared is hereafter called the "Dividend Date," and each quarterly period ending with a Dividend Date is hereinafter referred to as the "Dividend Period." Dividends shall be payable fifteen calendar days after the Dividend Due Date, provided however, that if such date on which a dividend is payable is a Saturday, Sunday or legal holiday, such dividend shall be payable on the next following business day to the holders of record (whether singular or plural, the "Holder").

b. Dividends Cumulative. Dividends upon the Series II Class B Preferred Stock shall be accrued and be cumulative, whether or not in any Dividend Period or Periods there shall be funds of the Corporation legally available for the payment of such dividends.

c. Dividend Accrual. On each Dividend Due Date all dividends which shall have accrued since the last Dividend Due Date on each share of Series II Class B Preferred Stock outstanding on such Dividend Due Date shall accumulate and be deemed to become "due." Any dividend which shall not be paid on the Dividend Due Date on which it shall become due shall be deemed to be "past due" until such dividend shall be paid or until the share of Series II Class B Preferred Stock with respect to which such dividend became due shall no longer be outstanding, whichever is the earlier to occur. No interest, sum of money in lieu of interest or other property or securities shall be payable in respect of any dividend payment or payments which are past due. Dividends paid on shares of Series II Class B Preferred Stock in an amount less than the total amount of such dividends at the time accumulated and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. Dividend payments made with respect to a Dividend Due Date shall be deemed to be made in payment of the dividends which became due on that Dividend Due Date.

EXHIBIT A

d. Dividend Arrearage. If a dividend upon any shares of Series II Class B Preferred Stock is in arrears, all dividends or other distributions declared upon shares of the Series II Class B Preferred Stock (other than dividends paid in stock of the Corporation ranking junior to the Series II Class B Preferred Stock as to dividends and upon liquidation, dissolution or winding up) may only be declared pro rata. Except as set forth above, if a dividend upon any shares of Series II Class B Preferred Stock is in arrears: (i) no dividends (in cash, stock or other property) may be paid or declared and set aside for payment or any other distribution made upon any stock of the Corporation ranking junior to the Series II Class B Preferred Stock as to dividends (other than dividends of distributions in stock of the Corporation ranking junior to the Series II Class B Preferred Stock as to dividends and upon liquidation, dissolution or winding up); and (ii) no stock of the Corporation ranking junior to the Series II Class B Preferred Stock as to dividends may be (A) redeemed pursuant to a sinking fund or otherwise, except (1) by means of redemption pursuant to which all outstanding shares of the Series II Class B Preferred Stock are redeemed, or (2) by conversion of any such junior stock into, or exchange of any such junior stock into, or exchange of any such junior stock for stock of the Corporation ranking junior to the Series II Class B Preferred Stock as to dividends and upon liquidation, dissolution or winding up, or (B) purchased or otherwise acquired for any consideration by the Corporation except (1) pursuant to an acquisition made pursuant to the terms of one or more offers to purchase all of the outstanding shares of the Series II Class B Preferred Stock, which offers shall each have been accepted by the holders of at least 50% of the shares of the Series II Class B Preferred Stock receiving such offer outstanding at the commencement of the first of such purchase offers, or (2) by conversion into or exchange for stock of the Corporation ranking junior to the Series II Class B Preferred Stock as to dividends and upon liquidation, dissolution or winding up.

3. General Class and Series Voting Rights. Except as provided in this Section 3 and in Section 4 hereof or as otherwise from time to time required by law, the Series II Class B

Preferred Stock shall have no voting rights.

So long as any shares of Series II Class B Preferred Stock remain outstanding, the consent of the holders of at least fifty-one (51%) percent of the shares of Series II Class B Preferred Stock outstanding at the time voting separately as a class, given in person or by proxy, either in writing at any special or annual meeting called for the purpose, shall be necessary to permit, effect or validate any one or more of the following:

(i) The authorization, creation or issuance, or any increase in the authorized or issued amount, of any class or series of stock (including any class or series of Preferred Stock) ranking equal or prior (as the terms are hereinafter defined in this Section 3) to the Series II Class B Preferred Stock; or

(ii) The amendment, alteration or repeal, whether by merger, consolidation or otherwise, of any of the provisions of the Certificate of Formation or of this resolution which would alter or change the powers, preferences or special rights of the shares of the Series II Class B Preferred Stock so as to affect them adversely; provided, however, that any increase in the amount of authorized Preferred Stock, or the creation and issuance of other series of Preferred Stock ranking junior to the Series II Class B Preferred Stock with respect to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding up, shall not be deemed to adversely affect such powers, preferences or special rights.

The foregoing voting provisions shall not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding shares of Series II Class B Preferred Stock shall have been redeemed or sufficient funds shall have been deposited in trust to effect such redemption.

4. Default Voting Rights. Whenever, at any time or times, dividends payable on the shares of Series II Class B Preferred Stock shall be in arrears for twelve (12) consecutive quarterly dividend periods, the holders of a majority of the outstanding shares of Series II Class B Preferred Stock shall have the exclusive right (voting separately as a class) to elect one-third of the Board of Directors of the Corporation at the Corporation's next annual meeting of stockholders (to serve until the next annual meeting of shareholders, and until their successors are duly elected and qualified) and at each subsequent annual meeting of stockholders so long as such arrearage shall continue, and the Common Stock voting separately as a class, shall be entitled to elect the remainder of the Board of Directors of the Corporation. At elections for such directors, each holder of Series II Class B Preferred Stock shall be entitled to one vote for each share of Preferred Stock held. The right of the holders of Series II Class B Preferred Stock, voting separately as a class, to elect members of the Board of Directors of the Corporation as aforesaid shall continue until such time as all dividends accumulated on the Series II Class B Preferred Stock shall have been paid in full, at which time such right shall

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terminate, except as herein or by law expressly provided, subject to reversion in the event of each and every subsequent default of the character above mentioned.

Directors elected by the holders of Series II Class B Preferred Stock shall continue to serve as such directors until such time as all dividends accumulated on the Series II Class B Preferred Stock shall have been paid in full, at which time the term of office of all persons elected as directors by the holders of shares of Series II Class B Preferred Stock shall forthwith terminate. In the case of any vacancy in the office of a director occurring among the directors elected by the holder of a class (with the Series II Class B Preferred Stock and Common Stock being treated as separate classes) of stock, the remaining directors so elected by that class may by affirmative vote of a majority thereof (or the remaining director so elected if there be but one) elect a successor or successors to hold office for the unexpired term of the director or directors whose place or places shall be vacant. Any director who shall have been elected by the holders of a class of stock or by any directors so elected as provided in the next preceding sentence hereof may be removed during the aforesaid term of office, either for or without cause, by, and only by, the affirmative vote of the holders of a majority of the shares of the class of stock who elected such director or directors, given either at a special meeting of such shareholders duly called for that purpose or pursuant to a written consent of shareholders, and any vacancy thereby created may be filled by the holders of that class of stock represented at such meeting or pursuant to such written consent. Whenever the term of office of the directors elected by the holders of Series II Class B Preferred Stock voting as a class shall end and the special voting powers vested in the holders of Series II Class B Preferred Stock voting as a class shall end and the special voting powers vested in the holders of Series II Class B Preferred Stock as provided in this Section 4 shall have expired, the number of directors shall be such number as may be provided for in the Certificate of Formation or Bylaws irrespective of any increase made pursuant to the provisions of this Section 4.

5. Redemption. The outstanding shares of Series II Class B Preferred Stock shall be nonredeemable prior to the lapse of three (3) years from the date of issuance. On and after such date, the Series II Class B Preferred Stock may be redeemed at the option of the Corporation, as a whole at any time or in part from time to time, at the Redemption Price of \$15.00 per share plus all dividends (whether or not declared or due) accrued and unpaid to the date of redemption (subject to the right of the holder of record of shares of Series II Class B Preferred Stock on a record date for the payment of a dividend on the Series II Class B Preferred Stock to receive the dividend due on such shares of Series II Class B Preferred Stock on the corresponding Dividend Due Date).

No sinking fund shall be established for the Series II Class B Preferred Stock.

Notice of any proposed redemption of shares of Series II Class B Preferred Stock shall be mailed by means of first class mail, postage paid, addressed to the holders of record of the shares of Series II Class B Preferred Stock to be redeemed, at their respective addresses then appearing on the books of the Corporation, at least thirty (30) but not more than sixty (60) days prior to the date fixed for such redemption (herein referred to as the "Redemption Date"). Each such notice shall specify (i) the Redemption Date; (ii) the Redemption Price; (iii) the place for payment and for delivering the stock certificate(s) and transfer instrument(s) in order to collect the Redemption Price; (iv) the shares of Series II Class B Preferred Stock to be redeemed; and (v) the then effective Conversion Price (as defined below) and that the right of holders of shares of Series II Class B Preferred Stock being redeemed to exercise their conversion right shall terminate as to such shares at the close of business on the fifth day before the Redemption Date (provided that no default by the Corporation in the payment of the applicable Redemption Price [including any accrued and unpaid dividends] shall have occurred and be continuing). Any notice mailed in such manner shall be conclusively deemed to have been duly given whether or not such notice is in fact received. If less than all the outstanding shares of Series II Class B Preferred Stock are to be redeemed, the Corporation will select those to be redeemed by lot or by a substantially equivalent method. In order to facilitate the redemption of Series II Class B Preferred Stock to be redeemed, which shall not be more than sixty (60) days prior to the Redemption Date with respect thereto.

