



**TECHNOLOGY,
CONNECTIVITY, AND
SERVICE TO
ENHANCE HEALTHCARE**

**Vaso Corporation
2023 ANNUAL REPORT**

VASO CORPORATION

Vaso Corporation is a diversified med-tech company with three distinctive but related business units, each operating under a wholly-owned subsidiary.

VasoTechnology

VasoTechnology is the Company's IT business unit that provides network and IT services through two operations:

- VHC-IT, a healthcare IT service provider for managed software solutions, including radiology and imaging applications.
- NetWolves, a provider of managed network services, including network connectivity, monitoring and security, and with an extensive, proprietary service platform to a broad base of customers including healthcare providers.

VasoHealthcare

VasoHealthcare is the Company's business unit for professional sales services and has since 2010 been the exclusive representative of GE Healthcare diagnostic imaging and ultrasound products in certain market segments in the USA.

VasoMedical

VasoMedical manages and coordinates the design, manufacture, sales and service of the Company's proprietary medical devices, such as Biox™ diagnostic and monitoring systems and ARCS® ECG/BP analysis and reporting software, including ARCS® cloud-based SaaS subscription services. It also operates the Company's China-based subsidiaries and manages EECP® business in the USA for EECP Global, a joint venture of which VasoMedical is a minority shareholder.

Summary Financial Information

For the Year Ended December 31 (in thousands)

STATEMENTS OF OPERATIONS	2021	2022	2023
Revenue	\$75,195	\$79,294	\$81,024
Gross profit	42,826	47,902	50,593
Operating income	2,512	6,454	4,195
Net income (loss)	5,793	11,294	4,805
Adjusted EBITDA*	3,206	8,424	5,094

BALANCE SHEETS

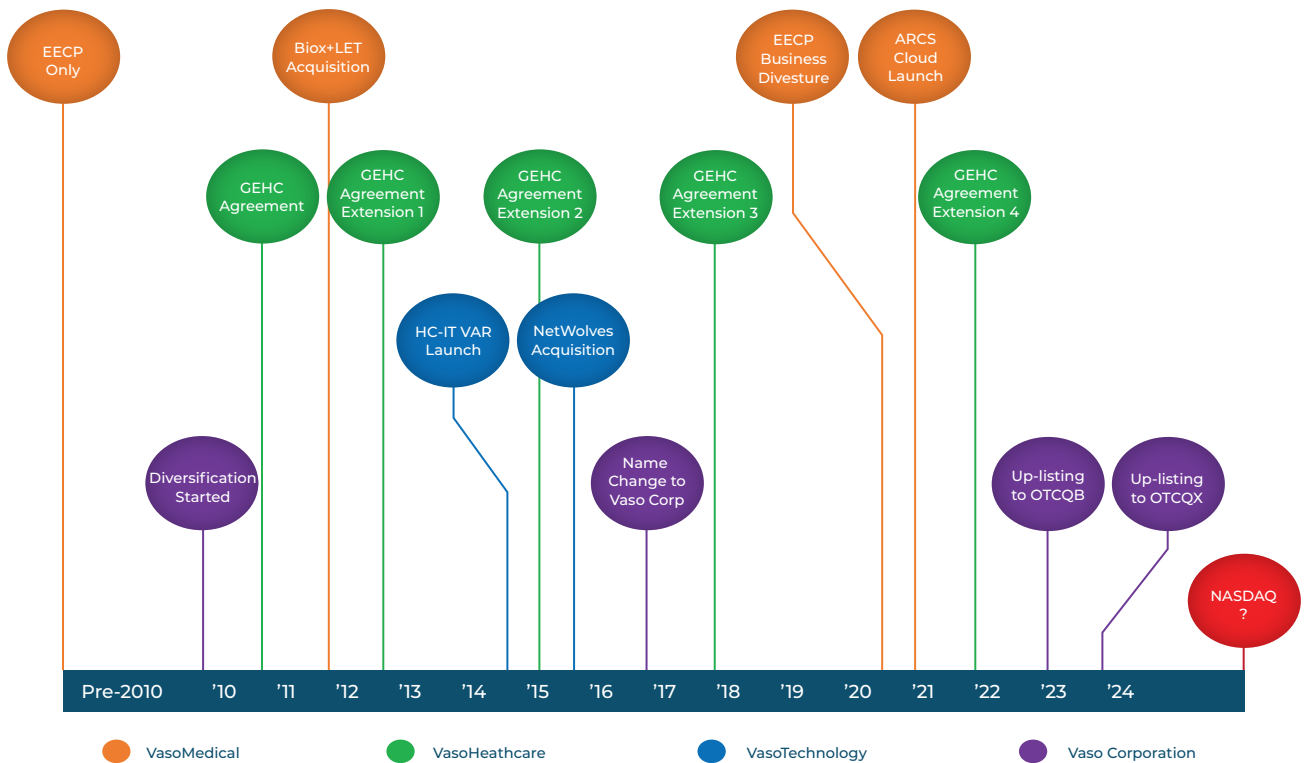
Total current assets	\$27,516	\$40,990	\$45,099
Total assets	52,074	71,645	75,757
Total current liabilities	30,943	31,506	30,040
<i>including deferred revenue—current portion</i>	<i>16,495</i>	<i>15,139</i>	<i>15,883</i>
Total stockholders' equity	11,081	22,067	26,843

*adjusted EBITDA is earnings before interest, taxes, depreciation and amortization and non-cash stock-based compensation

Dear Fellow Shareholders,

Many of you acquired your VASO shares years ago when it was still trading on NASDAQ. I am grateful for your continued trust and loyalty throughout the years since our stock was delisted from NASDAQ in 2006 and started to trade on the OTC Markets. Over the past ten plus years, the Company, under the leadership of the Board of Directors, has successfully pursued a series of activities to stabilize, diversify and grow its business. As summarized in the Timeline chart below, these activities included the launching of the sales representation business and extending and expanding the relationship with GE HealthCare (GEHC); the diversification into healthcare information technology (HCIT) and network service operations; as well as diversifying and investing in the proprietary medical device business and divesting the legacy EECP (enhanced external counterpulsation) business.

TIMELINE OF MAJOR EVENTS



As a result, the Company has become a more robust organization with a very strong financial position and greater financial visibility into the future. Specifically, your VASO has evolved into:

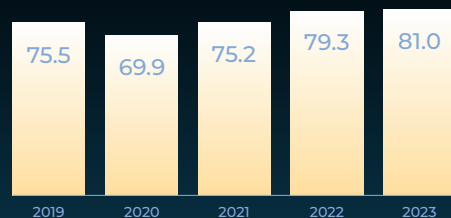
- **A much larger and diversified company:** With three business units bringing in \$81.0 million in total annual revenue in 2023 and \$4.2 million in annual operating profit (see Revenue and Operating Income charts below), we are not only better positioned to weather business and financial uncertainties in today’s dynamic world, we also enjoy synergies among our business units and run our operations more efficiently.
- **A more service-oriented organization:** Instead of being just the one-product therapeutical medical device manufacturer we once were, we now derive a vast majority of our revenue from provision of services, mainly IT services and medical device sales services (see Revenue Breakdown chart below). In fact, part of our product revenue

has also been transformed to being of a service nature in the form of software as a service (SaaS), where revenues are recorded as recurring subscriptions over the duration of the software licensing agreements, although they are still classified as product revenue.

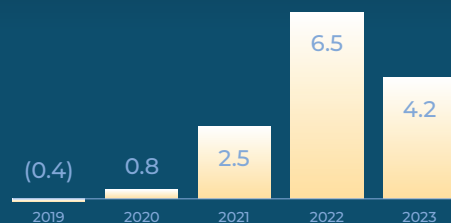
- **A more stable business with a significant portion of revenue recurring:** During fiscal year 2023, approximately 47% of our total revenue is on a recurring basis, offering greater financial stability and clear visibility into our future revenue and cashflow.

In the last several years we have also initiated investment banking activities exploring various options to enhance shareholders’ value. Although the COVID pandemic had significantly affected these activities, we successfully had our stock uplisted from OTC Pink to OTCQB in 2022 and to OTCQX in 2023.


REVENUE
(USD in millions)



OPERATING INCOME/(LOSS)
(USD in millions)



However, the performance of our stock in the capital markets continues to lag behind despite remarkable business improvement and the strong financial position of the Company; instead, historically there has seemed to be a disconnect between them. As such, the Board of Directors and the Management of the Company strongly believe it is the time to move onto a national stock exchange in order to gain recognition in the investment community, improve visibility and liquidity of our stock, and seek to attract institutional ownership.



Over the past ten plus years, the Company has successfully pursued a series of activities to stabilize, diversify and grow its business.

On December 7, 2023, we announced a plan to uplist from the OTCQX Market to the NASDAQ Stock Market through a merger with Achari Ventures Holdings Corp. I (NASDAQ: AVHI), a special purpose acquisition company or SPAC. Here are some highlights of the pending transaction.

- **Business and management structure of the Company after merger**

The combined company will be called Vaso Holdings Corp. (or an alternative name chosen by the Company and reasonably acceptable to Achari), of which the current Vaso Corporation will be a wholly owned subsidiary and the only operating entity. Vaso Corporation will continue to operate through the three business units, namely VasoTechnology, VasoHealthcare, and VasoMedical. We do not anticipate any change of the management or operating structure relating to this transaction, and I will continue to lead Vaso Corporation and serve as President and CEO of its parent company Vaso Holdings Corp.

