

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For Quarterly Period Ended September 30, 2018

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number: 0-17449

PROCYON CORPORATION

(Exact Name of Registrant as specified in its charter)

COLORADO
(State of Incorporation)

59-3280822
(I.R.S. Employer Identification Number)

1300 S. Highland Ave. Clearwater, FL 33756
(Address of Principal Executive Offices)

(727) 447-2998
(Registrant's Telephone Number, Including Area Code)

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 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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, 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

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Emerging growth company

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:
Common stock, no par value; 8,077,388 shares outstanding as of November 8, 2018.

PART I. - FINANCIAL INFORMATION

| Item | Page |
|--|------|
| ITEM 1. FINANCIAL STATEMENTS | 3 |
| Index to Financial Statements | |
| Financial Statements: | |
| Consolidated Balance Sheets | 3 |
| Consolidated Statements of Operations | 4 |
| Consolidated Statements of Cash Flows | 5 |
| Notes to Consolidated Financial Statements | 6 |
| ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS | 11 |
| ITEM 4. CONTROLS AND PROCEDURES | 13 |

PART II. - OTHER INFORMATION

| | |
|---------------------------|----|
| ITEM 5. OTHER INFORMATION | 14 |
| ITEM 6. EXHIBITS | 15 |
| SIGNATURES | 15 |

PROCYON CORPORATION & SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
September 30, 2018 and June 30, 2018

| ASSETS | (unaudited) September 30, 2018 | (audited) June 30, 2018 |
|--|--------------------------------------|-------------------------------|
| CURRENT ASSETS | | |
| Cash | \$ 449,106 | \$ 270,313 |
| Certificates of Deposit, plus accrued interest | 153,606 | 153,457 |
| Accounts Receivable, less allowance for doubtful accounts of \$2,804 and \$2,804 respectively. | 427,261 | 372,309 |
| Inventories | 320,528 | 416,621 |
| Prepaid Expenses | 186,729 | 171,340 |
| TOTAL CURRENT ASSETS | <u>1,537,230</u> | <u>1,384,040</u> |
| PROPERTY AND EQUIPMENT, NET | 506,163 | 512,353 |
| OTHER ASSETS | | |
| Deposits | 4,192 | 4,192 |
| Inventories | 124,368 | 160,294 |
| Intangible Asset | 17,000 | 17,000 |
| Deferred Tax Asset, Net of Valuation Allowance of \$133,867 and \$133,867, respectively | 245,856 | 280,370 |
| | <u>391,416</u> | <u>461,856</u> |
| TOTAL ASSETS | <u>\$ 2,434,809</u> | <u>\$ 2,358,249</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts Payable | \$ 129,556 | \$ 95,472 |
| Capital Lease Liability | 1,163 | 2,110 |
| Accrued Expenses | 185,037 | 228,894 |
| TOTAL CURRENT LIABILITIES | <u>315,756</u> | <u>326,476</u> |
| TOTAL LIABILITIES | <u>315,756</u> | <u>326,476</u> |
| COMMITMENTS AND CONTINGENCIES (NOTE I) | - | - |
| STOCKHOLDERS' EQUITY | | |
| Preferred Stock, 496,000,000 shares authorized, none issued. | - | - |
| Series A Cumulative Convertible Preferred Stock, no par value; 4,000,000 shares authorized; 177,100 shares issued and outstanding. | 136,860 | 136,860 |
| Common Stock, no par value, 80,000,000 shares authorized; 8,077,388 shares issued and outstanding. | 4,434,766 | 4,434,766 |
| Paid-in Capital | 15,885 | 15,885 |
| Accumulated Deficit | (2,468,458) | (2,555,738) |
| TOTAL STOCKHOLDERS' EQUITY | <u>\$ 2,119,053</u> | <u>2,031,773</u> |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | <u>\$ 2,434,809</u> | <u>\$ 2,358,249</u> |

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

PROCYON CORPORATION & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
Three Months Ended September 30, 2018 and 2017

| | (unaudited) Three Months Ended Sep. 30, 2018 | (unaudited) Three Months Ended Sep. 30, 2017 |
|---|---|---|
| NET SALES | \$ 1,090,626 | \$ 831,071 |
| COST OF SALES | <u>304,300</u> | <u>222,829</u> |
| GROSS PROFIT | 786,326 | 608,242 |
| OPERATING EXPENSES | | |
| Salaries and Benefits | 359,435 | 331,439 |
| Selling, General and Administrative | <u>305,281</u> | <u>261,777</u> |
| | 664,716 | 593,216 |
| INCOME FROM OPERATIONS | 121,610 | 15,026 |
| OTHER INCOME (EXPENSE) | | |
| Interest Income | <u>184</u> | <u>269</u> |
| | 184 | 269 |
| INCOME BEFORE INCOME TAXES | <u>121,794</u> | <u>15,295</u> |
| INCOME TAX (EXPENSE) | <u>(34,514)</u> | <u>(7,430)</u> |
| NET INCOME | 87,280 | 7,865 |
| Dividend requirements on preferred stock | <u>(4,428)</u> | <u>(4,428)</u> |
| Basic net income available to common shares | <u>\$ 82,852</u> | <u>\$ 3,437</u> |
| Basic net income per common share | <u>\$ 0.01</u> | <u>\$ 0.00</u> |
| Weighted average number of common shares outstanding | <u>8,077,388</u> | <u>8,077,388</u> |
| Diluted net income per common share | <u>\$ 0.01</u> | <u>\$ 0.00</u> |
| Weighted average number of common shares outstanding, diluted | <u>8,319,488</u> | <u>8,300,875</u> |

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

PROCYON CORPORATION & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ending September 30, 2018 and 2017

| | <u>(unaudited)</u> <u>September 30,</u> <u>2018</u> | <u>(unaudited)</u> <u>September 30,</u> <u>2017</u> |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net Income | \$ 87,280 | \$ 7,865 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation | 12,983 | 11,744 |
| Deferred Income Taxes | 34,514 | 7,430 |
| Accrued Interest on Certificates of Deposit | (149) | (336) |
| Decrease (increase) in: | | |
| Accounts Receivable | (54,952) | 102,610 |
| Inventory | 132,019 | (82,588) |
| Prepaid Expenses | (15,389) | (55,671) |
| Increase (decrease) in: | | |
| Accounts Payable | 34,084 | 35,867 |
| Accrued Expenses | (43,857) | (133,950) |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | <u>186,533</u> | <u>(107,029)</u> |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Redemption of Certificate of Deposit | - | 61,235 |
| Purchase of property & equipment | (6,793) | (1,060) |
| NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES | <u>(6,793)</u> | <u>60,175</u> |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Payments on Capital Lease | (947) | (947) |
| NET CASH (USED IN) FINANCING ACTIVITIES | <u>(947)</u> | <u>(947)</u> |
| NET CHANGE IN CASH | 178,793 | (47,801) |
| CASH AT BEGINNING OF PERIOD | <u>270,313</u> | <u>173,173</u> |
| CASH AT END OF PERIOD | <u>\$ 449,106</u> | <u>\$ 125,372</u> |
| SUPPLEMENTAL DISCLOSURES | | |
| Interest Paid | \$ - | \$ - |
| Taxes Paid | \$ - | \$ - |

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

NOTE A - SUMMARY OF ACCOUNTING POLICIES

The interim consolidated financial statements included herein have been prepared by the Company without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with generally accepted accounting principles ("GAAP") have been condensed or omitted as allowed by such rules and regulations. The Company believes that the disclosures are adequate to make the information presented not misleading. These consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements dated June 30, 2018. The results for interim periods are not necessarily indicative of results that may be expected for any other interim period or for the full year.

Management of the Company has prepared the accompanying unaudited condensed consolidated financial statements prepared in conformity with generally accepted accounting principles, which require the use of management estimates, contain all adjustments (including normal recurring adjustments) necessary to present fairly the operations and cash flows for the period presented and to make the financial statements not misleading.

STOCK-BASED COMPENSATION

Stock based compensation is accounted for in accordance with Topic 718 - Compensation - Stock Compensation in the Accounting Standards Codification. Pursuant to Topic 718, all share-based payments to employees, including grants of employee stock options, are to be recognized in the statement of operations based upon their fair values. Topic 718 rescinds the acceptance of pro forma disclosure. In December 2009, our shareholders approved the adoption of a new stock option plan, providing the Company a continued means of offering stock-based compensation.

On September 30, 2018, there were 65,000 outstanding options to purchase shares of our common stock.

The fair value of a stock option is determined using the Black-Scholes option-pricing model, which values options based on the stock price at the grant date, the expected life of the option, the estimated volatility of the stock, the expected dividend payments, and the risk-free interest rate over the life of the option. There were no options granted during the quarter ended September 30, 2018.

The Black-Scholes option valuation model was developed for estimating the fair value of traded options that have no vesting restrictions and are fully transferable. Because option valuation models require the use of subjective assumptions, changes in these assumptions can materially affect the fair value of the options. Our options do not have the characteristics of traded options, therefore, the option valuation models do not necessarily provide a reliable measure of the fair value of our options.

EARNINGS PER SHARE

Basic earnings per share (EPS) is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that would occur if dilutive securities such as stock options and other contracts to issue Common Stock were exercised or converted into Common Stock or resulted in the issuance of Common Stock that then shared in earnings. We use the treasury stock method to compute potential common shares from stock options and the as-if-converted method to compute potential common shares from Preferred Stock.

For the three months ended September 30, 2018, the potential dilutive effects of the preferred stock and stock options were included in the weighted-average shares outstanding.

NOTE B - INVENTORIES

| Inventories consisted of the following: | September 30, 2018 | June 30, 2018 |
|---|-----------------------|-------------------|
| Finished Goods | \$ 265,282 | \$ 391,879 |
| Raw Materials | 179,614 | 185,036 |
| | <u>\$ 444,896</u> | <u>\$ 576,915</u> |

At September 30, 2018 and June 30, 2018, respectively, \$124,368 and \$160,294 of our inventory was considered non-current as it will not be used within a one year period.

NOTE C - STOCKHOLDERS' EQUITY

During January 1995, the Company's Board of Directors authorized the issuance of up to 4,000,000 shares of Series A Cumulative Convertible Preferred Stock ("Series A Preferred Stock"). The preferred stockholders are entitled to receive, as and if declared by the board of directors, quarterly dividends at an annual rate of \$.10 per share of Series A Preferred Stock per annum. Dividends will accrue without interest and will be cumulative from the date of issuance of the Series A Preferred Stock and will be payable quarterly in arrears in cash or publicly traded common stock when and if declared by the Board of Directors. As of September 30, 2018, no dividends have been declared. Dividends in arrears on the outstanding preferred shares total \$379,564 as of September 30, 2018.

Holders of the Preferred Stock have the right to convert their shares of Preferred Stock into an equal number of shares of Common Stock of the Company. In addition, Preferred Stock holders have the right to vote the number of shares into which their shares are convertible into Common Stock. Such preferred shares will automatically convert into one share of Common Stock at the close of a public offering of Common Stock by the Company provided the Company receives gross proceeds of at least \$1,000,000, and the initial offering price of the Common Stock sold in such offering is equal to or in excess of \$1 per share. The Company is obligated to reserve an adequate number of shares of its common stock to satisfy the conversion of all the outstanding Series A Preferred Stock. There were no shares converted during the reporting period. So long as any share of Series A Preferred Stock is outstanding, the Company is prohibited from declaring dividends or other distributions related to its Common Stock or purchasing, redeeming or otherwise acquiring any of the Common Stock.

NOTE D - INCOME TAXES AND AVAILABLE CARRYFORWARD

As of September 30, 2018, the Company had consolidated income tax net operating loss ("NOL") carryforwards for federal income tax purposes of approximately \$1,479,000. The NOL will expire in various years ending through the year 2035. The utilization of certain loss carryforwards are limited under Section 382 of the Internal Revenue Code.

The components of the provision for income tax (expense) attributable to continuing operations are as follows:

| | <u>Three Months 9/30/2018</u> | <u>Three Months 9/30/2017</u> |
|----------------------------|-----------------------------------|-----------------------------------|
| Current | | |
| Federal | \$ 0 | \$ 0 |
| State | <u>0</u> | <u>0</u> |
| | \$ 0 | \$ 0 |
| Deferred | | |
| Federal | \$ (28,597) | \$ (6,713) |
| State | <u>(5,917)</u> | <u>(717)</u> |
| | <u>\$ (34,514)</u> | <u>\$ (7,430)</u> |
| Total Income Tax (Expense) | <u>\$ (34,514)</u> | <u>\$ (7,430)</u> |

Deferred income taxes reflect the net tax effects of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows:

| | <u>Non-Current</u> |
|--------------------------------------|--------------------|
| Deferred tax assets | |
| NOL and contribution carryforwards | \$ 379,297 |
| Accrued compensated absences | 5,585 |
| Accrued bonus | 3,150 |
| Allowance for doubtful accounts | <u>710</u> |
| Total deferred tax assets | 388,742 |
| Deferred tax (liabilities) | |
| Excess of tax over book depreciation | <u>(9,019)</u> |
| Total deferred tax (liabilities) | <u>(9,019)</u> |
| Total deferred tax asset | 379,723 |

| | |
|------------------------|-------------------|
| Valuation Allowance | (133,867) |
| Net Deferred Tax Asset | <u>\$ 245,856</u> |

The change in the valuation allowance is as follows:

| | |
|--------------------|---------------------|
| June 30, 2018 | \$ (133,867) |
| September 30, 2018 | <u>\$ (133,867)</u> |
| | <u>\$ 0</u> |

Management believes it is more likely than not that the tax benefit of approximately \$475,000 of NOL carryforwards will not be realized because management estimates that they will expire prior to their utilization. Therefore, management provided a valuation allowance of \$133,867 against its deferred tax asset. Management will continue to evaluate its operating results each reporting period and assess whether it will be able to utilize all available NOL carryforwards before expiration.