The holder of any shares of Series II Class B Preferred Stock redeemed upon any exercise of the Corporation's redemption right shall not be entitled to receive payment of the Redemption Price for such shares until such holder shall cause to be delivered to the place specified in the notice given with respect to such redemption (i) the certificate(s) representing such shares of Series II Class B Preferred Stock; and (ii) transfer instrument(s) satisfactory to the Corporation and sufficient to transfer such shares of Series II Class B Preferred Stock to the Corporation free of any adverse interest. No interest shall accrue on the Redemption Price of any share of Series II Class B Preferred Stock after its Redemption Date.

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Subject to Section 2 hereof, the Corporation shall have the right to purchase shares of Series II Class B Preferred Stock from the owner of such shares on such terms as may be agreeable to such owner. Shares of Series II Class B Preferred Stock may be acquired by the Corporation from any stockholder pursuant to this paragraph without offering any other stockholder an equal opportunity to sell his stock to the Corporation, and no purchase by the Corporation from any stockholder pursuant to this paragraph shall be deemed to create any right on the part of any stockholder to sell any shares of Series II Class B Preferred Stock (or any other stock) to the Corporation.

Notwithstanding the foregoing provisions of this Section 5, and subject to the provisions of Section 2 hereof, if a dividend upon any shares of Series II Class B Preferred Stock is past due, (i) no shares of the Series II Class B Preferred Stock may be redeemed, except (A) by means of a redemption pursuant to which all outstanding shares of the Series II Class B Preferred Stock are simultaneously redeemed (or offered to be so redeemed) or pursuant to which the outstanding shares of the Series II Class B Preferred Stock are redeemed on a pro rata basis (or offered to be so redeemed), or (B) by conversion of shares of Series II Class B Preferred Stock into, or exchange of such shares for, Common Stock or any other stock of the Corporation ranking junior to the Series II Class B Preferred Stock as to dividends and upon liquidation, dissolution or winding up.

6. Liquidation. In the event of any voluntary or involuntary dissolution, liquidation or winding up of the Corporation (for the purposes of this Section 6, a "Liquidation"), before any distribution of assets shall be made to the holders of the Common Stock or the holders of any other stock that ranks junior to the Series II Class B Preferred Stock in respect of distributions upon the Liquidation of the Corporation, the holder of each share of Series II Class B Preferred Stock then outstanding shall be entitled to \$12.50 per share plus all dividends (whether or not declared or due) accrued and unpaid on such share on the date fixed for the distribution of assets of the Corporation to the holders of Series II Class B Preferred Stock.

If upon any Liquidation of the Corporation, the assets available for distribution to the holder of Series II Class B Preferred Stock which shall then be outstanding (hereinafter in this paragraph called the "Total Amount Available") shall be insufficient to pay the holders of all outstanding shares of Series II Class B Preferred Stock the full amounts (including all dividends accrued and unpaid) to which they shall be entitled by reason of such Liquidation of the Corporation, then there shall be paid ratably to the holders of the Series II Class B Preferred Stock in connection with such Liquidation of the Corporation, an amount equal to each holder's pro rata share of the Total Amount Available.

The voluntary sale, conveyance, lease, exchange or transfer of all or substantially all the property or assets of the Corporation, or the merger or consolidation of the Corporation into another corporation, or any purchase or redemption of some or all of the shares of any class or series of stock of the Corporation, shall not be deemed to be a Liquidation of the corporation for the purposes of this Section 6 (unless in connection therewith the Liquidation of the Corporation is specifically approved).

7. Conversion Privilege. At any time subsequent to three years after issuance of any share of Series II Class B Preferred Stock, the holder of any share of Series II Class B Preferred Stock ("Holder") shall have the right, at such Holder's option (but if such share is called for redemption or exchange at the election of the Corporation, then in respect of such share only to and including but not after the close of business on (i) the fifth calendar day before the date fixed for such redemption; or (ii) the date fixed for such exchange, provided that the Corporation has set aside funds sufficient to effect such redemption) to convert such share into that number of fully paid and non-assessable shares of Common Stock (calculated as to each conversion to the nearest 1/100th of a share) obtained by dividing \$10.00 by the Conversion Rate then in effect.

a. Conversion Rate. Each share of Series II Class B Preferred Stock may be converted, subject to the terms and provisions of this paragraph 7 into one (1) share of the Corporation's Common Stock, which is a price equal to one share of Common Stock for each \$10.00 of Series II Class B Preferred Stock or, in case an adjustment of such rate has taken place pursuant to the provisions of subdivision (f) of this paragraph (7), then at the Conversion Rate as last adjusted (such rate or adjusted rate, shall be expressed as the number of shares of Common Stock to be acquired upon conversion of one share of Series II Class B Preferred Stock, and shall be referred to herein as the "Conversion Rate"). Each share of Series II Class B Preferred Stock shall be Convertible into Common Stock by surrender to the Corporation of the certificate representing such shares of Series II Class

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B Preferred Stock to be converted by the Holder and by giving written notice to the Corporation of the Holder's election to convert.

The Corporation shall, as soon as practicable after receipt of such written notice and the proper surrender to the Corporation of the certificate or certificates representing shares of Series II Class B Preferred Stock to be converted in accordance with the above provisions, issue and deliver for the benefit of the Holder at the office of the Corporation's duly appointed transfer agent (the "Transfer Agent") to the Holder for whose account such shares of Series II Class B Preferred Stock were so surrendered or to such Holder's nominee or nominees, certificates for the number of shares of Common Stock to which the Holder shall be entitled. The certificates of Common Stock of the Corporation issued upon conversion shall bear such legends as may be required by state or federal laws. Such conversion shall be deemed to have been effective immediately prior to the close of business on the date on which the Corporation shall have received both such written notice and the properly surrendered certificates for shares of Series II Class B Preferred Stock to be converted (the "Conversion Date"), and at such time the rights of the Holder shall cease and the person or persons entitled to receive the shares of Common Stock issuable upon the conversion of such shares of Series II Class B Preferred Stock shall be deemed to be, and shall be treated for all purposes as, the record Holder or Holders of such Common Stock on the Conversion Date. The Corporation shall not be required to convert, and no surrender of shares of Series II Class B Preferred Stock or written notice of conversion with respect thereto shall be effected for that purpose, while the stock transfer books of the Corporation are closed for any reasonable business purpose for any reasonable period of time, but shall be required to convert upon the proper surrender of shares of Series II Class B Preferred Stock for conversion immediately upon the reopening of such books. During the period in which the stock transfer books of the Corporation are closed, the Corporation may neither declare a dividend, declare a record date for payment of dividends nor make any payment of dividends.

b. Dividends. If any shares of Class B Preferred Stock shall be converted during any dividend payment period, the Holder shall be entitled to all dividends accrued up to and through such Conversion Date, at the rate set forth herein, whether or not there has been a Dividend Date, as set forth in paragraph 2 hereof.

c. Cancellation. Class B Preferred Stock converted into Common Stock pursuant to the provisions of this paragraph (7) shall be retired and cancelled by the Corporation and given the status of authorized and unissued preferred stock.

d. Reissuance if Conversion is Partial. In the case of any certificate representing shares of Series II Class B Preferred Stock which is surrendered for conversion only in part, the Corporation shall issue and deliver to the Holder a new certificate or certificates for Series II Class B Preferred Stock of such denominations as requested by the Holder in the amount of Series II Class B Preferred Stock equal to the unconverted shares of the Series II Class B Preferred Stock represented by the certificate so surrendered.

e. Reservations of Shares. The Corporation shall at all times during which shares of Series II Class B Preferred Stock may be converted into Common Stock as provided in this paragraph (e), reserve and keep available, out of any Common Stock held as treasury stock or out of its authorized and unissued Common Stock, or both, solely for the purpose of delivery upon conversion of the shares of Series II Class B Preferred Stock as herein provided, such number of shares of Common Stock as shall then be sufficient to effect the conversion of all shares of Series II Class B Preferred Stock from time to time outstanding, and shall take such action as may from time to time be necessary to ensure that such shares of Common Stock will, when issued upon conversion of Series II Class B Preferred Stock, be fully paid and nonassessable.

f. Adjustment of Conversion Rate. The Conversion Rate provided in subdivision (a) of this paragraph (7), in respect of Class B Preferred Stock, shall be subject to adjustments from time to time as follows:

(i) While any shares of Series II Class B Preferred Stock shall be outstanding, in case the Corporation shall subdivide the outstanding shares of Common Stock into a greater number of shares of Common Stock or combine the outstanding shares of Common Stock into a smaller number of shares of Common Stock, or issue, by reclassification of its shares of Common Stock any shares of the Corporation, the Conversion Rate in effect immediately prior thereto shall be adjusted so that the Holder shall be entitled to receive the number of shares which it would have owned or been entitled to receive after the

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happening of any of the events described above, had such shares of Series II Class B Preferred Stock been converted immediately prior to the happening of such event, such adjustment to become effective immediately after the opening of business on the day following the day upon which such subdivision or combination or reclassification, as the case may be, becomes effective.

(ii) In case the Corporation shall be consolidated with, or merge into, any other corporation, and the Corporation does not survive, proper provisions shall be made as a part of the terms of such consolidation or merger, whereby the Holder shall thereafter be entitled, upon exercise of such Holder's conversion rights, to receive the kind and amount of shares of stock or other securities of the Corporation resulting from such consolidation or merger, or such other property, as the Holder would have received if such conversion rights were exercised immediately prior to the effectiveness of such merger or consolidation.