- **Vaso stock currently owned by shareholders:**

Stock of Vaso Corporation (“old” Vaso stock) will continue to trade on the OTCQX market—still under the ticker symbol “VASO”—until stock of Vaso Holdings Corp. (“new” Vaso stock) starts to trade on NASDAQ—also under the ticker symbol “VASO” as planned—following the consummation of the proposed business combination.

All “old” Vaso shares will be exchanged for “new” Vaso shares upon closing of the transaction. Since the transaction values Vaso Corporation at a pro forma equity

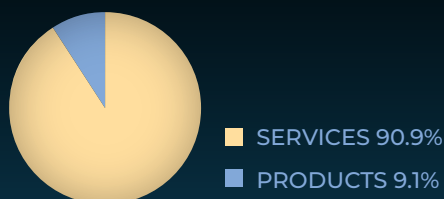
value of approximately \$176 million at \$10.00 per share, “old” Vaso stock is valued at approximately \$1.00 per share based on total number of outstanding shares. Under this example, approximately every 10 shares of “old” Vaso stock will be exchanged for one “new” Vaso share. Details of the exchange rate, as well as other parameters of the transaction, are in the proxy statement issued in conjunction with the notice of shareholders’ meeting in which you will be asked to vote on the proposed merger. Please be advised that this merger transaction is still subject to certain conditions including approval by shareholders of both parties as well as regulatory review.

I look forward to seeing you in the upcoming shareholders’ meeting in New York on August 26, 2024, and encourage you to vote in favor of our proposed merger with Achari.

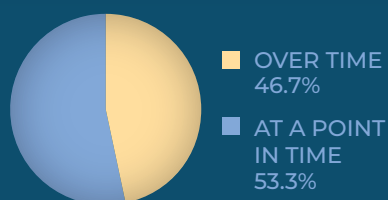
On behalf of the Management, I would like to express my gratitude to our Board of Directors, whose support and involvement made the long journey of diversification and growth possible. I would also like to convey my appreciation to our employees, without whose dedication

and hard work it would be impossible to achieve these accomplishments. Going forward, I am optimistic that, with the healthy financials and solid fundamentals in all our business units, we will continue to deliver growth and profitability. Furthermore, once we become a NASDAQ company, I believe there will be greater resources available to enable us to embark on more exciting and significant initiatives to make the “New Vaso” an even greater company in the next chapter.

REVENUE BREAKDOWN
(2023)



REVENUE RECOGNITION
(2023)



Yours truly,

Jun Ma, Ph.D.

President and Chief Executive Officer



Vaso Corporation
2023 FORM-10K



**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

FORM 10-K

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2023
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File No. 0-18105



VASO CORPORATION

(Exact name of registrant as specified in Its Charter)

Delaware
*(State or other jurisdiction of
incorporation or organization)*

11-2871434
*(IRS Employer
Identification No.)*

137 Commercial Street, Plainview, New York
(Address of Principal Executive Offices)

11803
(Zip Code)

Registrant's telephone number, including area code: (516) 997-4600

Securities registered under Section 12(b) of the Act: *None*

Title of each class	Trading Symbol	Name of each exchange on which registered

Securities registered under Section 12(g) of the Act:

Common Stock, \$.001 par value
(Title of Class)

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

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

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

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

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
Emerging growth company

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. []

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). []

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

The aggregate market value of common stock held by non-affiliates was approximately \$24.3 million based on the closing sales price of the common stock as quoted on the OTC QB on June 30, 2023.

At March 24, 2024, the number of shares outstanding of the issuer's common stock was 175,319,296.

DOCUMENTS INCORPORATED BY REFERENCE

None.

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EXHIBITS

Exhibit 31	Certifications Pursuant to Securities Exchange Act Rule 13A-14(A)/15D-14(A)
Exhibit 32	Certifications Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

PART I

ITEM 1 – BUSINESS

Except for historical information contained in this report, the matters discussed are forward-looking statements that involve risks and uncertainties. When used in this report, words such as “anticipates”, “believes”, “could”, “estimates”, “expects”, “may”, “plans”, “potential” and “intends” and similar expressions, as they relate to the Company or its management, identify forward-looking statements. Such forward-looking statements are based on the beliefs of the Company’s management, as well as assumptions made by and information currently available to the Company’s management. Among the factors that could cause actual results to differ materially are the following: the effect of business and economic conditions, including the possibility of a downturn in the U.S. economy and continued effects of the COVID-19 pandemic; the effect of the dramatic changes taking place in IT and healthcare; continuation of the GEHC agreement; the impact of competitive technology and products and their pricing; medical insurance reimbursement policies; unexpected manufacturing or supplier problems; unforeseen difficulties and delays in product development programs; the actions of regulatory authorities and third-party payers in the United States and overseas; and the risk factors reported from time to time in the Company’s SEC reports. The Company undertakes no obligation to update forward-looking statements as a result of future events or developments.

Unless the context requires otherwise, all references to “we”, “our”, “us”, “Company”, “registrant”, “Vaso” or “management” refer to Vaso Corporation and its subsidiaries.

General Overview

Vaso Corporation principally operates in three distinct business segments in the healthcare equipment and information technology industries. We manage and evaluate our operations, and report our financial results, through these three business segments.

- IT segment, operating through a wholly-owned subsidiary VasoTechnology, Inc., primarily focuses on healthcare IT and managed network technology services;
- Professional sales service segment, operating through a wholly-owned subsidiary Vaso Diagnostics, Inc. d/b/a VasoHealthcare, primarily focuses on the sale of healthcare capital equipment for GE HealthCare (“GEHC”) into the health provider middle market; and
- Equipment segment, primarily focuses on the design, manufacture, sale and service of proprietary medical devices and software, operating through a wholly-owned subsidiary VasoMedical, Inc., which in turn operates through Vasomedical Solutions, Inc. for domestic business and Vasomedical Global Corp. for international business, respectively.

VasoTechnology

VasoTechnology, Inc. was formed in May 2015, at the time the Company acquired all of the assets of NetWolves, LLC and its affiliates, including the membership interests in NetWolves Network Services, LLC (collectively, “NetWolves”). It currently consists of a managed network and security service division (NetWolves) and a healthcare IT application VAR (value added reseller) division (VasoHealthcare IT). Its current offering includes:

- Managed diagnostic imaging applications (channel partner of select vendors of healthcare IT products).
- Managed network infrastructure (routers, switches and other core equipment).
- Managed network transport (FCC licensed carrier reselling 175+ facility partners).
- Managed network security services.

VasoTechnology uses a combination of proprietary technology, methodology and best-in-class third-party applications to deliver its value proposition.

VasoHealthcare

VasoHealthcare commenced operations in 2010, in conjunction with the Company's execution of its exclusive sales representation agreement with GEHC to further the sale of certain medical capital equipment in certain domestic market segments. Its current offering consists of:

- GEHC diagnostic imaging equipment and ultrasound systems.
- GEHC service agreements for the above equipment.
- GEHC training services for use of the above equipment.
- GEHC and third-party financial services for the above equipment.

VasoHealthcare has built a team of over 80 highly experienced sales professionals who utilize proprietary sales management and analytic tools to manage the complete sales process and to increase market penetration.

VasoMedical

The proprietary medical equipment business under VasoMedical dates back to 1995 when the Company began the proprietary Enhanced External Counterpulsation (EECP[®]) technology in the United States, and has since diversified to include other medical hardware and software. Vasomedical Global was formed in 2011 to combine and coordinate the various international operations including design, development, manufacturing, and sales of medical devices and software, while domestic activities are conducted under Vasomedical Solutions. These devices and software primarily consist of cardiovascular diagnostic and therapeutic applications, including:

- BioX[™] series Holter monitors and ambulatory blood pressure recorders.
- ARCS[®] series analysis, reporting and communication software for ECG and blood pressure signals, including cloud-based software suite and algorithm subscription services.
- MobiCare[®] multi-parameter wireless vital-sign monitoring system.
- EECP[®] therapy systems for non-invasive, outpatient treatment of ischemic heart disease.

This segment uses its extensive in-house knowledge and intellectual property for cardiovascular devices and software coupled with its engineering resources to cost effectively create and market its proprietary technology. It sells and services its products to customers in the U.S. and China directly and sells and/or services its products in the international market mainly through independent distributors.

Historical Background

Vaso Corporation was incorporated in Delaware in July 1987. For most of its history, the Company primarily was a single-product company designing, manufacturing, marketing and servicing its proprietary Enhanced External Counterpulsation, or EECP[®], therapy systems, mainly for the treatment of angina. In 2010 it began to diversify its business operations. The Company changed its name to Vaso Corporation in 2016 to more accurately reflect the diversified nature of its business and continues to use the original name VasoMedical for its proprietary medical device subsidiary.

In May 2010, the Company launched its Professional Sales Service business through a wholly-owned subsidiary Vaso Diagnostics, Inc. d/b/a VasoHealthcare, which was appointed by GEHC as its exclusive representative for the sale of select GEHC diagnostic imaging equipment, and expanded in 2023 to include ultrasound systems, to specific market segments in the 48 contiguous states of the United States and the District of Columbia. The original agreement ("GEHC Agreement") was for three years ending June 30, 2013; it has been extended several times with the current extension through December 31, 2026, subject to earlier termination under certain conditions.