The accounting for the effects of the rate change on deferred tax balances is complete and no provisional amounts were recorded for this item.

Income taxes for the three months ended September 30, 2018 and 2017 differ from the amounts computed by applying the effective income tax rate of 25.35% and 37.63%, respectively, to income before income taxes as a result of the following:

| | <u>Three Months September 30, 2018</u> | <u>Three Months September 30, 2017</u> |
|---|--|--|
| Expected (provision) at US statutory rate | \$ (25,577) | \$ (5,200) |
| State income tax net of federal (provision) | (5,292) | (556) |
| Nondeductible Expense | <u>(3,645)</u> | <u>(1,674)</u> |
| Income Tax (Expense) | <u>\$ (34,514)</u> | <u>\$ (7,430)</u> |

The earliest tax year still subject to examination by a major taxing jurisdiction is fiscal year end June 30, 2015.

The Company performed a review of its uncertain tax positions in accordance with Accounting Standards Codification ASC 740-10 "Uncertainty in Income Taxes". In this regard, an uncertain tax position represents the Company's expected treatment of a tax position taken in a filed tax return, or planned to be taken in a future tax return, that has not been reflected in measuring income tax expense for financial reporting purposes. As a result of this review, the Company concluded that at this time there are no uncertain tax positions, and there has been no cumulative effect on retained earnings.

NOTE E - LINE OF CREDIT

The Company held a \$250,000, due-on-demand line of credit with a financial institution. The line of credit was not renewed in April 2018. The Company put in place a new line of credit from a different financial institution on October 9, 2018. The line of credit will be collateralized by all accounts and general intangibles, matures on October 9, 2020, accrues interest at "prime" rate and is guaranteed by Justice Anderson, the Chief Executive Officer of the Company.

NOTE F - SUBSEQUENT EVENTS

We have evaluated subsequent events through November 14, 2018, which is the date the financial statements were available to be issued.

NOTE G - RECENT ACCOUNTING PRONOUNCEMENTS

In May 2017, the FASB issued ASU No. 2017-09, Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting, which clarifies when to account for a change to the terms or conditions of a share-based payment award as a modification. Under the new guidance, modification accounting is required only if the fair value, the vesting conditions, or the classification of the award (as equity or liability) changes as a result of the change in terms or conditions. It is effective prospectively for the annual period ending June 30, 2019 and interim periods within that annual period. Early adoption is permitted. Based on management's current understanding of this standard along with the underlying substance of our operations, management believes it will not have a material impact on our consolidated financial statements.

On June 16, 2016, the FASB issued Accounting Standards Update 2016-13, Financial Instruments - Credit Losses (Topic 326) (the "ASU"), which introduces new guidance for the accounting for credit losses on instruments within its scope. Given the breadth of that scope, the new ASU will impact both financial services and non-financial services entities. The guidance in this ASU is effective for public entities that meet the definition of an SEC filer for fiscal years beginning after December 15, 2019, and interim periods within those years. Early adoption is permitted in annual periods beginning after December 15, 2018. Based on management's current understanding of this standard along with the underlying substance of our operations, management believes it will not have a material impact on our consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases, related to the recognition of lease assets and lease liabilities. The new guidance requires lessees to recognize almost all leases on their balance sheet as a right-of-use asset and a lease liability, other than leases that meet the definition of a short-term lease, and requires expanded disclosures about leasing arrangements. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from the current guidance. Lessor accounting is similar to the current guidance, but updated to align with certain changes to the lessee model and the new revenue recognition standard. The new guidance is effective for the Company on July 1, 2019, with early adoption permitted. Based on management's current understanding of this standard along with the underlying substance of our operations, management believes it will not have a material impact on our consolidated financial statements.

Other recent accounting pronouncements issued by the FASB, the AICPA and the SEC did not or are not believed by management to have a material effect, if any, on the Company's financial statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

General

You should read the following discussion and analysis in conjunction with the unaudited Condensed Financial Statements and Notes thereto appearing elsewhere in this report.

This Report on Form 10-Q, including Management's Discussion and Analysis of Financial Condition and Results of Operations, contains forward-looking statements. When used in this report, the words "may," "will," "expect," "anticipate," "continue," "estimate," "project," "intend," "hope," "believe" and similar expressions, variations of these words or the negative of those words, and, any statement regarding possible or assumed future results of operations of the Company's business, the markets for its products, anticipated expenditures, regulatory developments or competition, or other statements regarding matters that are not historical facts, are intended to identify forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 regarding events, conditions and financial trends including, without limitation, business conditions in the skin and wound care market and the general economy, competitive factors, changes in product mix, production delays, product recalls, manufacturing capabilities, and other risks or uncertainties detailed in other of the Company's Securities and Exchange Commission filings. Such statements are based on management's current expectations and are subject to risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, the Company's actual plan of operations, business strategy, operating results and financial position could differ materially from those expressed in, or implied by, such forward-looking statements.

Recent Developments

In fiscal 2018, the Company added a new sales channel designed to reduce inventory costs while expanding access to AMERX full line of products, through existing markets. AMERX expanded the size of the warehouse facilities to address current demands and allow for future growth as the Company continues to focus efforts towards product line expansion.

In fiscal 2018, AMERX's new product, Extremit-Ease Compression Garment was listed among the Top 10 Innovations Award presented by HMP Communications. Extremit-Ease continues to gain momentum in the wound care, edema and lymphedema markets with plans to expand the line in Fiscal 2019.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's condensed consolidated financial statements have been prepared in accordance with standards of the Public Company Accounting Oversight Board (United States), which require the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosures. A summary of those significant accounting policies can be found in the Notes to the Consolidated Financial Statements included in the Company's annual report on form 10-K, for the year ended June 30, 2018, which was filed with the Securities and Exchange Commission on September 27, 2018. The estimates used by management are based upon the Company's historical experiences combined with management's understanding of current facts and circumstances. Certain of the Company's accounting policies are considered critical as they are both important to the portrayal of the Company's financial condition and the results of its operations and require significant or complex judgments on the part of management. We believe that the following critical accounting policies affect the more significant judgments and estimates used in the preparation of our consolidated financial statements.

Accounts Receivable Allowance

Accounts receivable allowance reflects a reserve that reduces our customer accounts and receivable to the net amount estimated to be collectible. The valuation of accounts receivable is based upon the credit-worthiness of customers and third-party payers as well as historical collection experience. Allowances for doubtful accounts are recorded as a selling, general and administrative expense for estimated amounts expected to be uncollectible from third-party payers and customers. The Company bases its estimates on its historical collection experience, current trends, credit policy and on the analysis of accounts by aging category. At September 30, 2018, and June 30, 2018, our allowance for doubtful accounts totaled \$2,804.

Advertising and Marketing

The Company uses several forms of advertising, including sponsorships to agencies who represent the professionals in their respective fields. The Company expenses these sponsorships over the term of the advertising arrangements on a straight line basis. Other forms of advertising used by the Company include professional journal advertisements, distributor catalogs, website and mailing campaigns. These forms of advertising are expensed when incurred.

Deferred Income Taxes

Deferred income taxes are recognized for the expected tax consequences in future years for differences between the tax bases of assets and liabilities and their financial reporting amounts, based upon enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. The Company accounts for income taxes under Topic 740 - Income Tax in the Accounting Standards Codification. A valuation allowance is used to reduce deferred tax assets to the net amount expected to be recovered in future periods. The estimates for deferred tax assets and the corresponding valuation allowance require us to exercise complex judgments. We periodically review and adjust those estimates based upon the most current information available. The Company had a valuation allowance of \$133,867 as of September 30, 2018 and June 30, 2018. Because the recoverability of deferred tax assets is directly dependent upon future operating results, actual recoverability of deferred tax assets may differ materially from our estimates.

Revenue Recognition

The Company recognizes revenue in accordance with the Financial Accounting Standards Board's (FASB) release of Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606) which requires that five basic criteria must be met before revenue can be recognized: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation.

Stock Based Compensation

Stock based compensation is accounted for in accordance with Topic 718 - Compensation - Stock Compensation in the Accounting Standards Codification. All share-based payments to employees, including grants of employee stock options, are to be recognized in the statement of operations based upon their fair values. Topic 718 rescinds the acceptance of pro forma disclosure.

FINANCIAL CONDITION

As of September 30, 2018 the Company's principal sources of liquid assets included cash of \$449,106, inventories of \$444,896, and net accounts receivable of \$427,261. The Company also has \$153,606 in Certificate of Deposits. The Company had net working capital of \$1,221,474, and no long-term debt at September 30, 2018.

During the three months ended September 30, 2018 cash increased from \$270,313 as of June 30, 2018, to \$449,106. Operating activities provided cash of \$186,533 during the period. The change is primarily the result of net income.

The Company reflected a net non-current deferred tax asset of \$245,856, at September 30, 2018. Because the recoverability of deferred tax assets is directly dependent upon future operating results, actual recoverability of deferred tax assets may differ materially from our estimates.

RESULTS OF OPERATIONS

Comparison of the three months ended September 30, 2018 and 2017.

Net Sales during the quarter ended September 30, 2018, were \$1,090,626 as compared to the previous year's quarter net sales of \$831,071, an increase of \$259,555, or approximately 31%. We believe increased sales were driven by expansion of our distribution network partners, expansion into new markets and new customer sales of both existing and new products.

Gross profit during the quarter ended September 30, 2018, was \$786,326 as compared to \$608,242 during the quarter ended September 30, 2017, an increase of \$178,084 or 29%. As a percentage of net sales, gross profit was approximately 72% in the quarter ended September 30, 2018, and approximately 73% in the corresponding quarter in 2017.

Operating expenses during the quarter ended September 30, 2018 were \$664,716, consisting of \$359,435 in salaries and benefits and \$305,281 in selling, general and administrative expenses. This compares to operating expenses during the quarter ended September 30, 2017 of \$593,216, consisting of \$331,439 in salaries and benefits; and \$261,777 in selling, general and administrative expenses. Expenses for the quarter ended September 30, 2018, increased by \$71,500 or approximately 12% compared to the corresponding quarter in 2017. The expense increases came mainly from the addition of a sales manager, consulting fees and shipping associated with higher sales.

Operating profit increased by \$106,584 to an operating profit of \$121,610 for the quarter ended September 30, 2018, as compared to an operating profit of \$15,026 in the comparable quarter of the prior year. The increase in net income for the three month period, of the comparable quarter of the prior year before income taxes was primarily attributable to the increase in Net Sales.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

Management of the Company, with the participation of the Chief Executive Officer and Chief Financial Officer, has conducted an evaluation of the effectiveness of the Company's disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934 as of the end of the period covered by this report. Based on that evaluation, management, including the Chief Executive and Chief Financial Officer, has concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures

were not effective in ensuring that all material information relating to the Company required to be disclosed in this report has been made known to management in a timely manner and ensuring that this information is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and regulations, because of the identification of a material weakness in our internal controls over financial reporting, identified below, which we view as an integral part of our disclosure controls and procedures.

(b) Changes in Internal Controls Over Financial Reporting

As previously reported, our annual assessment of the internal controls over financial reporting as of June 30, 2018 revealed a deficiency that we consider to be a material weakness: inadequate segregation of duties consistent with control objectives.

During fiscal 2019, the Company will continue to address changes needed to improve segregation of duties consistent with control objectives. We have added staff to grow sales. We expect that increased sales will enable us to add support staff, specifically in the accounting and shipping departments. A secondary effect of adding more staff will address needed improvements in segregation of duties consistent with control objectives.

PART II. OTHER INFORMATION

ITEM 5. OTHER INFORMATION

On November 12, 2018, the Company and Amerx executed Restated and Amended Executive Employment Agreement, effective November 1, 2018, with Justice W. Anderson. The Agreement provides that Mr. Anderson will serve as the Corporation's Chief Executive Officer and President and Amerx's President for a period of one year, but can be terminated upon thirty day's notice with or without cause. Subject to the Company's Board of Directors' approval, Mr. Anderson's employment will be automatically extended for one additional year at the end of each year of the term, or extended term, unless terminated by the Company, Amerx or Mr. Anderson. The Agreement further provides for a base annual salary of \$210,000 and other benefits, including certain incentive bonus compensation based upon Amerx achieving certain financial goals for sales and net profit at the discretion of the Board of Directors. A copy of the Agreement is attached as Exhibit 10.1 to this report and is incorporated herein.