(iii) In the event the Corporation at any time, or from time to time after June 15, 1997 makes or issues, or fixes a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable in additional shares of Common Stock or Common Stock Equivalents (as defined herein) which does not provide for the payment of any consideration upon the issuance, conversion or exercise thereof, without a corresponding dividend or other distribution to the Holder, based upon the number of shares of Common Stock into which the Series II Class B Preferred Stock is convertible, then and in each such event the Conversion Rate then in effect will be increased as of the time of such issuance or, in the event such a record date shall have been fixed, as of the close of business on such record date, by multiplying such Conversion Rate by a fraction:

(A) The numerator of which will be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date plus the number of shares of Common Stock issuable in payment of such dividend or distribution (which, in the case of Common Stock Equivalents, shall mean the maximum number of shares of Common Stock issuable with respect thereto, as set forth in the instrument relative thereto without regard to any provision for subsequent adjustment); and

(B) The denominator of which will be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date;

provided, however, that if such record date is fixed and such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, the Conversion Rate will be recomputed accordingly as of the close of business on such record date, and thereafter such Conversion Rate will be adjusted pursuant to this subparagraph (iii) as of the time of actual payment of such dividends or distributions.

(iv) In the event the Corporation at any time or from time to time after June 15, 1997 makes or issues, or fixes a record date for the determination of holders of Common Stock entitled to receive a dividend or other distribution payable to all holders of Common Stock in securities of the Corporation or Common Stock Equivalents, then, upon making such dividend or distribution provisions will be made so that the Holder will receive the amount of securities of the Corporation which it would have received had its Series II Class B Preferred Stock been converted into Common Stock on the date of such event.

(v) In the event the Corporation sells or issues any Common Stock, or sells or issues Common Stock Equivalents which can be converted into Common Stock at a per share consideration (as defined below in this subparagraph (v)) less than the Stipulated Price then in effect, then the Holder shall be entitled to purchase from the Corporation in cash (for the same per share consideration at which such Common Stock was issued or the per share price at which a share of Common Stock is acquirable upon exercise or conversion of Common Stock Equivalents) that additional number of shares of Common Stock which, when added to the number of shares of Common Stock acquirable by the Holder upon conversion of any shares of Series II Class B Preferred Stock outstanding and held by such Holder immediately before such issue or sale (the "Acquirable Shares"), will equal a percentage of the number of shares of Common Stock Deemed Outstanding (as defined herein) immediately after such sale or issuance that is the same as the

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percentage of the number of shares of Common Stock Deemed Outstanding immediately before such issuance or sale represented by the Acquirable Shares. This right shall exist for a forty-five-day period following the sale or issuance of shares of Common Stock or Common Stock Equivalents, and thereafter shall cease to exist.

For the above purposes, the per share consideration with respect to the sale or issuance of Common Stock will be the price per share received by the Corporation, prior to the payment of any expenses, commissions, discounts and other applicable costs. With respect to the sale or issuance of Common Stock Equivalents which are convertible into or exchangeable for Common Stock without further consideration, the per share consideration will be determined by dividing the maximum number of shares of Common Stock issuable with respect to such Common Stock Equivalents (as set forth in the instrument relating thereto without regard to any provisions contained therein for subsequent adjustment of such number) into the aggregate consideration receivable by the Corporation upon the sale or issuance of such Common Stock Equivalents. With respect to the issuance of other Common Stock Equivalents, the per share consideration will be determined by dividing the maximum number of shares of Common Stock issuable with respect to such Common Stock Equivalents into the total aggregate consideration received by the Corporation upon the sale or issuance of such Common Stock Equivalents plus the minimum aggregate amount of additional consideration received by the Corporation upon the conversion or exercise of such Common Stock Equivalents. In connection with the sale or issuance of Common Stock and/or Common Stock Equivalents for non-cash consideration, the amount of consideration will be the fair market value of such consideration as determined in good faith by the Board of Directors of the Corporation.

(vi) As used herein, the term "Stipulated Price" means initial price of \$10.00 per share of Common Stock, as adjusted from time to time pursuant to subparagraph (viii) of this paragraph 7(f); and the term "Common Stock Equivalent" means any securities (whether debt or equity securities) or rights issued by the Corporation convertible into or entitling the holder thereof to receive shares of, or securities convertible into, Common Stock. The number of shares of "Common Stock Deemed Outstanding" at any date shall equal the sum of the number of shares of Common Stock then outstanding plus the number of shares of Common Stock then obtainable pursuant to Common Stock Equivalents.

(vii) In the event the Corporation declares any dividend or distribution payable to holders of its Common Stock (other than dividends payable out of the Corporation's retained earnings or earned surplus and dividends payable in shares of Common Stock or in securities convertible into or exchangeable for shares of Common Stock or rights or warrants to purchase Common Stock or securities convertible into or exchangeable for shares of Common Stock or any other securities issued by the Corporation), the Conversion Rate in effect immediately prior to the record date for such dividend or distribution shall be proportionately adjusted so that the Holder shall be entitled to receive the number of shares of Common Stock into which such shares of Common Stock or Preferred Stock was convertible immediately prior to such record date multiplied by a fraction, the numerator of which is the fair market value of a share of Common Stock on such record date and the denominator of which is such per share fair market value of a share of Common Stock on such record date less the fair market value on such record date of the securities or other property which are distributed as a dividend or other distribution. The term "fair market value" of a share of Common Stock or of any other security or other type of property on any date means (A) in the case of Common Stock or any other security (I) if the principal trading market for such Common Stock or other security is an exchange or the NASDAQ national market on such date, the closing price on such exchange or the NASDAQ national market on such date, provided, if trading of such Common Stock or other security is listed on any consolidated tape, the fair market value shall be the closing price set forth on such consolidated tape on such date, or (II) if the principal market for such Common Stock or other security is the over-the-counter market (other than the NASDAQ national market) the

mean between the closing bid and asked prices on such date as set forth by NASDAQ or (B) in the case of Common Stock or any other security for which the fair market value cannot be determined pursuant to clause (A) above or of any other security or type of property, fair market value thereof on such date as determined in good faith by the Board of Directors.

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(viii) Whenever the Conversion Rate is adjusted pursuant to this paragraph 7(f), the Stipulated Price shall also be adjusted by multiplying it by a fraction that is the reciprocal of the fraction used to adjust the Conversion Rate.

(ix) The Corporation will not, by amendment of its Certificate of Formation or through any dissolution, issuance or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Corporation, but at all times in good faith will assist in the carrying out of all the provisions of this paragraph and in the taking of all such action as may be necessary or appropriate in order to protect the conversion rights of the Holder against impairment.

(x) No adjustment in the Conversion Rate shall be required, unless such adjustment would require an increase or decrease of at least one (1) share of Common Stock in the Conversion Rate of one share of Series II Class B Preferred Stock, provided that all adjustments which do not meet this minimum requirement shall be cumulated and the adjustment will be made when the cumulated total is sufficient to require an adjustment. All calculations made pursuant to this subparagraph (x) of paragraph 7(f) shall be made to the nearest one-hundredth (1/100th) of a share of Common Stock.

g. Fractional Shares. No fractional shares of Common Stock or scrip representing fractional shares of Common Stock shall be issued upon any conversion of shares of Series II Class B Preferred Stock but, in lieu thereof, there shall be paid an amount in cash equal to the same fraction of the current market price of a whole share of Common Stock on the day preceding the day of conversion.

h. Statement to Transfer Agent. Whenever the Conversion Rate for shares of Series II Class B Preferred Stock shall be adjusted pursuant to the provisions of paragraph 7(f) hereof, the Corporation shall forthwith maintain at its office and, if applicable, file with the Transfer Agent for shares of Series II Class B Preferred Stock and for shares of Common Stock, a statement signed by the President or a Vice President of the Corporation and by its Treasurer or an Assistant Treasurer, stating the adjusted Conversion Rate and setting forth in reasonable detail the method of calculation and the facts requiring such adjustment, such calculations to be confirmed by the Corporation's independent auditors, and stating the facts on which the calculation is based. Each adjustment shall remain in effect until a subsequent adjustment hereunder is required.

8. Registration Rights.

a. Piggyback Registration. The Corporation, for a period ending six months after the last share of Series II Class B Preferred Stock is redeemed, retired, converted or otherwise no longer outstanding, will give written notice to the Holder not less than 20 days in advance of the initial filing of any registration statement under the Securities Act of 1933 (other than a registration Statement pertaining to securities issuable pursuant to employee stock option, stock purchase, or similar plans or a registration statement pertaining to securities issuable in connection with the acquisition of a business, whether through merger, consolidation, acquisition of assets, or exchange of securities) covering any Common Stock or other securities of the Corporation, and will afford the Holder the opportunity to have included in such registration all or such part of the shares of Common Stock acquired upon conversion of Series II Class B Preferred Stock, as may be designated by written notice to the Corporation not later than 10 days following receipt of such notice from the Corporation. The Corporation shall be entitled to exclude the shares of Common Stock held by the Holder from any one, but not more than one, such registration if the Corporation is advised by its investment banking firm that the inclusion of such shares will, in the opinion of such investment banking firm, materially interfere with the orderly sale and distribution of the securities being offered under such registration statement by the Corporation. Notwithstanding the foregoing, the Corporation shall not be entitled to exclude the shares of Common Stock held by the Holder if shares of other shareholders are being included in any such registration statement and, in such circumstances, the Holder shall be entitled to include the shares of Common Stock held by them on a pro rata basis in the proportion that the number of shares of Common Stock held by the Holder bears to the shares of Common Stock held by all other shareholders, including shares in such registration statement. The Holder shall not be entitled to include shares in more than two registration statements pursuant to the provisions of this subdivision (a) of paragraph 8, and all rights of the Holder under this subdivision (a) of paragraph 8 shall terminate after the Holder has included shares of Common Stock in two registration statements pursuant to this subdivision (a) of paragraph 8.