In June 2014, the Company began its IT segment business by concluding the Value Added Reseller Agreement ("VAR Agreement") with GEHC to become a national value added reseller of GEHC Digital's software solutions such as Picture Archiving and Communication System ("PACS"), Radiology Information System ("RIS"), and related services, including implementation, training, management and support. This business focuses primarily on customer segments currently served by VasoHealthcare. A new wholly owned subsidiary, VasoHealthcare IT

Corp. (“VHC IT”), was formed to conduct the healthcare IT business. In 2021, the VAR Agreement was terminated and the Company partnered with other vendors providing similar products.

In May 2015, the Company further expanded its IT business segment by acquiring all of the assets of NetWolves, LLC and its affiliates, including the membership interests in NetWolves Network Services, LLC (collectively, “NetWolves”), pursuant to an asset purchase agreement. NetWolves designs and delivers efficient and cost-effective multi-network and multi-technology solutions as a managed network provider, as well as provides a complete single-source solution that includes design, network redundancy, application device management, real-time network monitoring, reporting and support systems as a comprehensive solution.

The Company’s Equipment business also has been significantly expanded from the original EECF[®]-only operations. In September 2011, the Company acquired FGE, a British Virgin Islands company, which owned or controlled two Chinese operating companies - Life Enhancement Technology Ltd. (“LET”) and Biox Instruments Co. Ltd. (“Biox”) - to expand its technical and manufacturing capabilities and to enhance its distribution network, technology, and product portfolio. Biox was a variable interest entity (“VIE”) controlled by FGE through certain contracts and an option to acquire all the shares of Biox by FGE’s wholly owned subsidiary Gentone, and in March 2019 Gentone exercised its option to acquire all of the shares of Biox. In August 2014, the Company through Gentone acquired all of the outstanding shares of Genwell Instruments Co. Ltd. (“Genwell”), which was formed in 2010 to develop the MobiCare[®] wireless multi-parameter patient monitoring system and holds intellectual property rights for this system. As a result, the Company has expanded its equipment products portfolio to include Biox[™] series ambulatory patient monitoring systems, ARCS[®] series software for ECG and blood pressure analysis, and the MobiCare[®] patient monitoring device.

In April 2014, the Company entered into a cooperation agreement with Chongqing PSK-Health Sci-Tech Development Co., Ltd. (“PSK”) of Chongqing, China, the leading manufacturer of external counter pulsation, or ECP, therapy systems in China, to form a joint venture company, VSK Medical Limited (“VSK”), a Cayman Islands company, for the global marketing, sale and advancement of ECP therapy technology. The Company owned 49.9% of VSK, which commenced operations in January 2015. In March 2018, the Company terminated the cooperation agreement with PSK and sold its shares in VSK to PSK. On May 20, 2020, the Company closed on the sale of 51% of the capital stock of its wholly-owned subsidiary EECF Global Corporation (“EECF Global”) to PSK. EECF Global was formed in September 2019 to hold all the assets and liabilities of its EECF business. Concurrently with the closing of the transaction, the Company signed Management Service Agreement with EECF Global to provide management service for the business and operation of EECF Global in the United States. The agreement provides an initial term of three years starting April 1, 2020, the effective date of the sale, which is automatically renewable for additional one-year terms. Pursuant to the agreement, EECF Global reimburses the Company all direct expenses and pays a monthly management fee during the term of the agreement.

Achari Business Combination Agreement

As previously announced, the Company entered into a business combination agreement (the “Business Combination Agreement”), dated as of December 6, 2023, with Achari Ventures Holdings Corp. I, a Delaware corporation (“Achari”) (NASDAQ: AVHI), and Achari Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of Achari (“Merger Sub”). The Business Combination Agreement provides, among other things, that on the terms and subject to the conditions set forth therein, Merger Sub will merge with and into the Company (the “Merger”), with the Company surviving as a wholly owned subsidiary of Achari. Upon the closing of the Business Combination Agreement (the “Closing”), we anticipate that Achari will change its name to “Vaso Holdings Corp.” or an alternative name chosen by the Company and reasonably acceptable to Achari (“New Vaso”). The Merger and the other transactions contemplated by the Business Combination Agreement are hereinafter referred to collectively as the “Business Combination”.

Upon the Closing, New Vaso would have authorized shares of Class A common stock and Class B common stock. The Business Combination Agreement establishes a pro forma equity value of the Company at approximately \$176 million, at \$10.00 per share of Class A common stock. As such, we believe that the current Vaso stockholders would receive approximately 17.6 million shares of Class A common stock and the current Achari shareholders would maintain between 500 thousand and 750 thousand shares of Class A common stock depending on Achari’s unpaid

expenses at the Closing and presuming the redemption of all outstanding public shares of Achari on or prior to the Closing. In addition, current Achari warrant holders would have outstanding warrants to purchase a minimum of 8.25 million shares of Class A common stock at an exercise price of \$11.50 per share. No shares of Class B common stock are expected to be outstanding immediately after the Business Combination.

The Boards of Directors of Vaso and Achari have each approved the Business Combination, the consummation of which is subject to various customary closing conditions, including the filing and effectiveness of a Registration Statement on Form S-4 (as amended or supplemented, the “Registration Statement”) by Achari with the United States Securities and Exchange Commission (“SEC”), the filing of a proxy statement by Vaso with the SEC and clearance by the SEC, and the approval of a majority of shareholders of both Achari and Vaso of the proposed business combination (Vaso shareholders representing approximately 44% of Vaso’s outstanding shares have entered into support agreements committing them to vote in favor of the Business Combination). The Business Combination is expected to close in the second quarter of 2024.

Management

The Company currently bases its headquarters in Plainview, Long Island, NY pursuant to a lease which expires in September 2025. Reporting to the Board of Directors, corporate officers of the Company include the President and Chief Executive Officer (“CEO”), Co-Chief Financial Officer and Secretary, Chief Operating Officer (“COO”), and Co-Chief Financial Officer and Treasurer.

The management of the Company’s IT segment is led by the COO of the Company, who is also the President of VasoTechnology and NetWolves, which is based in Tampa, FL. Our VasoHealthcare IT business is organized as a part of VasoTechnology and is also led by the COO, supported by several software solution sales and implementation specialists, based in Nashville, TN. The business unit works with our VasoHealthcare diagnostic imaging equipment sales team to generate leads and potential clients for the software solutions products and works with NetWolves sales and technical teams for comprehensive IT product and service offerings.

In the professional sales services segment, we sell GEHC diagnostic imaging products and ultrasound systems to our assigned market through a nationwide team of approximately 71 sales employees led by several regional managers and an executive team who report to the President of VasoHealthcare. The operation is also supported by in-house administrative, analytic, technical and other support staff, as well as applicable GEHC employees.

The equipment segment is under the direct supervision of the CEO of the Company. Regulatory, technical, sales and marketing efforts in the domestic market are led by a Vice President Operations at VasoMedical, and the managers of our China subsidiaries, based in Wuxi, China, are in charge of the development and production of all our proprietary products and marketing and sales in China and the international markets. We sell our Biox™ series and other products in China by a group of sales managers as well as through distributors covering various regions of China and other international geographies.

Competition

In the U.S. diagnostic imaging market where we sell GEHC products, our main competitors include Siemens, Philips, Canon, and Hologic. Key competitive factors in the market include price, quality, finance availability, delivery speed, service and support, innovation, distribution network, breadth of product and service offerings and brand name recognition. GEHC is a leading competitor in this market.

In the IT segment, our primary competitors in the healthcare IT VAR business are Agfa Healthcare, McKesson, Philips, Carestream Health and other independent software providers. Key competitive factors are brand recognition, quality, radiology workflow solutions, scalability and service and support capability. In the managed network services business our primary competition includes, but is not limited to, organizations who have a presence in most of the major markets for the following products and services: network services, managed services, security services and healthcare applications. Several of those competitors, many of which are our vendors, are: Verizon, AT&T, CenturyLink, IBM and Cisco Resellers, Siemens, Epic, small regional IT integrators and large company internal IT departments.

In the ambulatory monitoring system business, there are numerous competitors of various size and strength. The Biox™ series is among the few from China with CE Mark certification for Europe, CFDA approval for China, US FDA clearances as well as Brazilian Agencia Nacional de Vigilancia Sanitaria (ANVISA) approval, which are among the most important qualifications to market and sell the products around the world.

Regulations on Medical Devices

As a medical device manufacturer and marketer, we are subject to extensive regulation by numerous government regulatory agencies, including the US FDA and similar foreign agencies. We are required to comply with applicable laws, regulations and standards governing the development, preclinical and clinical testing, manufacturing, quality testing, labeling, promotion, import, export, and distribution of our medical devices.

Compliance with Regulations in the United States

The Company has received appropriate US FDA premarket notification (510(k)) clearance for all its products marketed and sold in the United States, including EECP® therapy systems and Biox™ ambulatory monitoring systems and analysis and report software. We continue to seek US FDA clearance or approval for new products prior to their introduction to the US market.

We are subject to other US FDA regulations that apply prior to and after a product is commercially released. We also are subject to periodic and random inspections by the US FDA for compliance with the current Good Manufacturing Practice, or cGMP, requirements and Quality System Regulation. The US FDA also enforces post-marketing controls that include the requirement to submit medical device reports to the agency when a manufacturer becomes aware of information suggesting that any adverse events are related to its marketed products. The FDA relies on medical device reports to identify product problems and utilizes these reports to determine, among other things, whether it should exercise its enforcement powers. The FDA also may require post-market surveillance studies for specified devices.

We are subject to the Federal Food, Drug, and Cosmetic Act's, or FDCA's, general controls, including establishment registration, device listing, and labeling requirements.