On November 12, 2018, the Company and Amerx executed Restated and Amended Executive Employment Agreement, effective November 1, 2018, with James B. Anderson. The Agreement provides that Mr. Anderson will serve as the Corporation's Chief Financial Officer and Amerx's Vice President of Operations for a period of one year, but can be terminated upon thirty day's notice with or without cause. The Agreement further provides for a base annual salary of \$150,000 and other benefits, including certain incentive bonus compensation based upon Amerx achieving certain financial goals for sales and net profit at the discretion of the Board of Directors. A copy of the Agreement is attached as Exhibit 10.2 to this report and is incorporated herein.

On November 12, 2018, the Company and Amerx executed Restated and Amended Executive Employment Agreement, effective November 1, 2018, with George Borak. The Agreement provides that Mr. Borak will serve as Amerx's Vice President of Sales for a period of one year, but can be terminated upon thirty day's notice with or without cause. The Agreement further provides for a base annual salary of \$160,000 and other benefits, including certain incentive bonus compensation based upon Amerx achieving certain financial goals for sales and net profit at the discretion of the Board of Directors. A copy of the Agreement is attached as Exhibit 10.3 to this report and is incorporated herein.

The Company's Board of Directors recently affirmed that the Chief Executive Officer, and certain Vice President positions, are executive officers of the Company pursuant to the Company's Bylaws. In addition, the Board of Directors affirmed that the position of Chairman or Chairwoman of the Board of Directors was an executive officer position prior to January 8, 2018, but thereafter, is no longer an executive officer position until such time as the Board of Directors directs otherwise. The Chairwoman of the Board position continues to be held by Regina W. Anderson.

ITEM 6. EXHIBITS

(A) EXHIBITS

- 10.1 Restated and Amended Executive Employment Agreement dated November 12, between Justice W. Anderson, Procyon Corporation and AMERX Health Care Corporation.
- 10.2 Restated and Amended Executive Employment Agreement dated November 12, between James B. Anderson, Procyon Corporation and AMERX Health Care Corporation.
- 10.3 Restated and Amended Executive Employment Agreement dated November 12, between George O. Borak, Procyon Corporation and AMERX Health Care Corporation.
- 10.4 Business Line of Credit - Loan Agreement dated October 9, 2018
- 31.1 Certification of Justice W. Anderson pursuant to Exchange Act Rule 13a-14(a)/15d-14(a)
- 31.2 Certification of James B. Anderson pursuant to Exchange Act Rule 13a-14(a)/15d-14(a)
- 32.1 Certification Pursuant to 18 U.S.C.§1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act Of 2002
- 101.1* The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2018, formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Consolidated Statements of Cash Flows, and (iv) the Notes to Condensed Consolidated Financial Statements

* Furnished, not filed

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, there unto duly authorized.

November 14, 2018
Date

PROCYON CORPORATION
By:/s/ JUSTICE W. ANDERSON
Justice W. Anderson, Chief Executive Officer

Exhibit 10.1

RESTATED AND AMENDED EXECUTIVE EMPLOYMENT AGREEMENT

This RESTATED AND AMENDED EXECUTIVE EMPLOYMENT AGREEMENT (the "Agreement"), effective November 1, 2018, by and between AMERX Health Care Corporation, a Florida corporation ("AMERX"), Procyon Corporation, a Colorado corporation ("Procyon") and Justice W. Anderson (the "Executive").

WHEREAS, Executive is employed by Procyon as its Chief Executive Officer and President; and

WHEREAS, AMERX has, prior to the date of this Agreement, employed the Executive as its President; and

WHEREAS, Procyon, the parent corporation of AMERX, has agreed to provide some of the benefits to Executive under this Agreement; and

WHEREAS, Procyon and AMERX desire to continue to employ the Executive on a full-time basis, and the Executive desires to be so employed by Procyon and AMERX, pursuant to the terms of this Agreement;

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties agree as follows:

ARTICLE I

EMPLOYMENT DUTIES AND BENEFITS

Section 1.1 Employment. Procyon and AMERX, hereby employs the Executive in the respective positions described on Schedule 1 hereto as an executive officer of Procyon and AMERX, pursuant to the terms of this Agreement. The Executive accepts such employment and agrees to perform the duties and responsibilities assigned to him pursuant to this Agreement.

Section 1.2 Duties and Responsibilities. The Executive shall hold (the) positions with Procyon and AMERX which are specified on Schedule 1, which is attached hereto and incorporated herein by reference. The Executive is employed pursuant to the terms of this Agreement and agrees to devote full-time to the business of Procyon and AMERX. The Executive shall perform the duties set forth on Schedule 1 while employed as an executive officer, and such further duties as may be determined and assigned to him from time-to-time by the Board of Directors of Procyon.

Section 1.3 Working Facilities. The Executive shall be furnished with facilities and services suitable to the position and adequate for the performance of the Executive's duties under this Agreement. The Executive's duties shall be rendered at AMERX offices, or at such other place or places as the Executive may designate with AMERX approval, which shall not be unreasonably withheld.

Section 1.4 Vacations. The Executive shall be entitled each year to a reasonable vacation of not less than

four weeks in accordance with the established practices of Procyon now or hereafter in effect for executive personnel, during which time the Executive's compensation shall be paid in full. Should AMERX or Procyon from time-to-time require the Executive to perform job duties during vacation periods, the Executive shall be entitled to compensatory vacation time at a mutually agreeable time.

Section 1.5 Expenses. The Executive is authorized to incur reasonable expenses for promoting the domestic and international business of Procyon and AMERX in all respects, including expenses for entertainment, travel and similar items. Procyon and AMERX, as applicable, will reimburse the Executive for all such expenses that are reasonably related to Procyon and/or AMERX business and primarily for Procyon and/or AMERX benefit, upon the presentation by the Executive, from time-to-time, of an itemized account of such expenditures. Such expenses shall be reviewed and approved by Procyon's Chief Financial Officer.

Section 1.6 Benefit Plans. From the effective date of this Agreement, the Executive shall be entitled to participate in all existing benefit plans provided to Procyon's executive employees, including, to the extent now or hereafter in effect, medical, health, dental, vision, disability, life insurance and death benefit plans, in accordance with the terms of such plans.

ARTICLE II

COMPENSATION

Section 2.1 Base Salary. Procyon/ AMERX shall pay to the Executive a base salary of not less than the amount specified on Schedule 1, subject to annual review and raises in such base salary. The base salary may be changed by action of Procyon's Board of Directors, and such changes shall thereafter be included in the Executive's base salary as defined for purposes of this Agreement and Procyon's bonus plan.

Section 2.2 Bonus and Bonus Plan Participation. The Executive shall be entitled to receive certain incentive bonuses, as set forth, and pursuant to the conditions set forth, in Schedule 1. The Executive shall also be entitled to receive incentive bonuses in accordance with the provisions of the Procyon-wide bonus plan as in effect from time to time.

ARTICLE III

TERM OF EMPLOYMENT AND TERMINATION

Section 3.1 Term and Nature of Employment. This Agreement shall be for a term of one year, commencing on its effective date, subject, however, to termination during such period as provided in this Article and approval of the Board of Directors of Procyon in its annual meeting. Nothing contained in this Agreement shall be construed

to constitute a promise of employment to the Executive for a fixed term. Executive's employment under this Agreement is strictly "at will," and may be terminated by the Executive, AMERX or Procyon, upon thirty days written notice, for any reason or no reason, with or without cause.

Section 3.2 Renewal of Term. Subject to Procyon's Board of Directors' approval, Executive's employment shall be automatically extended for one additional year at the end of each year of the term, or extended term, of this Agreement on the same terms and conditions as contained in this Agreement, unless either AMERX, Procyon or the Executive shall, prior to the expiration of the initial term or of any renewal term, give written notice of the intention not to renew this Agreement.

Section 3.3 Termination. In the event of termination of this Agreement by the Executive, Procyon or AMERX for any reason, including termination by death or disability of the Executive, AMERX shall be obligated to compensate the Executive for any accrued vacation time not taken and any earned but unpaid base salary and any earned but unpaid bonuses up to the date of termination.

Section 3.4 Options. Any options granted to the Executive to purchase stock of Procyon shall become fully vested on the date of the involuntary termination of this Agreement. This provision shall serve as a contractual modification of any option grants or agreements between the Executive and Procyon, whether such grants or agreements shall pre-date or postdate this Agreement, and is hereby Incorporated by reference into each such option grant or agreement.

ARTICLE IV GENERAL MATTERS

Section 4.1 Governing Law. This Agreement shall be governed by the laws of the State of Florida and shall be construed in accordance therewith.

Section 4.2 No Waiver. No provision of this Agreement may be waived except by an agreement in writing signed by the waiving party. A waiver of any term or provision shall not be construed as a waiver of any other term or provision.

Section 4.3 Amendment. This Agreement may be amended, altered or revoked at any time, in whole or in part, by filing with this Agreement a written instrument setting forth such changes, signed by each of the parties.

Section 4.4 Benefit. This Agreement shall be binding upon the Executive, Procyon and AMERX, and shall not be assignable by Procyon or AMERX without the Executive's written consent.

Section 4.5 Construction. Throughout this Agreement the singular shall include the plural, and the plural shall include the singular, and the masculine and neuter shall include the feminine, wherever the context so requires.

Section 4.6 Text to Control. The headings of articles and sections are included solely for convenience of reference. If any conflict between any heading and the text of this Agreement exists, the text shall control.

Section 4.7 Severability. If any provision of this Agreement is declared by any court of competent jurisdiction to be invalid for any reason, such invalidity shall not affect the remaining provisions. On the contrary, such remaining provisions shall be fully severable, and this Agreement shall be construed and enforced as if such invalid provisions had not been included in the Agreement.

Section 4.8 Authority. The officer executing this Agreement on behalf of Procyon and AMERX has been empowered and directed to do so by the Board of Directors of Procyon.

Section 4.9 Effective Date. The effective date of this Agreement shall be November 1, 2018.

PROCYON CORPORATION

AMERX HEALTH CARE CORP

By: /s/ James B. Anderson
James B. Anderson
Chief Financial Officer

By: /s/ James B. Anderson
James B. Anderson
Vice President of Operations

EXECUTIVE

By: /s/ Fred W. Suggs, Jr.
Fred W. Suggs, Jr.
Director, Member of the Procyon
Corporation Compensation Committee

By: /s/ Justice W. Anderson
Justice W. Anderson
Chief Executive Officer and President,
Procyon and President, Amerx Health
Care Corporation

By: /s/ Joseph R. Treshler
Joseph R. Treshler
Director, Member of the Procyon
Corporation Compensation Committee

Effective Date: November 1, 2018

FY 2019

PROCYON CORPORATION

AMERX HEALTH CARE CORPORATION

RESTATED AND AMENDED EXECUTIVE EMPLOYMENT AGREEMENT

Schedule 1

Salary and Benefit Statement

Date: November 1, 2018

Executive: Justice W. Anderson
Position: Procyon Corporation: Chief Executive Officer and President and AMERX Health Care Corporation: President.
Reporting to: Procyon Board of Directors
Base Salary: \$210,000, annually
Benefits: As outlined in this Executive Employment Agreement.
Term: As described in Section 3.1 of the Executive Employment Agreement.
The terms of the AMERX Sales Incentive and Profit Bonuses described below shall be reviewed annually, and any amendment thereto to be made with the mutual agreement of Procyon, AMERX and the Executive.

Duties and

Responsibilities: Provide oversight of Procyon and AMERX (the wholly-owned subsidiary of Procyon) operations; preside over Procyon Board meetings as Chief Executive Officer and President; provide oversight of all executive and operating officers of AMERX; devise and execute strategic planning for all aspects of business conducted by AMERX; create new business opportunities for AMERX to remain competitive in the marketplace; provide oversight of AMERX operations to insure sales growth, production efficiency, quality, service and cost-effective management of resources; financial reporting; and such other matters as determined time to time by Procyon's Board of Directors.

AMERX Sales Incentive

Quarterly Sales Incentive -

Incentive pay to Executive will be based on meeting or exceeding AMERX fiscal quarterly product sales goals for the current fiscal year, as set and approved by the Procyon Board of Directors.

2% Incentive Bonus: If AMERX net sales for the fiscal quarter meets or exceeds the budgeted quarterly goal, a 2% incentive bonus will be paid to Executive on growth over the previous year's quarter's net sales.

The Sales Incentive Bonus will be paid by AMERX to the Executive 30 days following the end of the applicable fiscal quarter.

Annual Sales Incentive:

- Incentive bonus pay to Executive will be based on AMERX current fiscal year product sales growth over previous fiscal year's net product sales.
- 8% Incentive: If AMERX net sales for the current fiscal year increase at least 8% but less than 15% over the prior fiscal years' net sales, incentive bonus pay will consist of a cash payment equal to 5% of net sales over the prior fiscal year's net sales.
- 15% Incentive: If AMERX net sales for the current fiscal year increase at least 15% but less than 25% over the prior fiscal years' net sales, incentive bonus pay will consist of a cash payment equal to 5.5% of net sales over the prior fiscal year's net sales and an award of 25,000 Options to purchase Shares of Procyon Common Stock with an exercise price equal to the closing market price of such stock on the date of grant.
- 25% Incentive: If AMERX net sales for the current fiscal year increase 25% or more over the prior fiscal year's net sales, incentive bonus pay will consist of a cash payment equal to 6% of net sales over the prior fiscal year's total net sales and an award of 50,000 Options to purchase Shares of Procyon Common Stock with an exercise price equal to the closing market price of such stock on the date of grant.
- The Sales Incentive Bonus will be paid by AMERX to the Executive after the close of the fiscal year end.