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b. Expenses. The Corporation will pay all out-of-pocket costs and expenses of any registration effected pursuant to the provisions of subdivision (a) of this paragraph 8, including registration fees, legal fees, accounting fees, printing expenses (including such number of any preliminary and the final prospectus as may be reasonably requested), blue sky qualification fees and expenses, and all other expenses, except for underwriting commissions or discounts applicable to the shares of Common Stock being sold by the Holder and the fees of counsel for the Holder, all of which shall be paid by the Holder.

c. Notwithstanding anything to the contrary contained herein, in the event that the Corporation files an initial registration statement under the Securities Act of 1933, as amended (other than a registration statement pertaining to securities issuable in connection with the acquisition of a business, whether through merger, consolidation, acquisition of assets or exchange of securities) concerning any Common Stock of the Corporation, it will afford the Holder the opportunity to convert his shares into that number of fully paid and non-assessable shares of Common Stock prior to the three year holding period stated in paragraph 7 above. The Corporation may also, at its option, accelerate its redemption rights pursuant to paragraph 4 above in the event that the Corporation files an initial registration statement under the Securities Act of 1933, as amended.

9. Reports.

So long as any of the Series II Class B Preferred Stock shall be outstanding, the Corporation shall submit to the Holder financial reports no less frequently than annually.

10. Miscellaneous.

a. As used herein, the term "Common Stock" shall mean the Corporation's Common Stock, no par value, or, in the case of any reclassification or change of outstanding shares of Common Stock, the stock or securities issued in exchange for such Common Stock. The term "Common Stock" shall also include any capital stock of the Corporation authorized after June 15, 1995 which shall not be limited to a fixed sum or sums or percentage or percentages of par value in respect of the rights of the holders thereof to participate in dividends or in the distribution of assets upon the voluntary or involuntary liquidation, dissolution or winding up of the Corporation.

b. The shares of Series II Class B Preferred Stock shall be fully transferable by the Holder thereof, subject to compliance with the applicable provisions of federal and

state securities laws.

IN WITNESS WHEREOF, RETRACTABLE TECHNOLOGIES, INC. has caused its corporate seal to be hereunto affixed and this Certificate to be signed by its President and Secretary this 10th day of May, 1997.

/s/ Thomas J. Shaw

President

ATTEST:

/s/ Shayne Blythe

Secretary

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AMENDED CERTIFICATE OF DESIGNATION, PREFERENCES, RIGHTS AND LIMITATIONS
OF THE SERIES III CLASS B CONVERTIBLE PREFERRED STOCK
OF
RETRACTABLE TECHNOLOGIES, INC.

Pursuant to the Texas law and its Certificate of Formation, as amended, Retractable Technologies, Inc., a corporation organized and existing under the laws of the State of Texas (the Corporation),

DOES HEREBY CERTIFY that pursuant to the authority conferred upon the Board of Directors of the Corporation by the Certificate of Formation, as amended, and pursuant to Texas law, said Board of Directors, by unanimous written consent executed July 2, 1998, adopted a resolution providing for the creation of a series of Preferred Stock consisting of not more than two million (2,000,000) shares of Series III Class B Convertible Preferred Stock, which resolution is and reads as follows:

RESOLVED that, pursuant to the authority provided in the Corporation's Certificate of Formation and expressly granted to and vested in the Board of Directors of Retractable Technologies, Inc. (the "Corporation"), the Board of Directors hereby creates out of the Preferred Stock, par value one (\$1.00) dollar per share, of the Corporation a series of Preferred Stock called the Series III Class B Preferred Stock, consisting of not more than two million (2,000,000) shares, and the Board of Directors hereby fixes the designation and the powers, preference and rights, and the qualifications, limitations and restrictions thereof, to the extent not otherwise provided in the Corporation's qualifications, limitations and restrictions thereof, to the extent not otherwise provided in the Corporation's Certificate of Formation, as follows:

1. Designation of Series. The designation of the series of Preferred Stock created by this resolution shall be "Series III Class B Convertible Preferred Stock" (the "Series III Class B Preferred Stock").
2. Dividends on Series III Class B Preferred Stock.
 - a. Dividend Amount. The holders of the Series III Class B Preferred Stock shall be entitled to receive, in any calendar year, if, when and as declared by the Board of Directors, out of any assets at the time legally available therefor and subject to the further limitations set out herein, dividends at the per annum rate of \$1.00 per share, all such dividends due quarterly in arrears as of the last day of each March, June, September and December of each year, the first dividend being declarable on December 31, 1998. On each date which a dividend may be declared is hereafter called the "Dividend Date," and each quarterly period ending with a Dividend Date is hereinafter referred to as the "Dividend Period." Dividends shall be payable fifteen calendar days after the Dividend Due Date, provided however, that if such date on which a dividend is payable is a Saturday, Sunday or legal holiday, such dividend shall be payable on the next following business day to the holders of record (whether singular or plural, the "Holder").
 - b. Dividends Cumulative. Dividends upon the Series III Class B Preferred Stock shall be accrued and be cumulative, whether or not in any Dividend Period or Periods there shall be funds of the Corporation legally available for the payment of such dividends.
 - c. Dividend Accrual. On each Dividend Due Date all dividends which shall have accrued since the last Dividend Due Date on each share of Series III Class B Preferred Stock outstanding on such Dividend Due Date shall accumulate and be deemed to become "due." Any dividend which shall not be paid on the Dividend Due Date on which it shall become due shall be deemed to be "past due" until such dividend shall be paid or until the share of Series III Class B Preferred Stock with respect to which such dividend became due shall no longer be outstanding, whichever is the earlier to occur. No interest, sum of money in lieu of interest or other property or securities shall be payable in respect of any dividend payment or payments which are past due. Dividends paid on shares of Series III Class B Preferred Stock in an amount less than the total amount of such dividends at the time accumulated and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. Dividend payments made with respect to a Dividend Due Date shall be deemed to be made in payment of the dividends which became due on that Dividend Due Date.

EXHIBIT B

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- d. Dividend Arrearage. If a dividend upon any shares of Series III Class B Preferred Stock is in arrears, all dividends or other distributions declared upon shares of the Series III Class B Preferred Stock (other than dividends paid in stock of the Corporation ranking junior to the Series III Class B Preferred Stock as to dividends and upon liquidation, dissolution or winding up) may only be declared pro rata. Except as set forth above, if a dividend upon any shares of Series III Class B Preferred Stock is in arrears: (i) no dividends (in cash, stock or other property) may be paid or declared and set aside for payment upon any stock of the Corporation ranking junior to the Series III Class B Preferred Stock as to dividends (other than dividends of distributions in stock of the Corporation ranking junior to the Series III Class B Preferred Stock as to dividends and upon liquidation, dissolution or winding up); and (ii) no preferred stock of the Corporation ranking junior to the Series III Class B Preferred Stock as to dividends may be redeemed pursuant to a sinking fund or otherwise, except (1) by means of redemption pursuant to which all outstanding shares of the Series III Class B Preferred Stock are redeemed, or (2) by conversion of any such junior stock into, or exchange of any such junior stock into, or exchange of any such junior stock for stock of the Corporation ranking junior to the Series III Class B Preferred Stock as to dividends and upon liquidation, dissolution or winding up. Notwithstanding anything in this Certificate to the contrary, the Corporation shall be entitled to purchase any of its shares ranking junior to the Series III Class B Preferred Stock (including Common shares) on any terms it fixes, even where a dividend upon shares of Series III Class B Preferred Stock is in arrears, so long as: (A) the cash assets of the Corporation as of its latest reporting period equals or exceeds \$40,000,000 or (B) if the cash assets of the Corporation as of its latest reporting period was less than \$40,000,000, the amount of funds utilized to purchase such shares within the next quarter does not exceed 25% of the value of the cash assets as of the previous reporting period.

3. General, Class and Series Voting Rights. Except as provided in this Section 3, or as otherwise from time to time required by law, the Series III Class B Preferred Stock shall have no voting rights.

So long as any shares of Series III Class B Preferred Stock remain outstanding, the consent of the holders of at least fifty-one (51%) percent of the shares of Series III Class B Preferred Stock outstanding at the time voting separately as a class, given in person or by proxy, either in writing at any special or annual meeting called for the purpose, shall be necessary to permit, effect or validate any one or more of the following:

- (i) The authorization, creation or issuance, or any increase in the authorized or issued amount, of any class or series of stock (including any class or series of Preferred Stock) ranking equal or prior (as the terms are hereinafter defined in this Section 3) to the Series III Class B Preferred Stock; or
- (ii) The amendment, alteration, or repeal, whether by merger, consolidation, or otherwise, of any of the provisions of the Certificate of Formation or of this resolution which would alter or change the powers, preferences or special rights of the shares of the Series III Class B Preferred Stock so as to affect them adversely; provided, however, that any increase in the amount of authorized Preferred Stock, or the creation and issuance of other series of Preferred stock ranking junior to the Series III Class B Preferred Stock with respect to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding up, shall not be deemed to adversely affect such powers, preferences or special rights.

The foregoing voting provisions shall not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding shares of Series III Class B Preferred Stock shall have been redeemed or sufficient funds shall have been deposited in trust to effect such redemption.

4. Redemption. The outstanding shares of Series III Class B Preferred Stock shall be nonredeemable prior to the lapse of three (3) years from the date of issuance. On and after such date, the Series III Class B Preferred Stock may be redeemed at the option of the Corporation, as a whole at any time or in part from time to time, at the Redemption Price of \$15.00 per share plus all dividends (whether or not declared or due) accrued and unpaid to the date of redemption (subject to the right of the holder of record of shares of Series III Class B Preferred Stock on a record date for the payment of a dividend on the Series III Class B Preferred Stock to receive the dividend due on such shares of Series III Class B Preferred Stock on the corresponding Dividend Due Date).