The sales and advertising of our products is subject to regulation by the Federal Trade Commission, or FTC. The FTC Act prohibits unfair or deceptive acts or practices in or affecting commerce. Violations of the FTC Act, such as failure to have substantiation for product claims, would subject us to a variety of enforcement actions, including compulsory process, cease and desist orders and injunctions, which can require, among other things, limits on advertising, corrective advertising, consumer redress and restitution, as well as substantial fines or other penalties.

As a medical device sales channel partner and product reseller to healthcare facilities, we are subject to various federal, state and local laws targeting fraud and abuse in the healthcare industry, including anti-kickback and false claims laws.

Foreign Regulation

In most countries where we seek to export our medical devices, a local regulatory clearance must be obtained. The regulatory review process varies from country to country and can be complex, costly, uncertain, and time-consuming. Our medical devices are all manufactured in accordance with ISO 13485 (Medical device – Quality management systems – Requirement for regulatory purpose), an internationally agreed standard that sets out the requirements for a quality management system specific to the medical devices industry. All our current medical devices have obtained necessary clearances or approvals prior to their release in the appropriate jurisdictions, including CE marking certification for European Union countries, China FDA (CFDA) approval for mainland China, Korean FDA (KFDA) approval for South Korea, Agência Nacional de Vigilância Sanitária (ANVISA) approval for Brazil, Taiwan FDA (TFDA) for Taiwan, and the Saudi SFDA (MDMA) for the Kingdom of Saudi Arabia.

We are also subject to audits by organizations authorized by foreign countries to determine compliance with laws, regulations and standards that apply to the commercialization of our products in those markets. Examples include auditing by a European Union Notified Body organization (authorized by a member state's Competent

Authority) to determine conformity with the Medical Device Directives (MDD) and by an organization authorized by the Brazilian government to determine conformity with the ANVISA requirement.

Patient Privacy

Federal and state laws protect the confidentiality of certain patient health information, including patient records, and restrict the use and disclosure of that protected information. The U.S. Department of Health and Human Services (HHS) published patient privacy rules under the Health Insurance Portability and Accountability Act of 1996 (HIPAA privacy rule) and the regulation was finalized in October 2002. Currently, the HIPAA privacy rule affects us only indirectly in that patient data that we access, collect and analyze may include protected health information. Additionally, we have signed some Business Associate Agreements with Covered Entities that contractually bind us to protect private health information, consistent with the HIPAA privacy rules requirements. We do not expect the costs and impact of the HIPAA privacy rule to be material to our business.

Regulations in the IT Business

As a reseller of telecommunication services and network solutions provider, our products and services are subject to federal, state and local regulations. These regulations govern, in part, our rates and the way we conduct our business, including the requirement to offer telecommunications services pursuant to nondiscriminatory rates, terms, and conditions, the obligation to safeguard the confidentiality of customer proprietary network information, as well as the obligation to maintain specialized records and file reports with the Federal Communications Commission and state regulatory authorities. While we believe we are in compliance with laws and regulations in jurisdictions where we do business, we continue to monitor and assess our compliance.

The Federal Communications Commission (“FCC”) exercises jurisdiction over services and regulates interstate and international communications in all 50 states, the District of Columbia and U.S territories. As an independent U.S. government agency overseen by Congress, the FCC is the United States' primary authority for communications laws, regulation and technological innovation.

We maintain Certificates of Public Convenience and Necessity in all 50 states, which enable us to provide services within each state. We are therefore subject to regulation from the Public Utility Commissions in each state.

Intellectual Properties

In addition to other methods of protecting our proprietary technology, know-how and show-how as well as trade secrets, we pursue a policy of seeking patent protection, both in the US and abroad, for our proprietary technologies including those in Biox™ and MobiCare® products. Moreover, trademarks have been registered for the names “Vaso”, “Vasomedical”, “VasoGlobal”, “VasoSolutions”, “VasoHealthcare”, “ARCS”, and “MobiCare”.

Through our China-based subsidiaries, we own thirty-five invention and utility patents in China that expire at various times through 2041, as well as sixteen software copyright certificates in China related to proprietary technologies in physiological data acquisition, analysis and reporting. We also maintain five registered trademarks in China for our products.

Through our NetWolves subsidiary we hold trademarks “NetWolves”, “SRM”, and “Wolfpac”.

There can be no assurance that our patents will not be violated or that any issued patents will provide protection that has commercial significance. As with any patented technology, litigation could be necessary to protect our patent position. Such litigation can be costly and time-consuming, and there can be no assurance that we will be successful.

Employees

As of December 31, 2023, we employed 300 full-time persons, of which 14 are employed through our facility in Plainview, New York; 102 through VasoHealthcare; 13 through VasoHealthcare IT; 100 through our NetWolves

operations; and 71 in our China operations. None of our employees are represented by a labor union. We believe that our employee relations are good.

The Company also uses several part-time employees and consultants from time to time for various purposes.

Manufacturing

The Company conducts manufacturing activities for its ambulatory monitoring devices and other medical devices in its Biox facilities in China, and maintains certain manufacturing capability in the Plainview, NY location to satisfy certain domestic and international needs for the EECP[®] systems per the management agreement with EECP Global.

All manufacturing operations are conducted under the cGMP requirements, as set forth in the FDA Quality System Regulation, as well as ISO 13485 (Medical device – Quality management systems – Requirement for regulatory purpose), an internationally agreed standard that sets out the requirements for a quality management system specific to the medical devices industry. We are also certified to conform to full quality assurance system requirements of the EU Medical Device Directive (MDD 93/42/EEC Annex II) and can apply CE marking to all of our current product models. Lastly, we are certified to comply with the requirements of the Brazilian Agência Nacional de Vigilância Sanitária (ANVISA). All these regulations and standards subject us to inspections to verify compliance and require us to maintain documentation and controls for the manufacturing and quality activities.

We believe our manufacturing capacity and warehouse facility are adequate to meet the current and immediately foreseeable future demand for the production of our medical devices. We believe our suppliers of the other medical devices we distribute or represent are capable of meeting our demand for the foreseeable future.

ITEM 1A - RISK FACTORS

You should carefully consider the risks and uncertainties described below, together with the information included elsewhere in this Report on Form 10K. The risks and uncertainties described below are those we have identified as material, but are not the only risks and uncertainties facing us. Our business is also subject to general risks and uncertainties that affect many other companies, such as market conditions, geopolitical events, changes in laws or accounting rules, fluctuation in interest rates, terrorism, wars or conflicts, major health concerns, natural disasters or other disruptions of economic or business conditions, including the possibility of a downturn in the U.S. economy and continued effects of the COVID-19 pandemic. Additional risks and uncertainties not currently known to us or that we currently believe are immaterial also may impair our business, including our results of operations, liquidity and financial position.

Financial Risks

Achieving profitable operations is dependent on several factors.

Our ability to sustain profitability is dependent on many factors, primarily being the sufficient and timely generation of cash, as well as attaining and maintaining profitability in our IT and equipment segments, as well as the success of our other strategic initiatives.

Risks Related to the COVID-19 Pandemic

The impact of the COVID-19 pandemic on our markets and financial condition is difficult to predict and manage.

The pandemic has adversely affected, and may continue to adversely affect, certain elements of our business, primarily the initial shrinkage, and subsequent recovery, of our customer base in our IT segment as well as the overall effect of China's prior lockdown practice on its economy. The COVID-19 pandemic has caused us to modify our business practices, and we may take further actions as required by government authorities, our customers or as determined to be in the best interests of our employees, customers and business partners. There is no certainty that these measures will be sufficient to mitigate the risks posed by the virus and our ability to execute our business plans

could be impacted. The magnitude and duration of the disruption and resulting decline in business activity remain uncertain.

Risks Related to Our Business

We currently derive a significant amount of our revenue and operating income from our agreement with GEHC.

On May 19, 2010, we signed a sales representation agreement with GEHC. Under the GEHC Agreement, we have been appointed GEHC's exclusive representative for certain GEHC diagnostic imaging products to specific market segments in the 48 contiguous states of the United States and the District of Columbia. The GEHC Agreement had an initial term of three years commencing July 1, 2010 and has subsequently been extended in 2012, 2014, 2017 and 2021, with the current term through December 31, 2026, subject to GEHC's right to terminate earlier without cause under certain conditions.

A significant amount of our revenue and operating income arise from activities under this agreement. Moreover, our performance and growth in the professional sales service segment depends partially on the territories, customer accounts and product modalities assigned to us by GEHC, as well as factors beyond our control such as product pricing, availability and delivery schedule, and thus relies on our ability to demonstrate our added value as a channel partner, and on maintaining a positive relationship with GEHC. There is no assurance that the agreement will not be terminated prior to its expiration pursuant to its termination provisions or will be extended beyond the current expiration date. Should GEHC terminate the agreement, it would have a material adverse effect on our financial condition and results of operations.

We face competition from other companies and technologies.

In all segments of our business we compete with other companies that market technologies, products and services in the global marketplace. We do not know whether these companies, or other potential competitors who may succeed in developing technologies, products or services that are more efficient or effective than those offered by us, and that would render our technology and existing products obsolete or non-competitive. Potential new competitors may also have substantially greater financial, manufacturing and marketing resources than those possessed by us. In addition, other technologies or products may be developed that have an entirely different approach or means of accomplishing the intended purpose of our products. Accordingly, the life cycles of our products are difficult to estimate. To compete successfully, we must keep pace with technological advancements, respond to evolving consumer requirements and achieve market acceptance.