Profit Incentive: The profit incentive, which includes profit from product sales, as well as profit from other activities which may be designated from time to time by the Board of Directors, will be based on audited financial statements for the current fiscal year.

AMERX Profit Bonus:

If AMERX profit is \$250,000 or more in the current fiscal year, but less than \$500,000, the Executive will receive a cash payment equal to 2.4% of the total profit.

If AMERX profit is \$500,000 or more, but less than \$750,000 in the current fiscal year, the Executive will receive a cash payment equal to 3% of the total profit.

If AMERX profit is \$750,000 or more, but less than \$1,000,000 in the current fiscal year, the Executive will receive a cash payment equal to 3.25% of the total profit.

If AMERX profit is \$1,000,000 or more in the current fiscal year, the Executive will receive a cash payment equal to 3.45% of the total profit.

The Profit Incentive Bonus for AMERX will be paid by AMERX to the Executive after the close of the fiscal year end.

APPROVED:

PROCYON CORPORATION

AMERX HEALTH CARE CORP

By: /s/ James B. Anderson
James B. Anderson
Chief Financial Officer

By: /s/ James B. Anderson
James B. Anderson
Vice President of Operations

EXECUTIVE

By: /s/ Fred W. Suggs, Jr.
Fred W. Suggs, Jr.
Director, Member of the Procyon
Corporation Compensation Committee

By: /s/ Justice W. Anderson
Justice W. Anderson
Chief Executive Officer and President,
Procyon and President, Amerx Health
Care Corporation

By: /s/ Joseph R. Treshler
Joseph R. Treshler
Director, Member of the Procyon
Corporation Compensation Committee

Effective Date: November 1, 2018

Exhibit 10.2

RESTATED AND AMENDED EXECUTIVE EMPLOYMENT AGREEMENT

This RESTATED AND AMENDED EXECUTIVE EMPLOYMENT AGREEMENT (the "Agreement"), effective November 1, 2018, by and between AMERX Health Care Corporation, a Florida corporation ("AMERX"), Procyon Corporation, a Colorado corporation ("Procyon") and James B. Anderson (the "Executive").

WHEREAS, Executive is employed by Procyon as its Chief Financial Officer; and

WHEREAS, AMERX has, prior to the date of this Agreement, employed the Executive as its Vice President of Operations; and

WHEREAS, Procyon, the parent corporation of AMERX, has agreed to provide some of the benefits to Executive under this Agreement; and

WHEREAS, Procyon and AMERX desire to continue to employ the Executive on a full-time basis, and the Executive desires to be so employed by Procyon and AMERX, pursuant to the terms of this Agreement;

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties agree as follows:

ARTICLE I

EMPLOYMENT DUTIES AND BENEFITS

Section 1.1 Employment. Procyon and AMERX hereby employs the Executive in the respective positions described on Schedule 1 hereto as an executive officer of Procyon and AMERX, pursuant to the terms of this Agreement. The Executive accepts such employment and agrees to perform the duties and responsibilities assigned to him pursuant to this Agreement.

Section 1.2 Duties and Responsibilities. The Executive shall hold the positions with Procyon and AMERX which are specified on Schedule I, which is attached hereto and incorporated herein by reference. The Executive is employed pursuant to the terms of this Agreement and agrees to devote full-time to the business of Procyon and AMERX. The Executive shall perform the duties set forth on Schedule 1 while employed as an executive officer, and such further duties as may be determined and assigned to him from time-to-time by the Chief Executive Officer or the Board of Directors of Procyon.

Section 1.3 Working Facilities. The Executive shall be furnished with facilities and services suitable to the position and adequate for the performance of the Executive's duties under this Agreement. The Executive's duties shall be rendered at AMERX's offices, or at such other place or places as the Executive may designate with AMERX's approval, which shall not be unreasonably withheld.

Section 1.4 Vacations. The Executive shall be entitled each year to a reasonable vacation of not less than four weeks in accordance with the established practices of Procyon now or hereafter in effect for executive personnel, during which time the Executive's compensation shall be paid in full. Should AMERX or Procyon from time-to-time require the Executive to perform job duties during vacation periods, the Executive shall be entitled to compensatory vacation time at a mutually agreeable time.

Section 1.5 Expenses. The Executive is authorized to incur reasonable expenses for promoting the domestic and international business of AMERX and Procyon in all respects, including expenses for entertainment, travel and similar items. AMERX or Procyon, as applicable, will reimburse the Executive for all such expenses that are reasonably related to AMERX's or Procyon's business and primarily for AMERX's and/or Procyon's benefit, upon the presentation by the Executive, from time-to-time, of an itemized account of such expenditures. Such expenses shall be reviewed and approved by Procyon's Chief Executive Officer.

Section 1.6 Benefit Plans. From the effective date of this Agreement, the Executive shall be entitled to participate in all existing benefit plans provided to Procyon's executive employees, including, to the extent now or hereafter in effect, medical, health, dental, vision, disability, life insurance and death benefit plans, in accordance with the terms of such plans.

ARTICLE II COMPENSATION

Section 2.1 Base Salary. AMERX shall pay to the Executive a base salary of not less than the amount specified on Schedule 1, subject to annual review and raises in such base salary. The base salary may be changed by action of Procyon's Board of Directors, and such changes shall thereafter be included in the Executive's base salary as defined for purposes of this Agreement and Procyon's bonus plan.

Section 2.2 Bonus and Bonus Plan Participation. The Executive shall be entitled to receive certain incentive bonuses, as set forth, and pursuant to the conditions set forth, in Schedule 1. The Executive shall also be entitled to receive incentive bonuses in accordance with the provisions of the Procyon-wide bonus plan as in effect from time to time.

ARTICLE III TERM OF EMPLOYMENT AND TERMINATION

Section 3.1 Term and Nature of Employment. This Agreement shall be for a term of one year, commencing on its effective date, subject, however, to termination during such period as provided in this Article and approval of the Board of Directors of Procyon in its annual meeting. Nothing contained in this Agreement shall be construed

to constitute a promise of employment to the Executive for a fixed term. Executive's employment under this Agreement is strictly "at will," and may be terminated by the Executive, AMERX or Procyon, upon thirty days written notice, for any reason or no reason, with or without cause.

Section 3.2 Renewal of Term. Subject to Procyon's Board of Directors' approval, Executive's employment shall be automatically extended for one additional year at the end of each year of the term, or extended term, of this Agreement on the same terms and conditions as contained in this Agreement, unless either AMERX, Procyon or the Executive shall, prior to the expiration of the initial term or of any renewal term, give written notice of the intention not to renew this Agreement.

Section 3.3 Termination. In the event of termination of this Agreement by the Executive, Procyon or AMERX for any reason, including termination by death or disability of the Executive, Procyon and AMERX shall be obligated to compensate the Executive for any accrued vacation time not taken and any earned but unpaid base salary and any earned but unpaid bonuses up to the date of termination.

Section 3.4 Options. Any options granted to the Executive to purchase stock of Procyon shall become fully vested on the date of the involuntary termination of this Agreement. This provision shall serve as a contractual modification of any option grants or agreements between the Executive and Procyon, whether such grants or agreements shall pre-date or postdate this Agreement, and is hereby incorporated by reference into each such option grant or agreement.

ARTICLE IV GENERAL MATTERS

Section 4.1 Governing Law. This Agreement shall be governed by the laws of the State of Florida and shall be construed in accordance therewith.

Section 4.2 No Waiver. No provision of this Agreement may be waived except by an agreement in writing signed by the waiving party. A waiver of any term or provision shall not be construed as a waiver of any other term or provision.

Section 4.3 Amendment. This Agreement may be amended, altered or revoked at any time, in whole or in part, by filing with this Agreement a written instrument setting forth such changes, signed by each of the parties.

Section 4.4 Benefit. This Agreement shall be binding upon the Executive, Procyon and AMERX, and shall not be assignable by Procyon or AMERX without the Executive's written consent.

Section 4.5 Construction. Throughout this Agreement the singular shall include the plural, and the plural shall include the singular, and the masculine and neuter shall include the feminine, wherever the context so requires.

Section 4.6 Text to Control. The headings of articles and sections are included solely for convenience of reference. If any conflict between any heading and the text of this Agreement exists, the text shall control.

Section 4.7 Severability. If any provision of this Agreement is declared by any court of competent jurisdiction to be invalid for any reason, such invalidity shall not affect the remaining provisions. On the contrary, such remaining provisions shall be fully severable, and this Agreement shall be construed and enforced as if such invalid provisions had not been included in the Agreement.

Section 4.8 Authority. The officer executing this Agreement on behalf of Procyon and AMERX has been empowered and directed to do so by the Board of Directors of Procyon.

Section 4.9 Effective Date. The effective date of this Agreement shall be November 1, 2018.

PROCYON CORPORATION

AMERX HEALTH CARE CORPORATION

By: /s/ Justice W. Anderson
Justice W. Anderson
Chief Executive Officer and
President, Procyon.

By: /s/ Justice W. Anderson
Justice W. Anderson
President, AMERX

EXECUTIVE:

By: /s/ Fred W. Suggs, Jr.
Fred W. Suggs, Jr.
Director, Member of the Procyon
Corporation Compensation Committee

By: /s/ James B. Anderson
James B. Anderson
Vice President of Operations, AMERX
Chief Financial Officer, Procyon

By: /s/ Joseph R. Treshler
Joseph R. Treshler
Director, Member of the Procyon
Corporation Compensation Committee

Effective Date: November 1, 2018

FY 2019
PROCYON CORPORATION
AMERX-HEALTH CARE CORPORATION
RESTATED AND AMENDED EXECUTIVE EMPLOYMENT AGREEMENT
Schedule 1
Salary and Benefit Statement

Date: November 1, 2018

Executive: James B. Anderson
Position: Procyon Corporation: Chief Financial Officer
AMERX Health Care Corporation: Vice President of Operations
Reporting to: Justice W. Anderson, President, AMERX Health Care
Procyon Corporation Board of Directors
Base Salary: \$150,000, annually
Benefits: As outlined in this Executive Employment Agreement.
Term: As described in Section 3.1 of the Executive Employment Agreement.
The terms of the AMERX Sales Incentive and Profit Bonus described below shall be reviewed annually, and any amendment thereto to be made with the mutual agreement of Procyon, AMERX and the Executive.

Duties and Responsibilities: Procyon Corporation - title: Chief Financial Officer

- Oversee and Manage all financial record keeping, quarterly and annual financial reporting, SEC filings, quarterly, annual audits and payroll.

AMERX Health Care Corporation - title: Vice President of Operations

- Management, supervision and coordination of accounting staff, weekly/monthly financial reporting and accuracy of un-audited reporting of financials.
- Support the Management, supervision and coordination of sourcing and manufacturing of all AMERX products.
- Management and supervision of daily operation of administrative support staff and warehouse staff.
- Oversight of IT operations, performance and proficiencies.
- Direct and Oversee all FDA regulatory requirements, SOP, quality controls, testing, filing and documentation of manufacturing processes.

AMERX Sales Incentive

Quarterly Sales Incentive -

Incentive pay to Executive will be based on meeting or exceeding AMERX fiscal quarterly product sales goals for the current fiscal year, as set and approved by the Procyon Board of Directors.

1% Incentive Bonus: If AMERX net sales for the fiscal quarter meets or exceeds the budgeted quarterly goal, a 1% incentive bonus will be paid to Executive on growth over the

previous year's quarter's net sales.

The Sales Incentive Bonus will be paid by AMERX to the Executive 30 days following the end of the applicable fiscal quarter.

Profit Incentive: The profit incentive, which includes profit from product sales, as well as profit from other activities which may designated from time to time by the Board of Directors, will be based on audited financial statements for the current fiscal year.

**Profit Bonus
for AMERX:**

If AMERX profit is \$250,000 or more, but less than \$500,000 for the current fiscal year, the Executive will receive a cash payment equal to 2.4% of the total profit.

If AMERX profit is \$500,000 or more, but less than \$750,000 for the current fiscal year, the Executive will receive a cash payment equal to 3% of the total profit.

If AMERX profit is \$750,000 or more, but less than \$1,000,000 for the current fiscal year, the Executive will receive a cash payment equal to 3.25% of the total profit.

If AMERX profit is \$1,000,000 or more for the current fiscal year, the Executive will receive a cash payment equal to 3.45% of the total profit.

The Profit Incentive Bonus for AMERX will be paid by AMERX to Executive after the close of the fiscal year end.

Approved:

PROCYON CORPORATION

By: /s/ Justice W. Anderson
Justice W. Anderson
Chief Executive Officer and
President, Procyon.