No sinking fund shall be established for the Series III Class B Preferred Stock.

EXHIBIT B

Notice of any proposed redemption of shares of Series III Class B Preferred Stock shall be mailed by means of first class mail, postage paid, addressed to the holders of record of the shares of Series III Class B Preferred Stock to be redeemed, at their respective addresses then appearing on the books of the Corporation, at least thirty (30) days but not more than sixty (60) days prior to the date fixed for such redemption (herein referred to as the "Redemption Date"). Each such notice shall specify (i) the Redemption Date; (ii) the Redemption Price; (iii) the place for payment and for delivering the stock certificate(s) and transfer instrument(s) in order to collect the Redemption Price; (iv) the shares of Series III Class B Preferred Stock to be redeemed; and (v) the then effective Conversion Price (as defined below) and that the right of holders of shares of Series III Class B Preferred Stock being redeemed to exercise their Conversion right shall terminate as to such shares at the close of business on the fifth day before the Redemption Date, provided that no default by the Corporation in the payment of the applicable Redemption Price (including any accrued and unpaid dividends) shall have occurred and be continuing. Any notice mailed in such manner shall be conclusively deemed to have been duly given whether or not such notice is, in fact, received. If less than all the outstanding shares of Series III Class B Preferred Stock are to be redeemed, the Corporation will select those to be redeemed by lot or by a substantially equivalent method. In order to facilitate the redemption of Series III Class B Preferred Stock to be redeemed, notice of any such proposed redemption, shall not be more than sixty (60) days prior to the Redemption Date with respect thereto.

The holder of any shares of Series III Class B Preferred Stock redeemed upon any exercise of the Corporation's redemption right shall not be entitled to receive payment of the Redemption Price for such shares until such holder shall cause to be delivered to the place specified in the notice given with respect to such redemption (i) the certificate(s) representing such shares of Series III Class B Preferred Stock; and (ii) transfer instrument(s) satisfactory to the Corporation and sufficient to transfer such shares free of any adverse interest. No interest shall accrue on the Redemption Price of any share of Series III Class B Preferred Stock after its Redemption Date.

Notwithstanding anything in this Certificate to the contrary, the Corporation shall have the right to purchase shares of Series III Class B Preferred Stock from any owner of such shares on such terms as may be agreeable to such owner. Shares of Series III Class B Preferred Stock may be acquired by the Corporation from any stockholder pursuant to this paragraph without offering any other stockholder an equal opportunity to sell his stock to the Corporation, and no purchase by the Corporation from any stockholder pursuant to this paragraph shall be deemed to create any right on the part of any stockholder to sell any shares of Series III Class B Preferred Stock (or any other stock) to the Corporation.

Notwithstanding the foregoing provisions of this Section 4, and subject to the provisions of Section 2 hereof, if a dividend upon any shares of Series III Class B Preferred Stock is past due, (i) no shares of the Series III Class B Preferred Stock may be redeemed, except (A) by means of a redemption pursuant to which all outstanding shares of the Series III Class B Preferred Stock are simultaneously redeemed (or offered to be so redeemed) or pursuant to which the outstanding shares of the Series III Class B Preferred Stock are redeemed on a pro rata basis (or offered to be so redeemed), or (B) by conversion of shares of Series III Class B Preferred Stock into, or exchange of such shares for, Common Stock or any other stock of the Corporation ranking junior to the Series III Class B Preferred Stock as to dividends and upon liquidation, dissolution or winding up.

5. Liquidation. In the event of any voluntary or involuntary dissolution, liquidation or winding up of the Corporation (for the purposes of this Section 5, a "Liquidation"), before any distribution of assets shall be made to the holders of the Common Stock or the holders of any other stock that ranks junior to the Series III Class B Preferred Stock in respect of distributions upon the Liquidation of the Corporation, the holder of each share of Series III Class B Preferred Stock then outstanding shall be entitled to \$12.50 per share plus all dividends (whether or not declared or due) accrued and unpaid on such share on the date fixed for the distribution of assets of the Corporation to the holders of Series III Class B Preferred Stock.

If upon any Liquidation of the Corporation, the assets available for distribution to the holder of Series III Class B Preferred Stock which shall then be outstanding (hereinafter in this paragraph called the "Total Amount Available") shall be insufficient to pay the holders of all outstanding shares of Series III Class B Preferred Stock the full amounts (including all dividends accrued and unpaid) to which they shall be entitled by reason of such Liquidation of the Corporation, then there shall be paid ratably to the holders of the Series III Class B Preferred Stock in connection with such Liquidation of the Corporation, an amount equal to each holder's pro rata share of the Total Amount Available.

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The voluntary sale, conveyance, lease, exchange or transfer of all or substantially all the property or assets of the Corporation, or the merger or consolidation of the Corporation into another corporation, or any purchase or redemption of some or all of the shares of any class or series of stock of the Corporation, shall not be deemed to be a Liquidation of the Corporation for the purposes of this Section 5 (unless in connection therewith the Liquidation of the Corporation is specifically approved).

6. Conversion Privilege. At any time subsequent to three years after issuance of any share of Series III Class B Preferred Stock, the holder of any share of Series III Class B Preferred Stock ("Holder") shall have the right, at such Holder's option (but if such share is called for redemption or exchange at the election of the Corporation, then in respect of such share only to and including but not after the close of business on (i) the fifth calendar day before the date fixed for such redemption; or (ii) the date fixed for such exchange, provided that the Corporation has set aside funds sufficient to effect such redemption) to convert such share into that number of fully paid and non-assessable shares of Common Stock (calculated as to each conversion to the nearest 1/100th of a share) obtained by dividing \$10.00 by the Conversion Rate then in effect.

a. Conversion Rate. Each share of Series III Class B Preferred Stock may be converted, subject to the terms and provisions of this paragraph 6 into one (1) share of the Corporation's Common Stock, which is a price equal to one share of Common Stock for each \$10.00 of Series III Class B Preferred Stock or, in case an adjustment of such rate has taken place pursuant to the provisions of subdivision (f) of this paragraph 6, then at the Conversion Rate as last adjusted (such rate or adjusted rate, shall be expressed as the number of shares of Common Stock to be acquired upon conversion of one share of Series III Class B Preferred Stock, and shall be referred to herein as the "Conversion Rate"). Each share of Series III Class B Preferred Stock shall be Convertible into Common Stock by surrender to the Corporation of the certificate representing such shares of Series III Class B Preferred Stock to be converted by the Holder and by giving written notice to the Corporation of the Holder's election to convert.

The Corporation shall, as soon as practicable after receipt of such written notice and the proper surrender to the Corporation of the certificate or certificates representing shares of Series III Class B Preferred Stock to be converted in accordance with the above provisions, issue and deliver for the benefit of the Holder at the office of the Corporation's duly appointed transfer agent (the "Transfer Agent") to the Holder for whose account such shares of Series III Class B Preferred Stock were so surrendered or to such Holder's nominee or nominees, certificates for the number of shares of Common Stock to which the Holder shall be entitled. The certificates of Common Stock of the Corporation issued upon conversion shall bear such legends as may be required by state or federal laws. Such conversion shall be deemed to have been effective immediately prior to the close of business on the date on which the Corporation shall have received both such written notice and the properly surrendered certificates for shares of Series III Class B Preferred Stock to be converted (the "Conversion Date"), and at such time the rights of the Holder shall cease and the person or persons entitled to receive the shares of Common Stock issuable upon the conversion of such shares of Series III Class B Preferred Stock shall be deemed to be, and shall be treated for all purposes as, the record Holder or Holders of such Common Stock on the Conversion Date. The Corporation shall not be required to convert, and no surrender of shares of Series III Class B Preferred Stock or written notice of conversion with respect thereto shall be effected for that purpose, while the stock transfer books of the Corporation are closed for any reasonable business purpose for any reasonable period of time, but shall be required to convert upon the proper surrender of shares of Series III Class B Preferred Stock for conversion immediately upon the reopening of such books. During the period in which the stock transfer books of the Corporation are closed, the Corporation may neither declare a dividend, declare a record date for payment of dividends nor make any payment of dividends.

b. Dividends. If any shares of Series III Class B Preferred Stock shall be converted during any dividend payment period, the Holder shall be entitled to all dividends accrued up to and through such Conversion Date, at the rate set forth herein, whether or not there has been a Dividend Date, as set forth in paragraph 2 hereof.

c. Cancellation. Series III Class B Preferred Stock converted into Common stock pursuant to the provisions of this paragraph 6 shall be retired and cancelled by the Corporation and given the status of authorized and unissued preferred stock.

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d. Reissuance if Conversion is Partial. In the case of any certificate representing shares of Series III Class B Preferred Stock which is surrendered for conversion only in part, the Corporation shall issue and deliver to the Holder a new certificate or certificates for Series III Class B Preferred Stock of such denominations as requested by the Holder in the amount of Series III Class B Preferred Stock equal to the unconverted shares of the Series III Class B Preferred Stock represented by the certificate so surrendered.

e. Reservations of Shares. The Corporation shall at all times during which shares of Series III Class B Preferred Stock may be converted into Common Stock as provided in this paragraph (e), reserve and keep available, out of any Common Stock held as treasury stock or out of its authorized and unissued Common Stock, or both, solely for the purpose of delivery upon conversion of the shares of Series III Class B Preferred Stock as herein provided, such number of shares of Common Stock as shall then be sufficient to effect the conversion of all shares of Series III Class B Preferred Stock from time to time outstanding, and shall take such action as may from time to time be necessary to ensure that such shares of Common Stock will, when issued upon conversion of Series III Class B Preferred Stock, be fully paid and nonassessable.

f. Adjustment of Conversion Rate. The Conversion Rate provided in subdivision (a) of this paragraph 6, in respect of Series III Class B Preferred Stock, shall be subject to adjustments from time to time as follows:

(i) While any shares of Series III Class B Preferred Stock shall be outstanding, in case the Corporation shall subdivide the outstanding shares of Common Stock into a greater number of shares of Common Stock or combine the outstanding shares of Common Stock into a smaller number of shares of Common Stock, or issue, by reclassification of its shares of Common Stock, any shares of the Corporation, the Conversion Rate in effect immediately prior thereto shall be adjusted so that the Holder shall be entitled to receive the number of shares which it would have owned or been entitled to receive after the happening of any of the events described above, had such shares of Series III Class B Preferred Stock been converted immediately prior to the happening of such event, such adjustment to become effective immediately after the opening of business on the day following the day upon which such subdivision or combination or reclassification, as the case may be, becomes effective.