Data security incidents or disruptions in our information technology systems could damage our business.

We are increasingly dependent on information systems and infrastructure to operate our business. Our ability to effectively manage our business depends on the security, reliability, and adequacy of our information systems. We review and enhance our computer systems as well as provide training to our employees in an attempt to prevent unauthorized and unlawful intrusions. Despite our implementation of firewalls, switchgear, and other network security measures, our servers, databases, and other systems may be vulnerable to various cyber and other security threats, including those caused by computer hackers, physical or electronic break-ins, sabotage, computer viruses, malware, worms, and similar disruptions from unauthorized access and tampering with our computer systems, including through social engineering such as phishing attacks, coordinated denial-of-service attacks, and similar incidents. The occurrence of some of these risks may be increased due to the work-from-home arrangements that we have implemented for many of our employees. Significant disruptions in our information technology systems or other data security incidents could adversely affect our business operations.

We depend on management and other key personnel.

We are dependent on a limited number of key management and technical personnel. The loss of one or more of our key employees may harm our business if we are unable to identify other individuals to provide us with similar services. We do not maintain "key person" insurance on any of our employees. In addition, our success depends upon

our ability to attract and retain additional highly qualified management, sales, IT, manufacturing and research and development personnel in our various operations. The competition for IT personnel is intense.

We may not continue to receive necessary clearances or approvals from the US FDA or foreign authorities for our medical devices, which could hinder our ability to market and sell certain products in the relevant markets.

If we modify our medical devices and the modifications significantly affect safety or effectiveness, or if we make a change to the intended use, we will be required to submit a new premarket notification (510(k)) or premarket approval (PMA) application to the FDA. We would not be able to market the modified device in the U.S. until the FDA issues a clearance for the 510(k).

If we offer new products that require 510(k) clearance or a PMA, we will not be able to commercially distribute those products in the U.S. until we receive such clearance or approval. Regulatory agency approval or clearance for a product may not be received or may entail limitations on the device's indications for use that could limit the potential market for the product. Delays in receipt of, or failure to obtain or maintain, regulatory clearances and approvals, could delay or prevent our ability to market or distribute our products. Such delays could have a material adverse effect on our equipment business.

There are similar medical device regulations or requirements in China, Europe, and other foreign markets where we sell our products. Failure to comply with these regulations and requirements could have a material adverse effect on our equipment business.

If we are unable to comply with applicable governmental regulations, we may not be able to continue certain of our operations.

As a reseller of telecommunication services and network solutions provider, our products and services are subject to federal, state and local regulations. These regulations govern, in part, our rates and the way we conduct our business, including the requirement to offer telecommunications services pursuant to nondiscriminatory rates, terms, and conditions, the obligation to safeguard the confidentiality of customer proprietary network information, as well as the obligation to maintain specialized records and file reports with the Federal Communications Commission and state regulatory authorities. While we believe we are in compliance with laws and regulations in jurisdictions where we do business, we must continue to monitor and assess our compliance.

We also must comply with current Good Manufacturing Practice requirements as set forth in the Quality System Regulation to receive US FDA approval to market new products and to continue to market current products. Most states also have similar regulatory and enforcement authority for medical devices.

Our operations in China are also subject to the laws and regulations of the People's Republic of China with which we must be in compliance in order to conduct these operations.

We are subject to various federal, state and local laws targeting fraud and abuse in the healthcare industry, including anti-kickback and false claims laws.

We cannot predict the nature of any future laws, regulations, interpretations, or applications, nor can we predict what effect additional governmental regulations or administrative orders, either domestically or internationally, when and if promulgated, would have on our business in the future. We may be slow to adapt, or we may never adapt to changes in existing requirements or adoption of new requirements or policies. We may incur significant costs to comply with laws and regulations in the future or compliance with laws or regulations may create an unsustainable burden on our business.

We have foreign operations and are subject to the associated risks of doing business in foreign countries.

The Company continues to have operations in China. Operating internationally involves additional risks relating to such things as currency exchange rates, different legal and regulatory environments, political, economic risks relating

to the stability or predictability of foreign governments, differences in the manner in which different cultures do business, difficulties in staffing and managing foreign operations, differences in financial reporting, operating difficulties, and other factors. The occurrence of any of these risks, if severe enough, could have an adverse effect on the consolidated financial position, results of operations and cash flows of the Company.

Commercial law is still developing in China and there are limited legal precedents to follow in commercial transactions. There are many tax jurisdictions each of which may have changing tax laws. Applicable taxes include value added taxes (“VAT”), enterprise income tax (“EIT”), and social (payroll) taxes. Regulations are often unclear. Tax declarations (reports) are subject to review and taxing authorities may impose fines, penalties and interest. These facts create risks for our operations in China.

We depend on several suppliers for the supply of certain products.

As a GEHC channel partner, we could be negatively impacted by interruptions or delays to equipment installations, production and quality issues, and any customer concerns related to GEHC. Delivery of GEHC equipment may be negatively impacted due to the current supply chain issues especially as it impacts availability of computer chips. With respect to our proprietary medical products we now manufacture our own products primarily through our China based facilities, and we depend on certain independent suppliers for parts, components and certain finished goods.

We may not have adequate intellectual property protection.

Our patents and proprietary technology may not be able to prevent competition by others. The validity and breadth of claims in technology patents involve complex legal and factual questions. Future patent applications may not be issued, the scope of any patent protection may not exclude competitors, and our patents may not provide competitive advantages to us. Our patents may be found to be invalid and other companies may claim rights in or ownership of the patents and other proprietary rights held or licensed by us. Also, our existing patents may not cover products that we develop in the future. Moreover, when our patents expire, the inventions will enter the public domain. There can be no assurance that our patents will not be violated or that any issued patents will provide protection that has commercial significance. Litigation may be necessary to protect our patent position. Such litigation may be costly and time-consuming, and there can be no assurance that we will be successful in such litigation.

The loss or violation of certain of our patents and trademarks could have a material adverse effect upon our business.

Since patent applications in the United States are maintained in secrecy until such patent applications are issued, our current product development may infringe patents that may be issued to others. If our products were found to infringe patents held by competitors, we may have to modify our products to avoid infringement, and it is possible that our modified products would not be commercially successful.

Risks Related to Our Industries

Our growth could suffer if the markets into which we sell products decline, do not grow as anticipated or experience cyclicality.

Our growth depends in part on the growth of the IT and healthcare markets which we serve. In our professional sales services segment, our quarterly sales and profits depend significantly on the volume and timing of delivery of the underlying equipment of the orders we booked, and the delivery of such products is difficult to forecast since it is largely dependent on GEHC. Product demand is dependent upon the customer’s capital spending budget as well as government funding policies, and matters of public policy as well as product cycles and economic downturns that can affect the spending decisions of these entities. These factors could adversely affect our growth, financial position, and results of operations.

Technological change is difficult to predict and to manage.

We face the challenges that are typically faced by companies in the IT and medical device fields. Our products and services may require substantial development efforts and compliance with governmental clearance or approval requirements. We may encounter unforeseen technological or scientific problems that force abandonment or substantial change in the development of a specific product or process.

We are subject to product liability claims and product recalls that may not be covered by insurance.

The nature of our manufacturing operations exposes us to risks of product liability claims and product recalls. Medical devices as complex as ours frequently experience errors or failures, especially when first introduced or when new versions are released.

We currently maintain product liability insurance at \$6,000,000 per occurrence and in the aggregate. Our product liability insurance may not be adequate. In the future, insurance coverage may not be available on commercially reasonable terms, or at all. In addition, product liability claims or product recalls could damage our reputation even if we have adequate insurance coverage.

Risks Related to our Securities

The application of the "penny stock" rules could adversely affect the market price of our common stock and increase your transaction costs to sell those shares.

As long as the trading price of our common shares is below \$5 per share, the open-market trading of our common shares will be subject to the "penny stock" rules. The "penny stock" rules impose additional sales practice requirements on broker-dealers who sell securities to persons other than established customers and accredited investors (generally those with assets in excess of \$1,000,000 or annual income exceeding \$200,000 or \$300,000 together with their spouse). For transactions covered by these rules, the broker-dealer must make a special suitability determination for the purchase of securities and have received the purchaser's written consent to the transaction before the purchase. Additionally, for any transaction involving a penny stock, unless exempt, the broker-dealer must deliver, before the transaction, a disclosure schedule prescribed by the Securities and Exchange Commission relating to the penny stock market. The broker-dealer also must disclose the commissions payable to both the broker-dealer and the registered representative and current quotations for the securities. Finally, monthly statements must be sent disclosing recent price information on the limited market in penny stocks. These additional burdens imposed on broker-dealers restrict the ability and decrease the willingness of broker-dealers to sell our common shares, which we believe results in decreased liquidity for our common shares as well as increased transaction costs for sales and purchases of our common shares as compared to other securities.

Our common stock is subject to price volatility.

The market price of our common stock historically has been and may continue to be highly volatile. Our stock price could be subject to wide fluctuations in response to various factors beyond our control, including, but not limited to:

- actual or anticipated fluctuations in our operating results;
- overall market fluctuations and domestic and worldwide economic conditions;
- medical reimbursement;
- announcements of technological innovations, new products or pricing by our competitors;
- the timing of patent and regulatory approvals;
- the timing and extent of technological advancements;
- the sales of our common stock by affiliates or other shareholders with large holdings; and
- other factors described in the "Risk Factors" and elsewhere in this Report.