By: /s/ Fred W. Suggs, Jr.
Fred W. Suggs, Jr.
Director, Member of the Procyon
Corporation Compensation Committee

By: /s/ Joseph R. Treshler
Joseph R. Treshler
Director, Member of the Procyon
Corporation Compensation Committee

AMERX HEALTH CARE CORPORATION

By: /s/ Justice W. Anderson
Justice W. Anderson
President, AMERX

EXECUTIVE:

By: /s/ James B. Anderson
James B. Anderson
Vice President of Operations, AMERX
Chief Financial Officer, Procyon

Effective Date: November 1, 2018

Exhibit 10.3

RESTATED AND AMENDED EXECUTIVE EMPLOYMENT AGREEMENT

This RESTATED AND AMENDED EXECUTIVE EMPLOYMENT AGREEMENT (the "Agreement"), effective November 1, 2018, by and between AMERX Health Care Corporation, a Florida corporation ("AMERX"), Procyon Corporation, a Colorado corporation ("Procyon") and George Borak (the "Executive").

WHEREAS, AMERX has, prior to the date of this Agreement, employed the Executive as its Vice-President of Sales; and

WHEREAS, Procyon, the parent corporation of AMERX, has agreed to provide some of the benefits to Executive under this Agreement; and

WHEREAS, AMERX desires to continue to employ the Executive on a full-time basis, and the Executive desires to be so employed by AMERX, pursuant to the terms of this Agreement;

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties agree as follows:

ARTICLE I

EMPLOYMENT DUTIES AND BENEFITS

Section 1.1 Employment. AMERX hereby employs the Executive in the position described on Schedule 1 hereto as an executive officer of AMERX, pursuant to the terms of this Executive Employment Agreement. The Executive accepts such employment and agrees to perform the duties and responsibilities assigned to him pursuant to this Agreement.

Section 1.2 Duties and Responsibilities. The Executive shall hold the position with AMERX which is specified on Schedule 1, which is attached hereto and incorporated herein by reference. The Executive is employed pursuant to the terms of this Agreement and agrees to devote full-time to the business of AMERX. The Executive shall perform the duties set forth on Schedule 1 while employed as an executive officer, and such further duties as may be determined and assigned to him from time-to-time by the Chief Executive Officer or the Board of Directors of Procyon Corporation, the parent corporation of AMERX.

Section 1.3 Working Facilities. The Executive shall be furnished with facilities and services suitable to the position and adequate for the performance of the Executive's duties under this Agreement. The Executive's duties shall be rendered at AMERX's offices, or at such other place or places as the Executive may designate with AMERX's approval, which shall not be unreasonably withheld.

Section 1.4 Vacations. The Executive shall be entitled each year to vacation in accordance with the Procyon Employee Handbook now or hereafter in effect for executive personnel, during which time the Executive's compensation shall be paid in full. Should AMERX from time-to-time require the Executive to perform job duties during vacation periods, the Executive shall be entitled to compensatory vacation time at a mutually agreeable time.

Section 1.5 Expenses. The Executive is authorized to incur reasonable expenses for promoting the domestic and international business of AMERX in all respects, including expenses for entertainment, travel and similar items. AMERX will reimburse the Executive for all such expenses that are reasonably related to AMERX's business and primarily for AMERX's benefit, upon the presentation by the Executive, from time-to-time, of an itemized account of such expenditures. Such expenses shall be reviewed and approved by Procyon's Chief Financial Officer.

Section 1.6 Benefit Plans. From the effective date of this Agreement, the Executive shall be entitled to participate in all existing benefit plans provided to Procyon's executive employees, including, to the extent now or hereafter in effect, medical, health, dental, vision, disability, life insurance and death benefit plans, in accordance with the terms of such plans.

ARTICLE II COMPENSATION

Section 2.1 Base Salary. AMERX shall pay to the Executive a base salary of not less than the amount specified on Schedule 1, subject to annual review and raises in such base salary. The base salary may be changed by action of Procyon's Board of Directors, and such changes shall thereafter be included in the Executive's base salary as defined for purposes of this Agreement and Procyon's bonus plan.

Section 2.2 Bonus and Bonus Plan Participation. The Executive shall be entitled to receive certain incentive bonuses, as set forth, and pursuant to the conditions set forth, in Schedule 1. The Executive shall also be entitled to receive bonuses in accordance with the provisions of the Procyon-wide bonus plan as in effect from time to time.

ARTICLE III TERM OF EMPLOYMENT AND TERMINATION

Section 3.1 Term and Nature of Employment. This Agreement shall be for a term of one year, commencing on its effective date, subject, however, to termination during such period as provided in this Article and approval of the Board of Directors of Procyon in its annual meeting. Nothing contained in this Agreement shall be construed to constitute a promise of employment to the Executive for a fixed term. Executive's employment under this

Agreement is strictly "at will," and may be terminated by the Executive, AMERX or Procyon, upon thirty days written notice, for any reason or no reason, with or without cause.

Section 3.2 Renewal of Term. Subject to the Procyon Board of Directors' approval, Executive's employment shall be automatically extended for one additional year at the end of each year of the term, or extended term, of this Agreement on the same terms and conditions as contained in this Agreement, unless either AMERX, Procyon or the Executive shall, prior to the expiration of the initial term or of any renewal term, give written notice of the intention not to renew this Agreement.

Section 3.3 Termination. In the event of termination of this Agreement by the Executive, Procyon or AMERX for any reason, including termination by death or disability of the Executive, AMERX shall be obligated to compensate the Executive for any accrued vacation time not taken and any earned but unpaid base salary and any earned but unpaid bonuses up to the date of termination.

Section 3.4 Options. Any options granted to the Executive to purchase stock of Procyon shall become fully vested on the date of the involuntary termination of this Agreement. This provision shall serve as a contractual modification of any option grants or agreements between the Executive and Procyon, whether such grants or agreements shall pre-date or postdate this Agreement, and is hereby incorporated by reference into each such option grant or agreement.

ARTICLE IV GENERAL MATTERS

Section 4.1 Governing Law. This Agreement shall be governed by the laws of the State of Florida and shall be construed in accordance therewith.

Section 4.2 No Waiver. No provision of this Agreement may be waived except by an agreement in writing signed by the waiving party. A waiver of any term or provision shall not be construed as a waiver of any other term or provision.

Section 4.3 Amendment. This Agreement may be amended, altered or revoked at any time, in whole or in part, by filing with this Agreement a written instrument setting forth such changes, signed by each of the parties.

Section 4.4 Benefit. This Agreement shall be binding upon the Executive, Procyon and AMERX, and shall not be assignable by Procyon or AMERX without the Executive's written consent.

Section 4.5 Construction. Throughout this Agreement the singular shall include the plural, and the plural shall include the singular, and the masculine and neuter shall include the feminine, wherever the context so requires.

Section 4.6 Text to Control. The headings of articles and sections are included solely for convenience of reference. If any conflict between any heading and the text of this Agreement exists, the text shall control.

Section 4.7 Severability. If any provision of this Agreement is declared by any court of competent jurisdiction to be invalid for any reason, such invalidity shall not affect the remaining provisions. On the contrary, such remaining provisions shall be fully severable, and this Agreement shall be construed and enforced as if such invalid provisions had not been included in the Agreement.

Section 4.8 Authority. The officer executing this Agreement on behalf of Procyon and AMERX has been empowered and directed to do so by the Board of Directors of Procyon.

Section 4.9 Effective Date. The effective date of this Agreement shall be November 1, 2018.

PROCYON CORPORATION

By: /s/ Justice W. Anderson
Justice W. Anderson
Chief Executive Officer and President

By: /s/ Fred W. Suggs, Jr.
Fred W. Suggs, Jr.
Director, Member of the Procyon
Corporation Compensation Committee

By: /s/ Joseph R. Treshler
Joseph R. Treshler
Director, Member of the Procyon
Corporation Compensation Committee

AMERX HEALTH CARE CORPORATION

By: /s/ James B. Anderson
James .B. Anderson
Vice President of Operations

EXECUTIVE:

By: /s/ George O. Borak
George o. Borak
Vice President of Sales

Effective: November 1, 2018

FY 2019
PROCYON CORPORATION
AMERX HEALTH CARE CORPORATION
EXECUTIVE EMPLOYMENT AGREEMENT

Schedule 1

Salary and Benefit Statement

Date: November 1, 2018

Executive: George Borak

Position: AMERX Health Care Corporation: Vice President of Sales

Reporting To: Justice W. Anderson, President, AMERX Health Care

Base Salary: \$160,000, annually

Benefits: As outlined in this Executive Employment Agreement.

Term: As described in Section 3.1 of the Executive Employment Agreement. The terms of the Growth Incentive and Profit Incentive Bonus described below shall be reviewed annually, and any amendment thereto to be made with the mutual agreement of Procyon, AMERX and the Executive.

Duties and

Responsibilities: Supervision and coordination of all sales of AMERX Products; supervision of all other sales personnel of AMERX; devising and executing strategic sales planning for all aspects of business conducted by AMERX; creating new opportunities for sales and helping AMERX to remain competitive in the marketplace; and cost-effective management of resources; oversee manufacturing of all AMERX products and new product development; and such other matters as determined from time to time by Procyon's Board of Directors.

AMERX New

Product Incentive

Bonus: Executive will receive 3% of net new product sales for the first 2 years following the launch of the new product.

AMERX Sales Incentive

Quarterly Incentive on Growth:

- Incentive pay will be based on AMERX current fiscal year quarterly product sales growth over previous fiscal years' quarterly net product sales.
- 3.5% Incentive: If AMERX net sales for the current fiscal year quarter are over the prior fiscal years' net sales for the corresponding quarter, but the increase is less than 15%, incentive pay will consist of a cash payment equal to 3.5% of net sales growth for that quarter over the prior fiscal years' net sales for that quarter.
- 4.25% Incentive: If AMERX net sales for the current fiscal year quarter increase at least 15% but less than 25% over the prior fiscal years' net sales for the corresponding quarter, incentive pay will consist of a cash payment equal to 4.25% of net sales growth for that quarter over the prior fiscal years' net sales for that quarter.
- 4.75% Incentive: If AMERX net sales for the current fiscal year quarter increase 25% or more over the prior fiscal years' net sales for the corresponding quarter, incentive pay will consist of a cash payment equal to 4.75% of net sales growth for that quarter over the prior fiscal years' net sales for that quarter.
- The Sales Incentive Bonus will be paid by AMERX to the Executive 30 days following the end of the applicable fiscal quarter.

Annual Incentive on Growth -

- 5000 Option Incentive: If AMERX net sales for the current fiscal year increase at least 15% but less than 25% over the prior fiscal years' net sales, 5,000 options to purchase Procyon common stock will be granted to Executive plus \$5,000 in cash.
- 15000 Option Incentive: If AMERX net sales for the current fiscal year increase 25% or more over the prior fiscal years' net sales, 15,000 options to purchase Procyon common stock will be granted to Executive plus \$5,000 in cash.

Profit Incentive: The profit incentive, which includes profit from product sales, as well as profit from other activities, which may be designated from time to time by the Board of Directors, will be based on audited financial statements for the current fiscal year.

AMERX Profit Bonus:

If AMERX profit is \$250,000 or more, but less than \$500,000 for the current fiscal year, the Executive will receive a cash payment equal to .75% of the total profit.

If AMERX profit is \$500,000 or more, but less than \$750,000 for the current fiscal year, the Executive will receive a cash payment equal to 1% of the total profit.

If AMERX profit is \$750,000 or more, but less than \$1,000,000 for the current fiscal year, the Executive will receive a cash payment equal to 1.25% of the total profit.

If AMERX profit is \$1,000,000 or more for the current fiscal year, the Executive will receive a cash payment equal to 1.45% of the total profit.

The Profit Incentive Bonus for AMERX will be paid by AMERX to the Executive after the close of the fiscal year end.

APPROVED:

PROCYON CORPORATION:

By: /s/ Justice W. Anderson
Justice W. Anderson
Chief Executive Officer and President

By: /s/ Fred W. Suggs, Jr.
Fred W. Suggs, Jr.
Director, Member of the Procyon
Corporation Compensation Committee

By: /s/ Joseph R. Treshler
Joseph R. Treshler
Director, Member of the Procyon
Corporation Compensation Committee

AMERX HEALTH CARE CORPORATION

By: /s/ James B. Anderson
James B. Anderson
Vice President of Operations

EXECUTIVE:

By: /s/ George O. Borak
George O. Borak
Vice President of Sales

Effective Date: November 1, 2018

Exhibit 10.4

00000000000003761500007010052018

BUSINESS LOAN AGREEMENT

| Principal | Loan Date | Maturity | Loan No | Call / Coll | Account | Officer | Initials |
|---|------------|------------|---------|-------------|---------|---------|----------|
| \$250,000.00 | 10-09-2018 | 10-09-2020 | 37615 | 4A / 235 | | *** | |
| References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "****" has been omitted due to text length limitations. | | | | | | | |

Borrower: PROCYON CORPORATION Lender: SERVISFIRST BANK
 1300 SOUTH HIGHLAND AVENUE TAMPA
 CLEARWATER, FL 33756 4221 WEST BOY SCOUT BOULEVARD
 SUITE 100 TAMPA, FL 33607

THIS BUSINESS LOAN AGREEMENT dated October 9, 2018, is made and executed between PROCYON CORPORATION ("Borrower") and SERVISFIRST BANK ("Lender") on the following terms and conditions. Borrower has received prior commercial loans from Lender or has applied to Lender for a commercial loan or loans or other financial accommodations, including those which may be described on any exhibit or schedule attached to this Agreement. Borrower understands and agrees that: (A) in granting, renewing, or extending any Loan, Lender is relying upon Borrower's representations, warranties, and agreements as set forth in this Agreement; (B) the granting, renewing, or extending of any Loan by Lender at all times shall be subject to Lender's sole judgment and discretion; and (C) all such Loans shall be and remain subject to the terms and conditions of this Agreement. This Agreement shall apply to any and all present and future loans, loan advances, extension of credit, financial accommodations and other agreements and undertakings of every nature and kind that may be entered into by and between Borrower and Lender now and in the future.