(ii) In case the Corporation shall be consolidated with, or merge into, any other corporation, and the Corporation does not survive, proper provisions shall be made as a part of the terms of such consolidation or merger, whereby the Holder shall thereafter be entitled, upon exercise of such Holder's conversion rights, to receive the kind and amount of shares of stock or other securities of the Corporation resulting from such consolidation or merger, or such other property, as the Holder would have received if such conversion rights were exercised immediately prior to the effectiveness of such merger or consolidation.

(iii) In the event the Corporation at any time, or from time to time after August 1, 1998 makes or issues, or fixes a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable in additional shares of Common Stock or Common Stock Equivalents (as defined herein) which does not provide for the payment of any consideration upon the issuance, conversion or exercise thereof, without a corresponding dividend or other distribution to the Holder, based upon the number of shares of Common Stock into which the Series III Class B Preferred Stock is convertible, then and in each such event the Conversion Rate then in effect will be increased as of the time of such issuance or, in the event such a record date shall have been fixed, as of the close of business on such record date, by multiplying such Conversion rate by a fraction:

(A) The numerator of which will be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date plus the number of shares of Common Stock issuable in payment of such dividend or distribution (which, in the case of Common Stock Equivalents, shall mean the maximum number of shares of Common Stock issuable with respect thereto, as set forth in the instrument relative thereto without regard to any provision for subsequent adjustment); and

- (B) The denominator of which will be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date; provided, however, that if such record date is fixed and such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, the Conversion Rate will be recomputed accordingly as of the close of business on such record date, and thereafter such Conversion Rate will be adjusted pursuant to this subparagraph (iii) as of the time of actual payment of such dividends or distributions.
- (iv) In the event the Corporation at any time or from time to time after August 1, 1998 makes or issues, or fixes a record date for the determination of holders of Common Stock entitled to receive a dividend or other distribution payable to all holders of Common Stock in securities of the Corporation or Common Stock Equivalents, then, upon making such dividend or distribution provisions will be made so that the Holder will receive the amount of securities of the Corporation which it would have received had its Series III Class B Preferred Stock been converted into Common Stock on the date of such event.
- (v) In the event the Corporation sells or issues any Common Stock, or sells or issues Common Stock Equivalents which can be converted into Common Stock at a per share consideration (as defined below in this subparagraph (v)) less than the Stipulated Price then in effect, then the Holder shall be entitled to purchase from the Corporation in cash (for the same per share consideration at which such Common Stock was issued or the per share price at which a share of Common Stock is acquirable upon exercise or conversion of Common Stock Equivalents) that additional number of shares of Common Stock which, when added to the number of shares of Common Stock acquirable by the Holder upon conversion of any shares of Series III Class B Preferred Stock outstanding and held by such Holder immediately before such issue or sale (the "Acquirable Shares"), will equal a percentage of the number of shares of Common Stock Deemed Outstanding (as defined herein) immediately after such sale or issuance that is the same as the percentage of the number of shares of Common Stock Deemed Outstanding immediately before such issuance or sale represented by the Acquirable Shares. This right shall exist for a forty-five-day period following the sale or issuance of shares of Common Stock or Common Stock Equivalents, and thereafter shall cease to exist.

For the above purposes, the per share consideration with respect to the sale or issuance of Common Stock will be the price per share received by the Corporation, prior to the payment of any expenses, commissions, discounts and other applicable costs. With respect to the sale or issuance of Common Stock Equivalents which are convertible into or exchangeable for Common Stock without further consideration, the per share consideration will be determined by dividing the maximum number of shares of Common Stock issuable with respect to such Common Stock Equivalents (as set forth in the instrument relating thereto without regarding to any provisions contained therein for subsequent adjustment of such number) into the aggregate consideration receivable by the Corporation upon the sale or issuance of such Common Stock Equivalents. With respect to the issuance of other Common Stock Equivalents, the per share consideration will be determined by dividing the maximum number of shares of Common Stock issuable with respect to such Common Stock Equivalents into the total aggregate consideration received by the Corporation upon the sale or issuance of such Common Stock Equivalents plus the minimum aggregate amount of additional consideration received by the Corporation upon the conversion or exercise of such Common Stock Equivalents. In connection with the sale or issuance of Common Stock and/or Common Stock Equivalents for non-cash consideration, the amount of consideration will be the fair market value of such consideration as determined in good faith by the Board of Directors of the Corporation.

- (vi) As used herein, the term "Stipulated Price" means initial price of \$10.00 per share of Common Stock, as adjusted from time to time pursuant to subparagraph (viii) of this paragraph 6(f); and the term "Common Stock Equivalent" means any securities (whether debt or equity securities) or rights issued by the Corporation convertible into or entitling the holder thereof to receive shares of, or securities convertible into, Common Stock. The number of shares of "Common Stock Deemed Outstanding" at any date shall equal the sum of the number of shares of Common Stock then

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outstanding plus the number of shares of Common Stock then obtainable pursuant to Common Stock Equivalents.

- (vii) In the event the Corporation declares any dividend or distribution payable to holders of its Common Stock (other than dividends payable out of the Corporation's retained earnings or earned surplus and dividends payable in shares of Common Stock or in securities convertible into or exchangeable for shares of Common Stock or rights or warrants to purchase Common Stock or securities convertible into or exchangeable for shares of Common Stock or securities convertible into or exchangeable for shares of Common Stock or any other securities issued by the Corporation), the Conversion Rate in effect immediately prior to the record date for such dividend or distribution shall be proportionately adjusted so that the Holder shall be entitled to receive the number of shares of Common Stock into which such shares of Common Stock or Preferred Stock was convertible immediately prior to such record date multiplied by a fraction, the numerator of which is the fair market value of a share of Common Stock on such record date and the denominator of which is such per share fair market value of a share of Common Stock on such record date less the fair market value on such record date of the securities or other property which are distributed as a dividend or other distribution. The term "fair market value" of a share of Common Stock or of any other security or other type of property on any date means (A) in the case of Common Stock or any other security (I) if the principal trading market for such Common Stock or other security is an exchange or the NASDAQ national market on such date, the closing price on such exchange or the NASDAQ national market on such date, provided, if trading of such Common Stock or other security is listed on any consolidated tape, the fair market value shall be the closing price set forth on such consolidated tape on such date, or (II) if the principal market for such Common Stock or other security is the over-the-counter market (other than the NASDAQ national market) the mean between the closing bid and asked prices on such date as set forth by NASDAQ or (B) in the case of Common Stock or any other security for which the fair market value cannot be determined pursuant to clause (A) above or of any other security or type of property, fair market value thereof on such date as determined in good faith by the Board of Directors.
- (viii) Whenever the Conversion Rate is adjusted pursuant to this paragraph 6(f), the Stipulated Price shall also be adjusted by multiplying it by a fraction that is the reciprocal of the fraction used to adjust the Conversion Rate.
- (ix) The Corporation will not, by amendment of its Certificate of Formation or through any dissolution, issuance or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Corporation, but at all times in good faith will assist in the carrying out of all the provisions of this paragraph and in the taking of all such action as may be necessary or appropriate in order to protect the conversion rights of the Holder against impairment.
- (x) No adjustment in the Conversion Rate shall be required, unless such adjustment would require an increase or decrease of at least one (1) share of Common Stock in the Conversion Rate of one share of Series III Class B Preferred Stock, provided that all adjustments which do not meet this minimum requirement shall be cumulated and the adjustment will be made when the cumulated total is sufficient to require an adjustment.

All calculations made pursuant to this subparagraph (x) of paragraph 6(f) shall be made to the nearest one-hundredth (1/100th) of a share of Common Stock.

- g. Fractional Shares. No fractional shares of Common Stock or scrip representing fractional shares of Common Stock shall be issued upon any conversion of shares of Series III Class B Preferred Stock but, in lieu thereof, there shall be paid an amount in cash equal to the same fraction of the current market price of a whole share of Common Stock on the day preceding the day of conversion.
- h. Statement to Transfer Agent. Whenever the Conversion Rate for shares of Series III Class B Preferred Stock shall be adjusted pursuant to the provisions of paragraph 6(f) hereof, the Corporation shall forthwith maintain

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at its office and, if applicable, file with the Transfer Agent for shares of Series III Class B Preferred Stock and for shares of Common Stock, a statement signed by the President or a Vice President of the Corporation and by its Treasurer or an Assistant Treasurer, stating the adjusted Conversion Rate and setting forth in reasonable detail the method of calculation and the facts requiring such adjustment, such calculations to be confirmed by the Corporation's independent auditors, and stating the facts on which the calculation is based. Each adjustment shall remain in effect until a subsequent adjustment hereunder is required.