Our future operating results may fall below the expectations of securities industry analysts or investors. Any such shortfall could result in a significant decline in the market price of our common stock. In addition, the stock market has experienced significant price and volume fluctuations that have affected the market price of our stock and that often have been unrelated to the operating performance of such companies. These broad market fluctuations may directly influence the market price of our common stock.

We do not intend to pay dividends in the foreseeable future.

We currently do not intend to pay any cash dividends on our common stock in the foreseeable future.

Risks Related to the Business Combination

We have set out the risks involved with the Business Combination in a preliminary proxy statement of Schedule 14-A filed with the U.S. Securities and Exchange Commission on March 6, 2024. We set out some of those risks here and refer to the preliminary proxy statement on Schedule 14-A for a fuller understanding of the Business Combination and the risks associated therewith.

The percentage ownership of New Vaso after the Business Combination by the current Vaso stockholders will not be known until the redemptions are complete.

If the Business Combination occurs, we do not know what percentage of New Vaso the current Vaso stockholders will own. Certain shares of Achari common stock (as of December 31, 2023, approximately 551,000 of the outstanding shares of Achari common stock, the “Public Shares”) may be redeemed by their stockholders in connection with the Business Combination. We expect that Achari’s current stockholders would hold in the aggregate approximately 6.9% of the outstanding common stock of New Vaso assuming no redemption of any Public Shares upon the consummation of the Business Combination. If any of the Public Shares are redeemed in connection with the Business Combination or if certain shares held by Achari’s sponsor need to be returned to Achari because of unpaid expenses in excess of the limit set forth in the Business Combination Agreement, the percentage of the outstanding shares of common stock after the Business Combination that is held by the current Achari stockholders will decrease and the percentage of outstanding common stock after the Business Combination that is held by current Vaso stockholders will increase.

Furthermore, to the extent that (i) any of the outstanding warrants after the Business Combination (including warrants to purchase 8.25 million shares of common stock) are exercised for New Vaso Class A Common Stock and (ii) Achari’s sponsor elects to convert the working capital loan of up to (which was \$0 as of December 31, 2023) into warrants, which are convertible into shares of New Vaso common stock at \$0.75 per warrant, the stockholders immediately after the Business Combination may experience dilution.

New Vaso’s ability to be successful following the Business Combination will depend upon the efforts of the members of the New Vaso Board and Vaso’s key personnel and the loss of such persons could negatively impact the operations and profitability of New Vaso’s business following the Business Combination.

New Vaso’s ability to be successful following the Business Combination will depend upon the efforts of the New Vaso Board and key personnel. Vaso cannot assure you that, following the Business Combination, the New Vaso Board and key personnel will be effective or successful or remain with New Vaso. In addition to the other challenges they will face, such individuals may be unfamiliar with the requirements of operating a Nasdaq-listed public company, which could cause the New Vaso’s management to expend time and resources becoming familiar with such requirements.

Vaso’s officers and directors may be argued to have conflicts of interest that may influence or have influenced them to support or approve the Business Combination without regard to your interests or in determining whether the Business Combination is appropriate for Vaso.

The personal and financial interests of Vaso’s officers and directors may influence or have influenced their completing the Business Combination. These interests include, among other things:

- that the current member of Vaso’s board of directors, Joshua Markowitz, David Lieberman, Jun Ma, Jane Moen, Edgar Rios, Leon Dembo and Behnam Movaseghi, are expected to serve as members of New Vaso’s board of directors after consummation of the Business Combination and, in their capacity as such,

shall become entitled to any cash fees, stock options or stock awards that New Vaso determines to pay its directors;

- that executive officers of Vaso, including Jun Ma as its Chief Executive Officer, are expected to serve in their same capacities with New Vaso; and
- that, upon consummation of the Business Combination, and subject to approval by the Achari stockholders of the New Vaso 2024 Equity Incentive Plan Proposal, New Vaso's executive officers after the Business Combination are expected to receive grants of stock options and restricted stock units under the New Vaso 2024 Equity Incentive Plan from time to time.

These interests, among others, may influence or have influenced the officers and directors of Vaso to support or approve the Business Combination.

Achari is, and New Vaso will be, an “emerging growth company,” and New Vaso cannot be certain that the reduced disclosure requirements applicable to “emerging growth companies” will not make its common stock less attractive to investors.

Achari is, and New Vaso will be, an “emerging growth company,” as defined under the Jumpstart Our Business Startups Act (“JOBS Act”) and will continue to be after the Business Combination is completed. For so long as it is an emerging growth company, New Vaso may intend to take advantage of certain exemptions from reporting requirements that are applicable to other public companies that are not emerging growth companies, including, but not limited to, compliance with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, as amended, reduced disclosure obligations regarding executive compensation in New Vaso's periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

New Vaso could be an emerging growth company for up to five years from the end of its most recently completed fiscal year, although it may lose such status earlier, depending on the occurrence of certain events, including when New Vaso has generated total annual gross revenue of at least \$1.235 billion or when it is deemed to be a “large accelerated filer” under the Exchange Act, which means that the market value of New Vaso's common stock that is held by non-affiliates exceeds \$700 million as of December 31st of the prior year, or when we have issued more than \$1.0 billion in nonconvertible debt securities during the prior three-year period.

We cannot predict if investors will not find New Vaso common stock less attractive or New Vaso less comparable to certain other public companies because New Vaso may rely on these exemptions. If some investors find its common stock less attractive as a result, there may be a less active trading market for our common stock, and the New Vaso stock price may be more volatile.

Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. New Vaso has irrevocably elected not to avail itself of this exemption from new or revised accounting standards and, therefore, will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

As a “smaller reporting company” New Vaso would be permitted to provide less disclosure than larger public companies which may make its common stock less attractive to investors.

If the Business Combination is completed, you will own shares of Class A Common Stock of New Vaso (currently Achari), currently a “smaller reporting company,” as defined by Rule 12b-2 of the Exchange Act and will continue to be one immediately after the Business Combination. As a smaller reporting company, New Vaso will be eligible to take advantage of certain exemptions from various reporting requirements applicable to other public companies. Consequently, it may be more challenging for investors to analyze New Vaso's results of operations and financial prospects which may result in less investor confidence. Investors may find New Vaso's common stock less attractive as a result of our smaller reporting company status. If some investors find its common stock less attractive, there may be a less active trading market for its common stock and our stock price may be more volatile.

Vaso depends upon its executive officers and directors and their departure could adversely affect Vaso's ability to operate and to consummate the Business Combination.

Vaso's operations and its ability to consummate the Business Combination depend upon a relatively small group of individuals and, in particular, its executive officers and directors. Vaso believes that its success depends on the continued service of its executive officers and directors. Vaso does not have key-man insurance on the life of any of its directors or executive officers. The unexpected loss of the services of one or more of Vaso's directors or executive officers could have a detrimental effect on Vaso and the ability to continue to operate or to consummate the Business Combination.

If the conditions to the Closing under Business Combination Agreement are not met, the Business Combination may not be consummated.

Even if the Business Combination Agreement is approved by the stockholders of Achari and Vaso, specified conditions must be satisfied or waived before the parties to the Business Combination Agreement are obligated to complete the Business Combination. For example, one of the closing conditions of the Business Combination Agreement is that Achari's unpaid expenses at the time of closing (the "Unpaid SPAC Expenses") do not exceed \$4.5 million. At the time of the execution of the Business Combination Agreement, Achari estimated that its current Unpaid SPAC Expenses totaled approximately \$6.7 million. If that estimate is accurate, unless Achari were to settle or renegotiate such Unpaid SPAC Expenses prior to the consummation of the Business Combination, Vaso could terminate the Business Combination Agreement even if the Business Combination is approved by Achari's and Vaso's stockholders.

Achari and Vaso may not satisfy all of the closing conditions in the Business Combination Agreement. If the closing conditions are not satisfied or waived, the Business Combination will not occur, or will be delayed pending later satisfaction or waiver, and such delay may cause Achari and Vaso to each lose some or all of the intended benefits of the Business Combination.

If Vaso fails to approve the Business Combination Proposal at the Vaso Stockholders' Meeting, it will owe Achari a termination fee of \$5.28 million.

Vaso has agreed in the Business Combination Agreement that if it holds a duly convened stockholders' meeting but, after adjournment if necessary, fails to obtain approval for the Business Combination, it will owe Achari a termination fee. The termination fee would equal 3% of the consideration that the Vaso stockholders are deemed to receive in the Business Combination, 3% of which equals \$5.28 million.

Each of Achari and Vaso may waive one or more of the conditions to the Business Combination.

Each of Achari and Vaso may agree to waive, in whole or in part, some of the conditions to their respective obligations to complete the Business Combination, to the extent permitted by their respective existing charters and applicable laws. If either Achari or Vaso elects to waive any conditions to their respective obligations to complete the Business Combination, the parties may close the Business Combination without the satisfaction of any such conditions which could be to the detriment of the Vaso stockholders.

If the Business Combination benefits do not meet the expectation of investors or securities analysts, the market price of New Vaso's securities may decline.

If the Business Combination does not meet the expectations of investors or securities analysts, the market price of Vaso's securities prior to the Closing of the Business Combination or New Vaso's securities after the Business Combination may decline. The market values of New Vaso's securities at the time of the Closing may vary significantly from the relative market price of Vaso's securities on the date the Business Combination Agreement was executed, the date of this annual report, or the date on which Vaso's stockholders vote on the Business Combination. Because the number of shares to be issued pursuant to the Business Combination Agreement will not be adjusted to reflect any changes in the market price of Vaso's shares of common stock, the market value of securities issued in the

Business Combination may be higher or lower than the values of these shares on earlier dates. In addition, following the Business Combination, fluctuations in the price of securities of New Vaso could contribute to the loss of all or part of your investment.