TERM. This Agreement shall be effective as of October 9, 2018, and shall continue in full force and effect until such time as all of Borrower's Loans in favor of Lender have been paid in full, including principal, interest, costs, expenses, attorneys' fees, and other fees and charges, or until such time as the parties may agree in writing to terminate this Agreement.

CONDITIONS PRECEDENT TO EACH ADVANCE. Lender's obligation to make the initial Advance and each subsequent Advance under this Agreement shall be subject to the fulfillment to Lender's satisfaction of all of the conditions set forth in this Agreement and in the Related Documents.

Loan Documents. Borrower shall provide to Lender the following documents for the Loan: (1) the Note; (2) Security Agreements granting to Lender security interests in the Collateral; (3) financing statements and all other documents perfecting Lender's Security Interests; (4) evidence of insurance as required below; (5) guaranties; (6) together with all such Related Documents as Lender may require for the Loan; all in form and substance satisfactory to Lender and Lender's counsel.

Borrower's Authorization. Borrower shall have provided in form and substance satisfactory to Lender properly certified resolutions, duly authorizing the execution and delivery of this Agreement, the Note and the Related Documents. In addition, Borrower shall have provided such other resolutions, authorizations, documents and instruments as Lender or its counsel, may require.

Payment of Fees and Expenses. Borrower shall have paid to Lender all fees, charges, and other expenses which are then due and payable as specified in this Agreement or any Related Document.

Representations and Warranties. The representations and warranties set forth in this Agreement, in the Related Documents, and in any document or certificate delivered to Lender under this Agreement are true and correct.

No Event of Default. There shall not exist at the time of any Advance a condition which would constitute an Event of Default under this Agreement or under any Related Document.

REPRESENTATIONS AND WARRANTIES. Borrower represents and warrants to Lender, as of the date of this Agreement, as of the date of each disbursement of loan proceeds, as of the date of any renewal, extension or modification of any Loan, and at all times any Indebtedness exists:

Organization. Borrower is a corporation for profit which is, and at all times shall be, duly organized, validly existing, and in good standing under and by virtue of the laws of the State of Colorado. Borrower is duly authorized to transact business in the State of Florida and all other states in which Borrower is doing business, having obtained all necessary filings, governmental licenses and approvals for each state in which Borrower is doing business. Specifically, Borrower is, and at all times shall be, duly qualified as a foreign corporation in all states in which the failure to so qualify would have a material adverse effect on its business or financial condition. Borrower has the full power and authority to own its properties and to transact the business in which it is presently engaged or presently proposes to engage. Borrower maintains an office at 1300 SOUTH HIGHLAND AVENUE, CLEARWATER, FL 33756. Unless Borrower has designated otherwise in writing, the principal office is the office at which Borrower keeps its books and records including its records concerning the Collateral. Borrower will notify Lender prior to any change in the location of Borrower's state of organization or any change in Borrower's name. Borrower shall do all things necessary to preserve and to keep in full force and effect its existence, rights and privileges, and shall comply with all regulations, rules, ordinances, statutes, orders and decrees of any governmental or quasi-governmental authority or court applicable to Borrower and Borrower's business activities.

Assumed Business Names. Borrower has filed or recorded all documents or filings required by law relating to all assumed business names used by Borrower. Excluding the name of Borrower, the following is a complete list of all assumed business names under which Borrower does business: None.

Authorization. Borrower's execution, delivery, and performance of this Agreement and all the Related Documents have been duly authorized by all necessary action by Borrower, do not require the consent or approval of any other person, regulatory authority, or governmental body, and do not conflict with, result in a violation of, or constitute a default under (1) any provision of (a) Borrower's articles of incorporation or organization, or bylaws, or (b) any agreement or other instrument binding upon Borrower or (2) any law, governmental regulation, court decree, or order applicable to Borrower or to Borrower's properties. Borrower has the power and authority to enter into the Note and the Related Documents and to grant collateral as security for the Loan. Borrower has the further power and authority to own and to hold all of Borrower's assets and properties, and to carry on Borrower's business as presently conducted.

Financial Information. Each of Borrower's financial statements supplied to Lender truly and completely disclosed Borrower's financial condition as of the date of the statement, and there has been no material adverse change in Borrower's financial condition subsequent to the date of the most recent financial statement supplied to Lender. Borrower has no material contingent obligations except as disclosed in such financial statements.

Legal Effect. This Agreement constitutes, and any instrument or agreement Borrower is required to give under this Agreement when delivered will constitute legal, valid, and binding obligations of Borrower enforceable against Borrower in accordance with their respective terms.

Properties. Except as contemplated by this Agreement or as previously disclosed in Borrower's financial statements or in writing to Lender and as accepted by Lender, and except for property tax liens for taxes not presently due and payable, Borrower owns and has good title to all of Borrower's properties free and clear of all Security Interests, and has not executed any security documents or financing statements relating to such properties. All of Borrower's properties are titled in Borrower's legal name, and Borrower has not used or filed a financing statement under any other name for at least the last five (5) years.

Hazardous Substances. Except as disclosed to and acknowledged by Lender in writing, Borrower represents and warrants that: (1) During the period of Borrower's ownership of the Collateral, there has been no use, generation, manufacture, storage, treatment, disposal, release or threatened release of any Hazardous

Substance by any person on, under, about or from any of the Collateral. (2) Borrower has no knowledge of, or reason to believe that there has been (a) any breach or violation of any Environmental Laws; (b) any use, generation, manufacture, storage, treatment, disposal, release or threatened release of any Hazardous Substance on, under, about or from the Collateral by any prior owners or occupants of any of the Collateral; or (c) any actual or threatened litigation or claims of any kind by any person relating to such matters. (3) Neither Borrower nor any tenant, contractor, agent or other authorized user of any of the Collateral shall use, generate, manufacture, store, treat, dispose of or release any Hazardous Substance on, under, about or from any of the Collateral; and any such activity shall be conducted in compliance with all applicable federal, state, and local laws, regulations, and ordinances, including without limitation all Environmental Laws. Borrower authorizes Lender and its agents to enter upon the Collateral to make such inspections and tests as Lender may deem appropriate to determine compliance of the Collateral with this section of the Agreement. Any inspections or tests made by Lender shall be at Borrower's expense and for Lender's purposes only and shall not be construed to create any responsibility or liability on the part of Lender to Borrower or to any other person. The representations and warranties contained herein are based on Borrower's due diligence in investigating the Collateral for hazardous waste and Hazardous Substances. Borrower hereby (1) releases and waives any future claims against Lender for indemnity or contribution in the event Borrower becomes liable for cleanup or other costs under any such laws, and (2) agrees to indemnify, defend, and hold harmless Lender against any and all claims, losses, liabilities, damages, penalties, and expenses which Lender may directly or indirectly sustain or suffer resulting from a breach of this section of the Agreement or as a consequence of any use, generation, manufacture, storage, disposal, release or threatened release of a hazardous waste or substance on the Collateral. The provisions of this section of the Agreement, including the obligation to indemnify and defend, shall survive the payment of the Indebtedness and the termination, expiration or satisfaction of this Agreement and shall not be affected by Lender's acquisition of any interest in any of the Collateral, whether by foreclosure or otherwise.

Litigation and Claims. No litigation, claim, investigation, administrative proceeding or similar action (including those for unpaid taxes) against Borrower is pending or threatened, and no other event has occurred which may materially adversely affect Borrower's financial condition or properties, other than litigation, claims, or other events, if any, that have been disclosed to and acknowledged by Lender in writing. Taxes. To the best of Borrower's knowledge, all of Borrower's tax returns and reports that are or were required to be filed, have been filed, and all taxes, assessments and other governmental charges have been paid in full, except those presently being or to be contested by Borrower in good faith in the ordinary course of business and for which adequate reserves have been provided.

Lien Priority. Unless otherwise previously disclosed to Lender in writing, Borrower has not entered into or granted any Security Agreements, or permitted the filing or attachment of any Security Interests on or affecting any of the Collateral directly or indirectly securing repayment of Borrower's Loan and Note, that would be prior or that may in any way be superior to Lender's Security Interests and rights in and to such Collateral.

Binding Effect. This Agreement, the Note, all Security Agreements (if any), and all Related Documents are binding upon the signers thereof, as well as upon their successors, representatives and assigns, and are legally enforceable in accordance with their respective terms.

Commercial Purposes. Borrower intends to use the Loan proceeds solely for business or commercially related purposes.

Employee Benefit Plans. Each employee benefit plan as to which Borrower may have any liability complies in all material respects with all applicable requirements of law and regulations, and (1) no Reportable Event nor Prohibited Transaction (as defined in ERISA) has occurred with respect to any such plan, (2) Borrower has not withdrawn from any such plan or initiated steps to do so, (3) no steps have been taken to terminate any such plan or to appoint a trustee to administer such a plan, and (4) there are no unfunded liabilities other than those previously disclosed to Lender in writing.

Investment Company Act. Borrower is not an "investment company" or a company "controlled" by an

"investment company", within the meaning of the Investment Company Act of 1940, as amended. Public Utility Holding Company Act. Borrower is not a "holding company", or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company", within the meaning of the Public Utility Holding Company Act of 1935, as amended.

Regulations T and U. Borrower is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulations T and U of the Board of Governors of the Federal Reserve System).

Information. All information previously furnished or which is now being furnished by Borrower to Lender for the purposes of or in connection with this Agreement or any transaction contemplated by this Agreement is, and all information furnished by or on behalf of Borrower to Lender in the future will be, true and accurate in every material respect on the date as of which such information is dated or certified; and no such information is or will be incomplete by omitting to state any material fact the omission of which would cause the information to be misleading.

Claims and Defenses. There are no defenses or counterclaims, offsets or other adverse claims, demands or actions of any kind, personal or otherwise, that Borrower, any Grantor, or any Guarantor could assert with respect to the Note, Loan, this Agreement, or the Related Documents.

AFFIRMATIVE COVENANTS. Borrower covenants and agrees with Lender that, so long as this Agreement remains in effect, Borrower will:

Repayment. Repay the Loan in accordance with its terms and the terms of this Agreement.

Notices of Claims and Litigation. Promptly inform Lender in writing of (1) all material adverse changes in Borrower's financial condition, and (2) all existing and all threatened litigation, claims, investigations, administrative proceedings or similar actions affecting Borrower or any Guarantor which could materially affect the financial condition of Borrower or the financial condition of any Guarantor. In addition, Borrower shall provide Lender with written notice of the occurrence of any Event of Default, the occurrence of any Reportable Event under, or the institution of steps by Borrower to withdraw from, or the institution of any steps to terminate, any employee benefit plan as to which Borrower may have any liability.

Financial Records. Maintain its books and records in accordance with GAAP, applied on a consistent basis, and permit Lender to examine and audit Borrower's books and records at all reasonable times.

Financial Statements. Furnish Lender with the following:

Annual Statements. As soon as available, but in no event later than thirty (30) days after the end of each fiscal year, Borrower's balance sheet and income statement for the year ended, prepared by Borrower in form satisfactory to Lender.

Tax Returns. As soon as available, but in no event later than thirty (30) days after the applicable filing date for the tax reporting period ended, Borrower's Federal and other governmental tax returns, prepared by a tax professional satisfactory to Lender.

Additional Requirements. Annual Audited Financial Statements of Borrower (10-K), Quarterly Unaudited Financial Statement of Borrower (10-Q).

NOTE: FYE is 06/30.

All financial reports required to be provided under this Agreement shall be prepared in accordance with GAAP, applied on a consistent basis, and certified by Borrower as being true and correct.

Additional Information. Furnish such additional information and statements, as Lender may request from time to time.

Additional Requirements. Minimum Borrower Debt Service Coverage Ratio of 1.25x to be evaluated annually.

Conditions:

* Primary depository relationship to be held at SFB

* No Secondary Financing/ Sale of Collateral without prior written consent of Bank.