7. Registration Rights.

- a. Piggyback Registration. The Corporation, for a period ending six months after the last share of Series III Class B Preferred Stock is redeemed, retired, converted or otherwise no longer outstanding, will give written notice to the Holder not less than 20 days in advance of the initial filing of any registration statement under the Securities Act of 1933 (other than a registration Statement pertaining to securities issuable pursuant to employee stock option, stock purchase, or similar plans or a registration statement pertaining to securities issuable in connection with the acquisition of a business, whether through merger, consolidation, acquisition of assets, or exchange of securities) covering any Common Stock or other securities of the Corporation, and will afford the Holder the opportunity to have included in such registration all or such part of the shares of Common Stock acquired upon conversion of Series III Class B Preferred Stock, as may be designated by written notice to the Corporation not later than 10 days following receipt of such notice from the Corporation. The Corporation shall be entitled to exclude the shares of Common Stock held by the Holder from any one, but not more than one, such registration if the Corporation in its sole discretion decides that the inclusion of such shares will materially interfere with the orderly sale and distribution of the securities being offered under such registration statement by the Corporation. Notwithstanding the foregoing, the Corporation shall not be entitled to exclude the shares of Common Stock held by the Holder if shares of other shareholders are being included in any such registration statement and, in such circumstances, the Holder shall be entitled to include the shares of Common Stock held by them on a pro rata basis in the proportion that the number of shares of Common Stock held by the Holder bears to the shares of Common Stock held by all other shareholders, including shares in such registration statement. The Holder shall not be entitled to include shares in more than two registration statements pursuant to the provisions of this subdivision (a) of paragraph 7, and all rights of the Holder under this subdivision (a) of paragraph 7 shall terminate after the Holder has included shares of Common Stock in two registration statements pursuant to this subdivision (a) of paragraph 7.
- b. Expenses. The Corporation will pay all out-of-pocket costs and expenses of any registration effected pursuant to the provisions of subdivision (a) of this paragraph 7, including registration fees, legal fees, accounting fees, printing expenses (including such number of any preliminary and the final prospectus as may be reasonably requested), blue sky qualification fees and expenses, and all other expenses, except for underwriting commissions or discounts applicable to the shares of Common Stock being sold by the Holder and the fees of counsel for the Holder, all of which shall be paid by the Holder.
- c. Notwithstanding anything to the contrary contained herein, in the event that the Corporation files an initial registration statement under the Securities Act of 1933, as amended (other than a registration statement pertaining to securities issuable in connection with the acquisition of a business, whether through merger, consolidation, acquisition of assets or exchange of securities) concerning any Common Stock of the Corporation, it will afford the Holder the opportunity to convert his shares into that number of fully paid and non-assessable shares of Common Stock prior to the three year holding period stated in paragraph 6 above. The Corporation may also, at its option at any time within one-hundred and eighty (180) days after an initial registration statement is deemed effective, demand the conversion of the Series III Class B Preferred Stock into that number of fully paid and non-assessable shares of Common Stock as provided herein.

8. Reports.

So long as any of the Series III Class B Preferred Stock shall be outstanding, the Corporation shall submit to the Holder financial reports no less frequently than annually.

9. Miscellaneous.

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- a. As used herein, the term "Common Stock" shall mean the Corporation's Common Stock, no par value, or, in the case of any reclassification or change of outstanding shares of Common Stock, the stock or securities issued in exchange for such Common Stock. The term "Common Stock" shall also include any capital stock of the Corporation authorized after March 31, 1998 which shall not be limited to a fixed sum or sums or percentage or percentages of par value in respect of the rights of the holders thereof to participate in dividends or in the distribution of assets upon the voluntary or involuntary liquidation, dissolution or winding up of the Corporation.
 - b. The shares of Series III Class B Preferred Stock shall be fully transferable by the Holder thereof, subject to compliance with the applicable provisions of federal and state securities laws.

IN WITNESS WHEREOF, RETRACTABLE TECHNOLOGIES, INC. has caused its corporate seal to be hereunto affixed and this Amended Certificate to be signed by its President and Secretary as of this 22nd day of January, 2010.

/s/ Thomas J. Shaw

Thomas J. Shaw
President

ATTEST:

/s/ Michele Larios
Michele M. Larios
Secretary

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DESCRIPTION OF SECURITIES

Common Stock:

Retractable Technologies, Inc. (“RTI”) is authorized to issue 100,000,000 shares of no par value Common Stock, of which 33,956,204 shares were issued and outstanding at December 31, 2020. Our Common Stock is listed on the NYSE American stock exchange under the symbol “RVP”.

The 2008 Stock Option Plan, which authorized a total of 6,000,000 shares of Common Stock upon the exercise of stock options, expired July 25, 2018. Options for the purchase of 199,450 shares under the 2008 Stock Option Plan were outstanding as of December 31, 2020. RTI has reserved 2,000,000 shares of Common Stock for issuance under the 2021 Stock Option Plan. The 2021 Stock Option Plan will be considered by the shareholders at RTI’s 2021 annual meeting.

RTI’s Preferred Stock is convertible into Common Stock with a conversion rate of one-for-one. There were 262,945 shares of Preferred Stock outstanding on December 31, 2020.

Shares of our Common Stock have no conversion rights, no preemptive rights, no restrictions on alienation, and are fully paid and are not liable to further call or assessment. Each share of our Common Stock is entitled to share ratably in any asset available for distribution to holders of its equity securities upon liquidation of RTI, subject to the preference of the holders of each class and series of the Preferred Stock. There are no restrictions on the transfer of our Common Stock other than as imposed by applicable federal and state securities laws.

All shares of our Common Stock have equal voting rights and, when validly issued and outstanding, have one vote per share on all matters to be voted upon by stockholders. The holders of the Common Stock elect the Directors subject to certain limited voting rights of the holders of the Series II Preferred Stock if dividends are in arrears for 12 consecutive quarters. Our Board of Directors is divided into two classes currently consisting of three Class 1 members and three Class 2 members with staggered terms. Generally, Directors serve for two-year terms. Cumulative voting in the election of Directors is prohibited.

Holders of our Common Stock are entitled to receive dividends when and if declared by the Board of Directors out of funds available therefor. We have not paid any dividends on the Common Stock since RTI’s inception and presently anticipate that no dividends on our Common Stock will be declared in the foreseeable future. Any future dividends will be subject to the discretion of the Board of Directors and will depend upon, among other things, future earnings, full payment of dividends on the Preferred Stock, our operating and financial condition, our capital requirements, and general business conditions.

Preferred Stock:

Our Board of Directors is authorized to divide each class of the preferred stock into series and to set the relative rights and preferences as to and between series, including dividends, issuance of preferred stock, redemption of such shares, and the conversion of any shares of preferred stock to other or common shares. RTI is authorized to issue 5,000,000 shares of Preferred Stock Class A with a par value of One Dollar (\$1.00) per share; 5,000,000 shares of Preferred Stock Class B with a par value of One Dollar (\$1.00) per share; and 5,000,000 shares of Preferred Stock Class C with a par value of One Dollar (\$1.00) per share.

RTI has only one class of preferred stock outstanding: the Class B Convertible Preferred Stock (the “Preferred Stock”), which had five series as of December 31, 2020: Series I, Series II, Series III, Series IV, and Series V.

The Class B Series I, II, III, IV, and V stock had the following number of outstanding shares at December 31, 2020: 0, 156,200, 106,745, 0, and 0 shares, respectively. The remaining 4,737,055 authorized shares have not been assigned a series.

This summary is not intended to be complete and is subject to, and qualified in its entirety by, reference to the Certificates of Designation, Preferences, Rights, and Limitations of Series I, II, III, IV, and V Class B Convertible Preferred Stock of RTI, filed with the Secretary of the State of Texas. The Certificates of Designation were filed as

an Exhibit to our Form 10-Q filed on November 15, 2010. A resolution dated March 16, 2021 cancelling Series I, IV, and V was filed with the Secretary of the State of Texas.

The Preferred Stock is not listed on any securities exchange or automated dealer quotation system. The Series I Preferred Stock was created pursuant to a Board resolution in 1995 and was priced at \$5.00 per share. The Series II Preferred Stock was created pursuant to a Board resolution in 1995 and was priced at \$10.00 per share. The Series III Preferred Stock was created pursuant to a Board resolution in 1998 and was priced at \$10.00 per share. The Series IV Preferred Stock was created pursuant to a Board resolution in 1999 and was priced at \$10.00 per share. The Series V Preferred Stock was created pursuant to a Board resolution in 2002 and was priced at \$4.00 per share. Pricing, dividend rates, and other terms were determined by the Board in accordance with the market conditions and the information available to it at the time.

There are no restrictions on the transfer of our Preferred Stock other than as imposed by applicable federal and state securities laws.

Series I Preferred Stock

There were 0 shares of \$1 par value Series I Preferred Stock outstanding at December 31, 2020. Holders of Series I Preferred Stock were entitled to receive a cumulative annual dividend of \$0.50 per share, payable quarterly if declared by the Board of Directors.

Series I Preferred Stock was redeemable at the option of RTI at a price of \$7.50 per share, plus all unpaid dividends. Such a redemption took place effective December 31, 2020.

Each share of Series I Preferred Stock was, at the option of the stockholder, convertible to one share of Common Stock.

In the event of voluntary or involuntary dissolution, liquidation or winding up of RTI, holders of Series I Preferred Stock then outstanding would have been entitled to \$6.25 per share, plus all unpaid dividends prior to any distributions to holders of Series II Preferred Stock, Series III Preferred Stock, Series IV Preferred Stock, Series V Preferred Stock or Common Stock. If, upon any liquidation, dissolution or winding up of RTI, the amounts available for distribution with respect to the Series I Preferred Stock were not sufficient to satisfy the full liquidation rights of the Series I Preferred Stock, the holders of the Series I Preferred Stock would have shared ratably in any such distribution of assets in proportion to the full amounts to which they were entitled.