The failure of the Business Combination to occur could affect our share price as well. If the market price of our common stock reflects a premium in anticipation of the Business Combination and the Business Combination fails to materialize, the market price of our common stock could lose that premium or be further harmed by the perception that an uplisting to a national securities market may not occur in the near future, if at all.

The dual class structure of our Common Stock after the Business Combination will have the effect of concentrating voting control with the holders of our Class B Common Stock; this will limit or preclude your ability to influence corporate matters.

Following the Business Combination, New Vaso's Class B common stock will have one hundred votes per share and our Class A common stock will have one vote per share. Although it is not expected that New Vaso will issue Class B common stock for the foreseeable future, New Vaso stockholders who hold shares of Class B common stock will together hold a substantial majority of the voting power of New Vaso's outstanding capital stock. Because of the hundred-to-one voting ratio between New Vaso's Class B common stock and Class A common stock, the holders of New Vaso's Class B common stock will collectively control a majority of the combined voting power of New Vaso's common stock and therefore are able to control all matters submitted to New Vaso's stockholders for approval. This concentrated control will limit or preclude your ability to influence corporate matters. Holders of Class B common stock may have interests that differ from yours and may vote in a way with which you disagree and which may be adverse to your interests. This concentrated control may have the effect of delaying, preventing or deterring a change in control of New Vaso, could deprive New Vaso's stockholders of an opportunity to receive a premium for their common stock as part of a sale of New Vaso and might ultimately affect the market price of New Vaso's Class A common stock.

New Vaso's business and operations could be negatively affected if it becomes subject to any securities litigation or stockholder activism, which could cause New Vaso to incur significant expense, hinder execution of business and growth strategy and impact its stock price.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been brought against that company. Stockholder activism, which could take many forms or arise in a variety of situations, has been increasing recently. Volatility in the stock price of the New Vaso Common Stock or other reasons may in the future cause New Vaso to become the target of securities litigation or stockholder activism. Securities litigation and stockholder activism, including potential proxy contests, could result in substantial costs and divert management's and board of directors' attention and resources from New Vaso's business. Additionally, such securities litigation and stockholder activism could give rise to perceived uncertainties as to New Vaso's future, adversely affect its relationships with service providers and make it more difficult to attract and retain qualified personnel. Also, New Vaso may be required to incur significant legal fees and other expenses related to any securities litigation and activist stockholder matters. Further, its stock price could be subject to significant fluctuation or otherwise be adversely affected by the events, risks and uncertainties of any securities litigation and stockholder activism.

If the Business Combination does not qualify as a tax-free reorganization under Section 368(a) of the Code, former holders of Vaso common stock receiving Achari common stock in connection with the Business Combination may incur greater U.S. federal income tax liability as a result of the Business Combination.

Achari and Vaso intend for the Business Combination to be treated for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code. However, neither Achari nor Vaso has requested, or intends to request, a ruling from the IRS, with respect to the tax considerations of the Business Combination, and there can be no assurance that the companies' position would be sustained by a court if challenged by the IRS. Accordingly, if the IRS or a court determines that the Business Combination does not qualify as a reorganization under Section 368(a) of the Code and is therefore a taxable transaction for U.S. federal income tax purposes, holders of Vaso

common stock receiving New Vaso common stock in connection with the Business Combination generally would recognize taxable gain or loss on their receipt of the same in connection with the Business Combination.

Additional Information

We are subject to the reporting requirements under the Securities Exchange Act of 1934 and are required to file reports and information with the Securities and Exchange Commission (SEC), including reports on the following forms: annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports files or furnished pursuant to Section 13(a) or 15(d) of the Securities Act of 1934.

ITEM 1C – CYBERSECURITY

Our Board is actively engaged in the oversight of the Company’s cybersecurity, information security, data protection, and technology programs (“cybersecurity”). The Audit Committee of the Board serves as the principal agent of the Board in fulfilling its oversight and review of the Company’s policies and procedures with respect to cybersecurity risk assessment and risk management. The Company’s Chief Operating Officer (COO) leads the Company’s cybersecurity risk assessment and risk management program. Our COO, who is also the head of our IT business with over 25 years of experience in the information technology industry, leads the team from our IT business in designing and implementing our cybersecurity program.

Our COO and the executive team in our IT business periodically assesses industry best practices, frameworks, and standards so that our practice is up to date for the effective prevention, detection, mitigation, and remediation of cybersecurity incidents. Our cybersecurity risk management program includes the deployment of tools and activities designed to monitor, detect, prevent and analyze current and emerging cybersecurity threats, and plans and strategies to address threats and incidents. Program highlights include:

- Employing a multi-layer strategy of defense designed to ensure the safety, security, and responsible use of information and data.
- Monitoring of all IT assets, resources, and data 24-hours per day, 7-days per week, 365-days per year by security operations center (SOC).
- Performing annual testing of the Company’s incident response plan and cybersecurity posture.
- Incorporating external expertise to manage the SOC, perform penetration tests, cyber-attack simulation exercises, and log management to review anomalies indicating a possible breach.
- Maintaining a business continuity program and cyber insurance.
- Performing periodic employee simulated phishing campaigns.
- Conducting annual cybersecurity and insider threat training for all employees.

The COO is responsible for informing the Audit Committee and the Board of Directors, the CEO and other members of the senior management team on cybersecurity risks on a regular basis, including evolving cybersecurity threats, cybersecurity incidents, cybersecurity technologies and solutions deployed, major cybersecurity risk areas, and policies and procedures to address those risks and cybersecurity incidents, as well as assessments of our cybersecurity program. The COO also informs the CEO and other members of our senior management team on a more informal basis of all aspects related to cybersecurity risks and incidents. This ensures that the highest levels of management are kept abreast of the cybersecurity posture and potential risks facing us. Any significant cybersecurity matters and strategic risk management decisions related thereto are escalated to the Board of Directors, ensuring that they have comprehensive oversight and can provide guidance on significant cybersecurity issues.

In 2023, the Company achieved its primary cybersecurity risk management objective of no material cybersecurity incidents.

As of the date of this report, the Company is not aware of any material risks from cybersecurity threats, including those resulting from previous cybersecurity incidents, that have materially affected or are reasonably likely to materially affect the Company, including our business strategy, results of operations, or financial condition. For more information about the cybersecurity risks we face, see the risk factors entitled “Data security incidents or disruptions in our information technology systems could damage our business” in Item 1A “Risk Factors” of this Form 10-K.

ITEM 2 – PROPERTIES

The Company leases its headquarters at an 8,700 square foot facility at 137 Commercial Street, Plainview, New York 11803, under a lease with a term that expires on September 30, 2025 and with a base annual rental of approximately \$80,000. The Company's NetWolves unit leases a 16,200 square foot facility in Tampa, Florida, under a lease expiring in June 2024 with an annual rental of approximately \$206,000. VHC-IT previously leased a flexible space, 1,500 square foot facility in Nashville, Tennessee with an annual cost of approximately \$32,000. The Nashville lease expired on January 31, 2023 and is currently rented on a month-to-month basis. We believe that our current facilities are adequate for foreseeable current and future needs.

We lease our office, engineering and production facilities in China. Specifically, we lease approximately 14,700 square feet of space in Wuxi, China under leases expiring in August 2026, September 2026, and December 2026 at an aggregate annual cost of approximately \$70,000. Such leases are renewable upon expiration. We also lease office space of approximately 1,700 square feet to host our software R&D team in Tianjin, China under a lease expiring in February 2026 at an annual cost of approximately \$27,000.

PART II

ITEM 5 – MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock currently trades on the OTC Market (OTCQX) under the symbol VASO. The number of record holders of common stock as of March 25, 2024, was approximately 900, which does not include approximately 8,500 beneficial owners of shares held in the name of brokers or other nominees. The table below sets forth the range of high and low trade prices of the common stock for the fiscal periods specified.

	Year ended December 31, 2023		Year ended December 31, 2022	
	High	Low	High	Low
First quarter	\$0.29	\$0.17	\$0.09	\$0.05
Second quarter	\$0.26	\$0.21	\$0.11	\$0.07
Third quarter	\$0.34	\$0.24	\$0.12	\$0.09
Fourth quarter	\$0.35	\$0.20	\$0.22	\$0.11

The last bid price of the Company's common stock on March 25, 2023 was \$0.30 per share.

Dividend Policy

We have never paid any cash dividends on our common stock and currently do not intend to pay cash dividends in the foreseeable future.

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

This Management’s Discussion and Analysis of Financial Condition and Results of Operations contains descriptions of our expectations regarding future trends affecting our business. These forward looking statements and other forward-looking statements made elsewhere in this document are made under the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Please read the section titled “Risk Factors” in “Item One – Business” to review certain conditions, among others, which we believe could cause results to differ materially from those contemplated by the forward-looking statements.