Insurance. Maintain fire and other risk insurance, public liability insurance, and such other insurance as Lender may require with respect to Borrower's properties and operations, in form, amounts, coverages and

with insurance companies acceptable to Lender. Borrower, upon request of Lender, will deliver to Lender from time to time the policies or certificates of insurance in form satisfactory to Lender, including stipulations that coverages will not be cancelled or diminished without at least thirty (30) days prior written notice to Lender. Each insurance policy also shall include an endorsement providing that coverage in favor of Lender will not be impaired in any way by any act, omission or default of Borrower or any other person. In connection with all policies covering assets in which Lender holds or is offered a security interest for the Loans, Borrower will provide Lender with such lender's loss payable or other endorsements as Lender may require.

Insurance Reports. Furnish to Lender, upon request of Lender, reports on each existing insurance policy showing such information as Lender may reasonably request, including without limitation the following: (1) the name of the insurer; (2) the risks insured; (3) the amount of the policy; (4) the properties insured; (5) the then current property values on the basis of which insurance has been obtained, and the manner of determining those values; and (6) the expiration date of the policy. In addition, upon request of Lender (however not more often than annually), Borrower will have an independent appraiser satisfactory to Lender determine, as applicable, the actual cash value or replacement cost of any Collateral. The cost of such appraisal shall be paid by Borrower.

Guaranties. Prior to disbursement of any Loan proceeds, furnish executed guaranties of the Loans in favor of Lender, executed by the guarantor named below, on Lender's forms, and in the amount and under the conditions set forth in those guaranties.

| <u>Name of Guarantor</u> | <u>Amount</u> |
|--------------------------|---------------|
| JUSTICE W. ANDERSON | Unlimited |

Other Agreements. Comply with all terms and conditions of all other agreements, whether now or hereafter existing, between Borrower and any other party and notify Lender immediately in writing of any default in connection with any other such agreements.

Loan Proceeds. Use all Loan proceeds solely for Borrower's business operations, unless specifically consented to the contrary by Lender in writing.

Taxes, Charges and Liens. Pay and discharge when due all of its indebtedness and obligations, including without limitation all assessments, taxes, governmental charges, levies and liens, of every kind and nature, imposed upon Borrower or its properties, income, or profits, prior to the date on which penalties would attach, and all lawful claims that, if unpaid, might become a lien or charge upon any of Borrower's properties, income, or profits. Provided however, Borrower will not be required to pay and discharge any such assessment, tax, charge, levy, lien or claim so long as (1) the legality of the same shall be contested in good faith by appropriate proceedings, and (2) Borrower shall have established on Borrower's books adequate reserves with respect to such contested assessment, tax, charge, levy, lien, or claim in accordance with GAAP.

Performance. Perform and comply, in a timely manner, with all terms, conditions, and provisions set forth in this Agreement, in the Related Documents, and in all other instruments and agreements between Borrower and Lender, and in all other loan agreements now or in the future existing between Borrower and any other party. Borrower shall notify Lender immediately in writing of any default in connection with any agreement.

Operations. Maintain executive and management personnel with substantially the same qualifications and experience as the present executive and management personnel; provide written notice to Lender of any change in executive and management personnel; conduct its business affairs in a reasonable and prudent manner.

Environmental Studies. Promptly conduct and complete, at Borrower's expense, all such investigations, studies, samplings and testings as may be requested by Lender or any governmental authority relative to any substance, or any waste or by-product of any substance defined as toxic or a hazardous substance under applicable federal, state, or local law, rule, regulation, order or directive, at or affecting any property or any facility owned, leased or used by Borrower.

Compliance with Governmental Requirements. Comply with all laws, ordinances, and regulations, now or

hereafter in effect, of all governmental authorities applicable to the conduct of Borrower's properties, businesses and operations, and to the use or occupancy of the Collateral, including without limitation, the Americans With Disabilities Act. Borrower may contest in good faith any such law, ordinance, or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Borrower has notified Lender in writing prior to doing so and so long as, in Lender's sole opinion, Lender's interests in the Collateral are not jeopardized. Lender may require Borrower to post adequate security or a surety bond, reasonably satisfactory to Lender, to protect Lender's interest.

Inspection. Permit employees or agents of Lender at any reasonable time to inspect any and all Collateral for the Loan or Loans and Borrower's other properties and to examine or audit Borrower's books, accounts, and records and to make copies and memoranda of Borrower's books, accounts, and records. If Borrower now or at any time hereafter maintains any records (including without limitation computer generated records and computer software programs for the generation of such records) in the possession of a third party, Borrower, upon request of Lender, shall notify such party to permit Lender free access to such records at all reasonable times and to provide Lender with copies of any records it may request, all at Borrower's expense.

Change of Location. Immediately notify Lender in writing of any additions to or changes in the location of Borrower's businesses.

Title to Assets and Property. Maintain good and marketable title to all of Borrower's assets and properties.

Notice of Default, Litigation and ERISA Matters. Forthwith upon learning of the occurrence of any of the following, Borrower shall provide Lender with written notice thereof, describing the same and the steps being taken by Borrower with respect thereto: (1) the occurrence of any Event of Default, or (2) the institution of, or any adverse determination in, any litigation, arbitration proceeding or governmental proceeding, or (3) the occurrence of a Reportable Event under, or the institution of steps by Borrower to withdraw from, or the institution of any steps to terminate, any employee benefit plan as to which Borrower may have any liability.

Other Information. From time to time Borrower will provide Lender with such other information as Lender may reasonably request.

Employee Benefit Plans. So long as this Agreement remains in effect, Borrower will maintain each employee benefit plan as to which Borrower may have any liability, in compliance with all applicable requirements of law and regulations.

Environmental Compliance and Reports. Borrower shall comply in all respects with any and all Environmental Laws; not cause or permit to exist, as a result of an intentional or unintentional action or omission on Borrower's part or on the part of any third party, on property owned and/or occupied by Borrower, any environmental activity where damage may result to the environment, unless such environmental activity is pursuant to and in compliance with the conditions of a permit issued by the appropriate federal, state or local governmental authorities; shall furnish to Lender promptly and in any event within thirty (30) days after receipt thereof a copy of any notice, summons, lien, citation, directive, letter or other communication from any governmental agency or instrumentality concerning any intentional or unintentional action or omission on Borrower's part in connection with any environmental activity whether or not there is damage to the environment and/or other natural resources.

Additional Assurances. Make, execute and deliver to Lender such promissory notes, mortgages, deeds of trust, security agreements, assignments, financing statements, instruments, documents and other agreements as Lender or its attorneys may reasonably request to evidence and secure the Loans and to perfect all Security Interests.

RECOVERY OF ADDITIONAL COSTS. If the imposition of or any change in any law, rule, regulation, guideline, or generally accepted accounting principle, or the interpretation or application of any thereof by any court, administrative or governmental authority, or standard-setting organization (including any request or policy not having the force of law) shall impose, modify or make applicable any taxes (except federal, state or local income or franchise taxes imposed on Lender), reserve requirements, capital adequacy requirements or other obligations which would (A) increase the cost to Lender for extending or maintaining the credit facilities to which this

Agreement relates, (B) reduce the amounts payable to Lender under this Agreement or the Related Documents, or (C) reduce the rate of return on Lender's capital as a consequence of Lender's obligations with respect to the credit facilities to which this Agreement relates, then Borrower agrees to pay Lender such additional amounts as will compensate Lender therefor, within five (5) days after Lender's written demand for such payment, which demand shall be accompanied by an explanation of such imposition or charge and a calculation in reasonable detail of the additional amounts payable by Borrower, which explanation and calculations shall be conclusive in the absence of manifest error.

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

NEGATIVE COVENANTS. Borrower covenants and agrees with Lender that while this Agreement is in effect, Borrower shall not, without the prior written consent of Lender:

Indebtedness and Liens. (1) Except for trade debt incurred in the normal course of business and indebtedness to Lender contemplated by this Agreement, create, incur or assume indebtedness for borrowed money, including capital leases, (2) sell, transfer, mortgage, assign, pledge, lease, grant a security interest in, or encumber any of Borrower's assets (except as allowed as Permitted Liens), or (3) sell with recourse any of Borrower's accounts, except to Lender.

Continuity of Operations. (1) Engage in any business activities substantially different than those in which Borrower is presently engaged, (2) cease operations, liquidate, merge, transfer, acquire or consolidate with any other entity, change its name, dissolve or transfer or sell Collateral out of the ordinary course of business, or (3) pay any dividends on Borrower's stock (other than dividends payable in its stock), provided, however that notwithstanding the foregoing, but only so long as no Event of Default has occurred and is continuing or would result from the payment of dividends, if Borrower is a "Subchapter S Corporation" (as defined in the Internal Revenue Code of 1986, as amended), Borrower may pay cash dividends on its stock to its shareholders from time to time in amounts necessary to enable the shareholders to pay income taxes and make estimated income tax payments to satisfy their liabilities under federal and state law which arise solely from their status as Shareholders of a Subchapter S Corporation because of their ownership of shares of Borrower's stock, or purchase or retire any of Borrower's outstanding shares or alter or amend Borrower's capital structure.

Loans, Acquisitions and Guaranties. (1) Loan, invest in or advance money or assets to any other person, enterprise or entity, (2) purchase, create or acquire any interest in any other enterprise or entity, or (3) incur any obligation as surety or guarantor other than in the ordinary course of business.

Agreements. Enter into any agreement containing any provisions which would be violated or breached by the performance of Borrower's obligations under this Agreement or in connection herewith.

CESSATION OF ADVANCES. If Lender has made any commitment to make any Loan to Borrower, whether under this Agreement or under any other agreement, Lender shall have no obligation to make Loan Advances or to disburse Loan proceeds if: (A) Borrower or any Guarantor is in default under the terms of this Agreement or any of the Related Documents or any other agreement that Borrower or any Guarantor has with Lender; (B) Borrower or any Guarantor dies, becomes incompetent or becomes insolvent, files a petition in bankruptcy or similar

proceedings, or is adjudged a bankrupt; (C) there occurs a material adverse change in Borrower's financial condition, in the financial condition of any Guarantor, or in the value of any Collateral securing any Loan; or (D) any Guarantor seeks, claims or otherwise attempts to limit, modify or revoke such Guarantor's guaranty of the Loan or any other loan with Lender.

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

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

Payment Default. Borrower fails to make any payment when due under the Loan.

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

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

False Statements. Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf, or made by Guarantor, under this Agreement or the Related Documents in connection with the obtaining of the Loan evidenced by the Note or any security document directly or indirectly securing repayment of the Note is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

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

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

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

Execution; Attachment. Any execution or attachment is levied against the Collateral, and such execution or attachment is not set aside, discharged or stayed within thirty (30) days after the same is levied.

Change in Zoning or Public Restriction. Any change in any zoning ordinance or regulation or any other public restriction is enacted, adopted or implemented, that limits or defines the uses which may be made of the Collateral such that the present or intended use of the Collateral, as specified in the Related Documents, would be in violation of such zoning ordinance or regulation or public restriction, as changed.

Default Under Other Lien Documents. A default occurs under any other mortgage, deed of trust or security agreement covering all or any portion of the Collateral.

Judgment. Unless adequately covered by insurance in the opinion of Lender, the entry of a final judgment for the payment of money involving more than ten thousand dollars (\$10,000.00) against Borrower and the failure by Borrower to discharge the same, or cause it to be discharged, or bonded off to Lender's satisfaction, within thirty (30) days from the date of the order, decree or process under which or pursuant to which such judgment was entered.

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

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

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

EFFECT OF AN EVENT OF DEFAULT. If any Event of Default shall occur, except where otherwise provided in this Agreement or the Related Documents, all commitments and obligations of Lender under this Agreement or the Related Documents or any other agreement immediately will terminate (including any obligation to make further Loan Advances or disbursements), and, at Lender's option, all Indebtedness immediately will become due and payable, all without notice of any kind to Borrower, except that in the case of an Event of Default of the type described in the "Insolvency" subsection above, such acceleration shall be automatic and not optional. In addition, Lender shall have all the rights and remedies provided in the Related Documents or available at law, in equity, or otherwise. Except as may be prohibited by applicable law, all of Lender's rights and remedies shall be cumulative and may be exercised singularly or concurrently. Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Borrower or of any Grantor shall not affect Lender's right to declare a default and to exercise its rights and remedies.

ADDITIONAL DOCUMENTS. Borrower shall provide Lender with the following additional documents:

Corporate Resolution. Borrower has provided or will provide Lender with a certified copy of resolutions properly adopted by Borrower's Board of Directors, and certified by Borrower's corporate secretary, assistant secretary, or other authorized officer, under which Borrower's Board of Directors authorized one or more designated officers or employees to execute this Agreement, the Note and any and all Security Agreements directly or indirectly securing repayment of the same, and to consummate the borrowings and other transactions as contemplated under this Agreement, and to consent to the remedies following any default by Borrower as provided in this Agreement and in any Security Agreements.

Opinion of Counsel. When required by Lender, Borrower has provided or will provide Lender with an opinion of Borrower's counsel certifying to and that: (1) Borrower's Note, any Security Agreements and this Agreement constitute valid and binding obligations on Borrower's part that are enforceable in accordance with their respective terms; (2) Borrower is validly existing and in good standing; (3) Borrower has authority to enter into this Agreement and to consummate the transactions contemplated under this Agreement; and (4) such other matters as may have been requested by Lender or by Lender's counsel.