Series II Preferred Stock

There were 156,200 shares of \$1 par value Series II Preferred Stock outstanding at December 31, 2020. Holders of Series II Preferred Stock are entitled to receive a cumulative annual dividend of \$1.00 per share, payable quarterly if declared by the Board of Directors.

If a dividend upon any shares of Series II Preferred Stock is in arrears, no dividends may be paid or declared and set aside for payment, or other distribution made upon the Common Stock or any other stock ranking junior to the Series II Preferred Stock as to dividends. In addition, if a dividend upon any shares of Series II Preferred Stock is in arrears, no Common Stock, or any other stock ranking junior to the Series II Preferred Stock as to dividends, may be redeemed, purchased or otherwise acquired for any consideration except in certain circumstances.

Except as required by the laws of the State of Texas, the holders of the Series II Preferred Stock are generally not entitled to vote. However, in the event that dividends payable on the Series II Preferred Stock shall be in arrears for 12 consecutive quarterly dividend periods, the holders of a majority of the Series II shares shall have the exclusive right (voting separately as a class with one vote per share of Series II Preferred Stock) to elect one-third of the Board of Directors to serve until the next annual meeting or so long as such arrearage shall continue. So long as any shares of Series II Preferred Stock remain outstanding, we shall not, without the affirmative vote or consent of the holders of at least 51 percent of the shares of the Series II Preferred Stock outstanding at the time: (a) authorize, create, issue or increase the authorized or issued amount of any class or series of stock ranking equal to or senior to the Series II Preferred Stock with respect to payment of dividends or the distribution of assets on liquidation, dissolution or winding

up of RTI; or (b) amend, alter or repeal the provisions of RTI's Certificate of Formation, or of the rights of the Series II Preferred Stock so as to alter or change the powers, preferences or special rights of the shares of the Series II Preferred Stock so as to affect them adversely.

Series II Preferred Stock is redeemable at the option of RTI at a price of \$15.00 per share plus all unpaid dividends.

Each share of Series II Preferred Stock may, at the option of the stockholder, be converted to one share of Common Stock. The conversion rate is subject to adjustment in certain events.

In the event of voluntary or involuntary dissolution, liquidation or winding up of RTI, holders of Series II Preferred Stock then outstanding are entitled to \$12.50 per share, plus all unpaid dividends, after distribution obligations to holders of Series I Preferred Stock have been satisfied and prior to any distributions to holders of Series III Preferred Stock, Series IV Preferred Stock, Series V Preferred Stock or Common Stock. If, upon any liquidation, dissolution or winding up of RTI, the amounts available for distribution with respect to the Series II Preferred Stock are not sufficient to satisfy the full liquidation rights of the Series II Preferred Stock, the holders of the Series II Preferred Stock will share ratably in any such distribution of assets in proportion to the full amounts to which they are entitled.

Series III Preferred Stock

There were 106,745 shares of \$1 par value Series III Preferred Stock outstanding at December 31, 2020. Holders of Series III Preferred Stock are entitled to receive a cumulative annual dividend of \$1.00 per share, payable quarterly if declared by the Board of Directors.

If a dividend upon any shares of Series III Preferred Stock is in arrears, no dividends may be paid or declared and set aside for payment, or other distribution made upon the Common Stock or any other stock ranking junior to the Series III Preferred Stock as to dividends. In addition, if a dividend upon any shares of Series III Preferred Stock is in arrears, no Common Stock or any other stock ranking junior to the Series III Preferred Stock as to dividends, may be redeemed, purchased or otherwise acquired for any consideration except in certain circumstances. In 2010, the Certificate of Designation was amended to allow RTI to purchase any of its shares ranking junior to the Series III Preferred Stock (including Common Shares) on any terms it fixes, even where a dividend upon shares of Series III Preferred Stock is in arrears, so long as: (A) the cash assets of RTI as of its latest reporting period equals or exceeds \$40,000,000 or (B) if the cash assets of RTI as of its latest reporting period were less than \$40,000,000, the amount of funds utilized to purchase such shares within the next quarter does not exceed 25% of the value of the cash assets as of the previous reporting period.

Except as required by the laws of the State of Texas, the holders of the Series III Preferred Stock are not entitled to vote. However, so long as any shares of Series III Preferred Stock remain outstanding, we shall not, without the affirmative vote or consent of the holders of at least 51 percent of the shares of the Series III Preferred Stock outstanding at the time: (a) authorize, create, issue or increase the authorized or issued amount of any class or series of stock ranking equal to or senior to the Series III Preferred Stock with respect to payment of dividends or the distribution of assets on liquidation, dissolution or winding up of RTI; or (b) amend, alter or repeal the provisions of RTI's Certificate of Formation, or of the rights of the Series III Preferred Stock so as to alter or change the powers, preferences or special rights of the shares of the Series III Preferred Stock so as to affect them adversely.

Series III Preferred Stock is redeemable at the option of RTI at a price of \$15.00 per share, plus all unpaid dividends.

Each share of Series III Preferred Stock may, at the option of the stockholder, be converted to one share of Common Stock. The conversion rate is subject to adjustment in certain events.

In the event of voluntary or involuntary dissolution, liquidation or winding up of RTI, holders of Series III Preferred Stock then outstanding are entitled to \$12.50 per share, plus all unpaid dividends, after distribution obligations to Series I Preferred Stock and Series II Preferred Stock have been satisfied and prior to any distributions to holders of Series IV Preferred Stock, Series V Preferred Stock or Common Stock. If, upon any liquidation,

dissolution or winding up of RTI, the amounts available for distribution with respect to the Series III Preferred Stock are not sufficient to satisfy the full liquidation rights of the Series III Preferred Stock, the holders of the Series III Preferred Stock will share ratably in any such distribution of assets in proportion to the full amounts to which they are entitled.

Series IV Preferred Stock

There were 0 shares of \$1 par value Series IV Preferred Stock outstanding at December 31, 2020. Holders of Series IV Preferred Stock were entitled to receive a cumulative annual dividend of \$1.00 per share, payable quarterly, if declared by the Board of Directors.

Series IV Preferred Stock was redeemable at the option of RTI at a price of \$11.00 per share plus all unpaid dividends.

Each share of Series IV Preferred Stock was, at the option of the stockholder, convertible into Common Stock.

In the event of voluntary or involuntary liquidation, dissolution or winding up of RTI, holders of Series IV Preferred Stock then outstanding would have been entitled to receive liquidating distributions of \$11.00 per share, plus unpaid dividends after distribution obligations to Series I Preferred Stock, Series II Preferred Stock, and Series III Preferred Stock have been satisfied and prior to any distribution to holders of Series V Preferred Stock, or Common Stock. If, upon any liquidation, dissolution or winding up of RTI, the amounts available for distribution with respect to the Series IV Preferred Stock were not sufficient to satisfy the full liquidation rights of the Series IV Preferred Stock, the holders of

the Series IV Preferred Stock would have shared ratably in any such distribution of assets in proportion to the full amounts to which they were entitled.

Series V Preferred Stock

There were 0 shares of \$1 par value Series V Preferred Stock outstanding at December 31, 2020. Holders of Series V Preferred Stock were entitled to receive a cumulative annual dividend of \$0.32 per share, payable quarterly, if declared by the Board of Directors.

Series V Preferred Stock was redeemable at the option of RTI at a price of \$4.40 per share plus all unpaid dividends.

Each share of Series V Preferred Stock was, at the option of the stockholder, convertible into Common Stock.

In the event of voluntary or involuntary liquidation, dissolution or winding up of RTI, holders of Series V Preferred Stock then outstanding were entitled to receive liquidating distributions of \$4.40 per share, plus unpaid dividends after distribution obligations to Series I Preferred Stock, Series II Preferred Stock, Series III Preferred Stock, and Series IV Preferred Stock have been satisfied and prior to any distribution to the holders of the Common Stock. If, upon any liquidation, dissolution or winding up of RTI, the amounts available for distribution with respect to the Series V Preferred Stock were not sufficient to satisfy the full liquidation rights of the Series V Preferred Stock, the holders of the Series V Preferred Stock would have shared ratably in any such distribution of assets in proportion to the full amounts to which they were entitled.

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Thomas J. Shaw, certify that:

1. I have reviewed this annual report on Form 10-K of Retractable Technologies, 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, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(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: March 31, 2021

/s/ Thomas J. Shaw

THOMAS J. SHAW
PRESIDENT, CHAIRMAN, AND
CHIEF EXECUTIVE OFFICER

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, John W. Fort III, certify that:

1. I have reviewed this annual report on Form 10-K of Retractable Technologies, 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, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(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: March 31, 2021

/s/ John W. Fort III
JOHN W. FORT III
VICE PRESIDENT, CHIEF FINANCIAL
OFFICER AND PRINCIPAL
ACCOUNTING OFFICER

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Solely in connection with the filing of the Annual Report of Retractable Technologies, Inc. (the "Company") on Form 10-K for the period ended December 31, 2020, as filed with the United States Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Thomas J. Shaw, Chief Executive Officer, and John W. Fort III, Chief Financial Officer, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 31, 2021

/s/ Thomas J. Shaw
THOMAS J. SHAW
PRESIDENT, CHAIRMAN, AND
CHIEF EXECUTIVE OFFICER

/s/ John W. Fort
JOHN W. FORT III
VICE PRESIDENT, CHIEF FINANCIAL
OFFICER, AND PRINCIPAL
ACCOUNTING OFFICER