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

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

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

shall pay all court costs and such additional fees as may be directed by the court.

Borrower Information. Borrower consents to the release of information on or about Borrower by Lender in accordance with any court order, law or regulation and in response to credit inquiries concerning Borrower.

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

Consent to Loan Participation. Borrower agrees and consents to Lender's sale or transfer, whether now or later, of one or more participation interests in the Loan to one or more purchasers, whether related or unrelated to Lender. Lender may provide, without any limitation whatsoever, to any one or more purchasers, or potential purchasers, any information or knowledge Lender may have about Borrower or about any other matter relating to the Loan, and Borrower hereby waives any rights to privacy Borrower may have with respect to such matters. Borrower additionally waives any and all notices of sale of participation interests, as well as all notices of any repurchase of such participation interests. Borrower also agrees that the purchasers of any such participation interests will be considered as the absolute owners of such interests in the Loan and will have all the rights granted under the participation agreement or agreements governing the sale of such participation interests. Borrower further waives all rights of offset or counterclaim that it may have now or later against Lender or against any purchaser of such a participation interest and unconditionally agrees that either Lender or such purchaser may enforce Borrower's obligation under the Loan irrespective of the failure or insolvency of any holder of any interest in the Loan. Borrower further agrees that the purchaser of any such participation interests may enforce its interests irrespective of any personal claims or defenses that Borrower may have against Lender.

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

Choice of Venue. If there is a lawsuit, Borrower agrees upon Lender's request to submit to the jurisdiction of the courts of HILLSBOROUGH County, State of Florida.

Non-Liability of Lender. The relationship between Borrower and Lender created by this Agreement is strictly a debtor and creditor relationship and not fiduciary in nature, nor is the relationship to be construed as creating any partnership or joint venture between Lender and Borrower. Borrower is exercising Borrower's own judgment with respect to Borrower's business. All information supplied to Lender is for Lender's protection only and no other party is entitled to rely on such information. There is no duty for Lender to review, inspect, supervise or inform Borrower of any matter with respect to Borrower's business. Lender and Borrower intend that Lender may reasonably rely on all information supplied by Borrower to Lender, together with all representations and warranties given by Borrower to Lender, without investigation or confirmation by Lender and that any investigation or failure to investigate will not diminish Lender's right to so rely.

Notice of Lender's Breach. Borrower must notify Lender in writing of any breach of this Agreement or the Related Documents by Lender and any other claim, cause of action or offset against Lender within thirty (30) days after the occurrence of such breach or after the accrual of such claim, cause of action or offset. Borrower waives any claim, cause of action or offset for which notice is not given in accordance with this paragraph. Lender is entitled to rely on any failure to give such notice.

Indemnification of Lender. Borrower agrees to indemnify, to defend and to save and hold Lender harmless from any and all claims, suits, obligations, damages, losses, costs and expenses (including, without limitation, Lender's reasonable attorneys' fees), demands, liabilities, penalties, fines and forfeitures of any nature whatsoever that may be asserted against or incurred by Lender, its officers, directors, employees, and agents arising out of, relating to, or in any manner occasioned by this Agreement and the exercise of the rights and remedies granted Lender under this, as well as by: (1) the ownership, use, operation, construction, renovation, demolition, preservation, management, repair, condition, or maintenance of any part of the Collateral; (2) the exercise of any of Borrower's rights collaterally assigned and pledged to Lender hereunder; (3) any failure of Borrower to perform any of its obligations hereunder; and/or (4) any failure of

Borrower to comply with the environmental and ERISA obligations, representations and warranties set forth herein. The foregoing indemnity provisions shall survive the cancellation of this Agreement as to all matters arising or accruing prior to such cancellation and the foregoing indemnity shall survive in the event that Lender elects to exercise any of the remedies as provided under this Agreement following default hereunder. Borrower's indemnity obligations under this section shall not in any way be affected by the presence or absence of covering insurance, or by the amount of such insurance or by the failure or refusal of any insurance carrier to perform any obligation on its part under any insurance policy or policies affecting the Collateral and/or Borrower's business activities. Should any claim, action or proceeding be made or brought against Lender by reason of any event as to which Borrower's indemnification obligations apply, then, upon Lender's demand, Borrower, at its sole cost and expense, shall defend such claim, action or proceeding in Borrower's name, if necessary, by the attorneys for Borrower's insurance carrier (if such claim, action or proceeding is covered by insurance), or otherwise by such attorneys as Lender shall approve. Lender may also engage its own attorneys at its reasonable discretion to defend Borrower and to assist in its defense and Borrower agrees to pay the fees and disbursements of such attorneys.

Counterparts. This Agreement may be executed in multiple counterparts, each of which, when so executed, shall be deemed an original, but all such counterparts, taken together, shall constitute one and the same Agreement.

No Waiver by Lender. Lender shall not be deemed to have waived any rights under this Agreement unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Agreement shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Agreement. No prior waiver by Lender, nor any course of dealing between Lender and Borrower, or between Lender and any Grantor, shall constitute a waiver of any of Lender's rights or of any of Borrower's or any Grantor's obligations as to any future transactions. Whenever the consent of Lender is required under this Agreement, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender. Notices. Any notice required to be given under this Agreement shall be given in writing, and shall be effective when actually delivered, when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified or registered mail postage prepaid, directed to the addresses shown near the beginning of this Agreement. Any party may change its address for notices under this Agreement by giving written notice to the other parties, specifying that the purpose of the notice is to change the party's address. For notice purposes, Borrower agrees to keep Lender informed at all times of Borrower's current address. Unless otherwise provided or required by law, if there is more than one Borrower, any notice given by Lender to any Borrower is deemed to be notice given to all Borrowers.

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

Sole Discretion of Lender. Whenever Lender's consent or approval is required under this Agreement, the decision as to whether or not to consent or approve shall be in the sole and exclusive discretion of Lender and Lender's decision shall be final and conclusive.

Subsidiaries and Affiliates of Borrower. To the extent the context of any provisions of this Agreement makes it appropriate, including without limitation any representation, warranty or covenant, the word "Borrower" as used in this Agreement shall include all of Borrower's subsidiaries and affiliates. Notwithstanding the

foregoing however, under no circumstances shall this Agreement be construed to require Lender to make any Loan or other financial accommodation to any of Borrower's subsidiaries or affiliates.

Successors and Assigns. All covenants and agreements by or on behalf of Borrower contained in this Agreement or any Related Documents shall bind Borrower's successors and assigns and shall inure to the benefit of Lender and its successors and assigns. Borrower shall not, however, have the right to assign Borrower's rights under this Agreement or any interest therein, without the prior written consent of Lender. Survival of Representations and Warranties. Borrower understands and agrees that in extending Loan Advances, Lender is relying on all representations, warranties, and covenants made by Borrower in this Agreement or in any certificate or other instrument delivered by Borrower to Lender under this Agreement or the Related Documents. Borrower further agrees that regardless of any investigation made by Lender, all such representations, warranties and covenants will survive the extension of Loan Advances and delivery to Lender of the Related Documents, shall be continuing in nature, shall be deemed made and redated by Borrower at the time each Loan Advance is made, and shall remain in full force and effect until such time as Borrower's Indebtedness shall be paid in full, or until this Agreement shall be terminated in the manner provided above, whichever is the last to occur.

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

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

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

Advance. The word "Advance" means a disbursement of Loan funds made, or to be made, to Borrower or on Borrower's behalf on a line of credit or multiple advance basis under the terms and conditions of this Agreement.

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

Borrower. The word "Borrower" means PROCYON CORPORATION and includes all co-signers and co-makers signing the Note and all their successors and assigns.

Collateral. The word "Collateral" means all property and assets granted as collateral security for a Loan, whether real or personal property, whether granted directly or indirectly, whether granted now or in the future, and whether granted in the form of a security interest, mortgage, collateral mortgage, deed of trust, assignment, pledge, crop pledge, chattel mortgage, collateral chattel mortgage, chattel trust, factor's lien, equipment trust, conditional sale, trust receipt, lien, charge, lien or title retention contract, lease or consignment intended as a security device, or any other security or lien interest whatsoever, whether created by law, contract, or otherwise.

Environmental Laws. The words "Environmental Laws" mean any and all state, federal and local statutes, regulations and ordinances relating to the protection of human health or the environment, including without limitation the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et seq. ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986, Pub. L. No. 99-499 ("SARA"), the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq., or other applicable state or federal laws, rules, or regulations adopted pursuant thereto.

ERISA. The word "ERISA" means the Employee Retirement Income Security Act of 1974, as amended from

time to time, and including all regulations and published interpretations of the act.

Event of Default. The words "Event of Default" mean individually, collectively, and interchangeably any of the events of default set forth in this Agreement in the default section of this Agreement.

GAAP. The word "GAAP" means generally accepted accounting principles.

Grantor. The word "Grantor" means each and all of the persons or entities granting a Security Interest in any Collateral for the Loan, including without limitation all Borrowers granting such a Security Interest.

Guarantor. The word "Guarantor" means any guarantor, surety, or accommodation party of any or all of the Loan, and, in each case, Borrower's successors, assigns, heirs, personal representatives, executors and administrators of any guarantor, surety, or accommodation party.

Guaranty. The word "Guaranty" means the guaranty from Guarantor to Lender, including without limitation a guaranty of all or part of the Note.

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

Indebtedness. The word "Indebtedness" means the indebtedness evidenced by the Note or Related Documents, including all principal and interest together with all other indebtedness and costs and expenses for which Borrower is responsible under this Agreement or under any of the Related Documents.

Lender. The word "Lender" means SERVISFIRST BANK, its successors and assigns.

Loan. The word "Loan" means any and all loans and financial accommodations from Lender to Borrower whether now or hereafter existing, and however evidenced, including without limitation those loans and financial accommodations described herein or described on any exhibit or schedule attached to this Agreement from time to time, and further including any and all subsequent amendments, additions, substitutions, renewals and refinancings of any of Borrower's Loans.

Note. The word "Note" means the Note dated October 9, 2018 and executed by PROCYON CORPORATION in the principal amount of \$250,000.00, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions for the note or credit agreement.

Permitted Liens. The words "Permitted Liens" mean (1) liens and security interests securing Indebtedness owed by Borrower to Lender; (2) liens for taxes, assessments, or similar charges either not yet due or being contested in good faith; (3) liens of materialmen, mechanics, warehousemen, or carriers, or other like liens arising in the ordinary course of business and securing obligations which are not yet delinquent; (4) purchase money liens or purchase money security interests upon or in any property acquired or held by Borrower in the ordinary course of business to secure indebtedness outstanding on the date of this Agreement or permitted to be incurred under the paragraph of this Agreement titled "Indebtedness and Liens"; (5) liens and security interests which, as of the date of this Agreement, have been disclosed to and approved by the Lender in writing; and (6) those liens and security interests which in the aggregate constitute an immaterial and insignificant monetary amount with respect to the net value of Borrower's assets.

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

Security Agreement. The words "Security Agreement" mean and include without limitation any agreements, promises, covenants, arrangements, understandings or other agreements, whether created by law, contract, or otherwise, evidencing, governing, representing, or creating a Security Interest.

Security Interest. The words "Security Interest" mean, individually, collectively, and interchangeably, without limitation, any and all types of collateral security, present and future, whether in the form of a lien,

charge, encumbrance, mortgage, deed of trust, security deed, assignment, pledge, crop pledge, chattel mortgage, collateral chattel mortgage, chattel trust, factor's lien, equipment trust, conditional sale, trust receipt, lien or title retention contract, lease or consignment intended as a security device, or any other security or lien interest whatsoever whether created by law, contract, or otherwise.

BORROWER ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS BUSINESS LOAN AGREEMENT AND BORROWER AGREES TO ITS TERMS. THIS BUSINESS LOAN AGREEMENT IS DATED OCTOBER 9, 2018.

BORROWER:

PROCYON CORPORATION

By: /s/ Justice W. Anderson

JUSTICE W. ANDERSON, Director of PROCYON CORPORATION

LENDER: SERVISFIRST BANK

By: /s/ Effie Santos

EFFIE SANTOS, Vice President

Exhibit 31.1

CERTIFICATION

I, Justice W. Anderson, Chief Executive Officer of Procyon Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Procyon Corporation
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; and
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)) for the registrant issuer 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: November 14, 2018

/s/ JUSTICE W. ANDERSON
Justice W. Anderson, Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, James B. Anderson, Chief Financial Officer of Procyon Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Procyon Corporation
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to stated 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; and
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)) for the registrant issuer 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: November 14, 2018

/s/ JAMES B. ANDERSON

James B. Anderson, Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report of Procyon Corporation (the "Company") on Form 10-Q for the period ended September 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, the undersigned Chief Executive Officer and Chief Financial Officer of the Company, do each certify, to our knowledge, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 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 result of operations of the Company.

Dated: November 14, 2018

/s/ JUSTICE W. ANDERSON
Justice W. Anderson Chief Executive Officer

/s/ JAMES B. ANDERSON
James B. Anderson, Chief Financial Officer