Except for historical information contained in this report, the matters discussed are forward-looking statements that involve risks and uncertainties. When used in this report, words such as “anticipates”, “believes”, “could”, “estimates”, “expects”, “may”, “plans”, “potential” and “intends” and similar expressions, as they relate to the Company or its management, identify forward-looking statements. Such forward-looking statements are based on the beliefs of the Company’s management, as well as assumptions made by and information currently available to the Company’s management. Among the factors that could cause actual results to differ materially are the following: the effect of business and economic conditions, including the COVID-19 pandemic; the effect of the dramatic changes taking place in IT and healthcare; continuation of the GEHC agreement; the impact of competitive technology and products and their pricing; medical insurance reimbursement policies; unexpected manufacturing or supplier problems; unforeseen difficulties and delays in the conduct of product development programs; the actions of regulatory authorities and third-party payers in the United States and overseas; and the risk factors reported from time to time in the Company’s SEC reports. The Company undertakes no obligation to update forward-looking statements as a result of future events or developments.

The following discussion should be read in conjunction with the financial statements and notes thereto included in this Annual Report on Form 10-K.

General Overview

COVID-19 pandemic

The COVID-19 pandemic has had a significant impact on economies of the United States and China, and it is possible that some negative impact to the Company's financial condition and results of operations may continue. At this time, we cannot reasonably estimate what the total impact may be. The pandemic has resulted in workforce and travel restrictions and created business disruptions in supply chain, production and demand across many business sectors. We have experienced negative impact in the recurring revenue business in our IT segment as some of our customers have been adversely affected by the shutdown, and new business in this segment appears to be slower as well. In addition, revenues in our China operations have been adversely affected by its government's lockdown policies, which have only recently been reversed.

Our Business Segments

Vaso Corporation (formerly Vasomedical, Inc.) ("Vaso") was incorporated in Delaware in July 1987. We principally operate in three distinct business segments in the healthcare equipment and information technology industries. We manage and evaluate our operations, and report our financial results, through these three business segments.

- IT segment, operating through a wholly-owned subsidiary VasoTechnology, Inc., primarily focuses on healthcare IT and managed network technology services;
- Professional sales service segment, operating through a wholly-owned subsidiary Vaso Diagnostics, Inc. d/b/a VasoHealthcare, primarily focuses on the sale of healthcare capital equipment for GE HealthCare (GEHC) into the health provider middle market; and
- Equipment segment, primarily focuses on the design, manufacture, sale and service of proprietary medical devices and software, operating through a wholly-owned subsidiary VasoMedical, Inc., which in turn operates through Vasomedical Solutions, Inc. for domestic business and Vasomedical Global Corp. for international business, respectively.

VasoTechnology

VasoTechnology, Inc. was formed in May 2015, at the time the Company acquired all of the assets of NetWolves, LLC and its affiliates, including the membership interests in NetWolves Network Services LLC (collectively, "NetWolves"). It currently consists of a managed network and security service division (NetWolves) and a healthcare IT application VAR (value added reseller) division (VasoHealthcare IT). Its current offering includes:

- Managed diagnostic imaging applications (channel partner of select vendors of healthcare IT products).
- Managed network infrastructure (routers, switches and other core equipment).
- Managed network transport (FCC licensed carrier reselling 175+ facility partners).
- Managed network security services.

VasoTechnology uses a combination of proprietary technology, methodology and best-in-class third-party applications to deliver its value proposition.

VasoHealthcare

VasoHealthcare commenced operations in 2010, in conjunction with the Company's execution of its exclusive sales representation agreement with GEHC, which at the time was the healthcare business division of the General Electric Company ("GE"), to further the sale of certain medical capital equipment in certain domestic market segments. Its current offering consists of:

- GEHC diagnostic imaging equipment and ultrasound systems.
- GEHC service agreements for the above equipment.
- GEHC training services for use of the above equipment.
- GEHC and third-party financial services for the above equipment.

VasoHealthcare has built a team of over 80 highly experienced sales professionals who utilize highly focused sales management and analytic tools to manage the complete sales process and to increase market penetration.

VasoMedical

The proprietary medical equipment business under VasoMedical traces back to 1995 when the Company began the proprietary Enhanced External Counterpulsation (EECP[®]) technology in the United States and has since diversified to include other medical hardware and software. Vasomedical Global was formed in 2011 to combine and coordinate the various international operations including design, development, manufacturing, and sales of medical devices and software, while domestic activities are conducted under Vasomedical Solutions. These devices and software primarily consist of cardiovascular diagnostic and therapeutic applications, including:

- Biox[™] series Holter monitors and ambulatory blood pressure recorders.
- ARCS[®] series analysis, reporting and communication software for ECG and blood pressure signals, including cloud-based software and algorithm subscription services.
- MobiCare[®] multi-parameter wireless vital-sign monitoring system.
- EECP[®] therapy systems for non-invasive, outpatient treatment of ischemic heart disease.

This segment uses its extensive in-house knowledge and intellectual property for cardiovascular devices and software coupled with its engineering resources to cost effectively create and market its proprietary technology. It sells and services its products to customers in the U.S. and China directly and sells and/or services its products in the international market mainly through independent distributors.

Strategic Plan and Objectives

Our short- and long-term plans for the growth of the Company and to increase stockholder value are:

- Continue to effectively control operating costs in the current inflationary environment.
- Continue to expand our product and service offerings as well as market penetration in all of our business segments.
- Maintain and improve business performance in our professional sales service segment by increasing market penetration of the GEHC product portfolio we represent, and possibly building new teams to represent other vendors.
- Maintain and grow our equipment business by increasing efficiency, and continue to transform the operation and explore new revenue models.
- Continue to seek accretive partnership opportunities.
- Explore options in capital markets for our stock.

Results of Operations – For the Years Ended December 31, 2023 and 2022

Total revenues increased by \$1,730,000, or 2.2%, to \$81,024,000 in the year ended December 31, 2023, from \$79,294,000 in the year ended December 31, 2022. We reported net income of \$4,805,000 and \$11,294,000 for the years ended December 31, 2023 and 2022, respectively, a decrease of \$6,489,000. The decrease in net income was primarily due to higher operating expenses in 2023 and the income tax benefit generated through partial release of the deferred tax asset valuation allowance in 2022, partially offset by higher gross profit in 2023. Our net income was \$0.03 per basic and diluted common share for the year ended December 31, 2023, and \$0.07 and \$0.06 per basic and diluted common share, respectively, for the year ended December 31, 2022.

Revenues

Revenue in the IT segment was \$40,371,000 for the year ended December 31, 2023 as compared to \$40,100,000 for the prior year, an increase of \$271,000, or 0.7%, of which \$432,000 was attributable to an increase in VHC-IT revenues offset by a decrease of \$161,000 in NetWolves revenues.

Commission revenues in the professional sales service segment increased by \$1,199,000, or 3.3%, to \$37,820,000 in the year ended December 31, 2023, as compared to \$36,621,000 in the year ended December 31, 2022. The increase was primarily due to both a higher blended commission rate for equipment delivered in 2023 and a higher volume of GEHC equipment delivered in 2023. As discussed in Note C to the financial statements, the Company defers recognition of commission revenue until the underlying equipment is delivered. As of December 31, 2023, the Company recorded on its consolidated balance sheet deferred commission revenue of \$32,194,000 for this segment (of which \$16,314,000 is long-term), an increase of \$1,400,000, or 4.5%, compared to \$30,794,000 of deferred commission revenue at December 31, 2022 (of which \$15,660,000 was long-term). The increase in deferred revenue is due principally to booked orders exceeding equipment deliveries.

Revenue in our equipment segment increased 10.1% to \$2,833,000 for the year ended December 31, 2023 from \$2,573,000 for the year ended December 31, 2022, as a result of a \$313,000, or 91.5%, increase in our US operations due to higher ARCS[®]-cloud software-as-a-service revenues, offset by lower equipment sales in our China operations primarily as a result of the negative effect of foreign exchange rate fluctuations in 2023.

Gross Profit

The Company recorded gross profit of \$50,593,000, or 62.4% of revenue, for the year ended December 31, 2023, compared to \$47,902,000, or 60.4% of revenue, for the year ended December 31, 2022. The increase of \$2,691,000, or 5.6%, was due to a \$1,430,000 increase in the IT segment due mainly to higher gross margin; a \$1,090,000 increase in the professional sales service segment due mainly to higher revenues; and a \$171,000 increase in the equipment segment, as a result of higher revenues partially offset by lower gross margin.

IT segment gross profit increased to \$17,659,000, or 43.7% of segment revenues, for the year ended December 31, 2023, as compared to \$16,229,000, or 40.5% of segment revenues in the prior year, an increase of \$1,430,000, of which \$764,000 was attributable to NetWolves due to improved cost control, and \$666,000 was attributable to VHC-IT, resulting from higher margin product mix.

Professional sales service segment gross profit was \$30,799,000, or 81.4% of the segment revenues, for the year ended December 31, 2023, an increase of \$1,090,000, or 3.7%, from segment gross profit of \$29,709,000, or 81.1% of the segment revenue, for the year ended December 31, 2022. The increase in gross profit was due primarily to the increase in the segment revenue as a result of both a higher blended commission rate in 2023 and higher equipment delivery volume. Cost of commissions increased by \$109,000, or 1.6%, to \$7,021,000 for the year ended December 31, 2023, as compared to cost of commissions of \$6,912,000 in 2022. The increase is due primarily to the increase in the segment revenue as gross profit margin remained little changed year over year. Cost of commissions reflects commission expense associated with certain recognized commission revenues. Commission expense associated with deferred revenue is recorded as deferred commission expense until the related commission revenue is earned.

Equipment segment gross profit increased by \$171,000, or 8.7%, to \$2,135,000, or 75.4% of equipment segment revenues, for the year ended December 31, 2023, compared to \$1,964,000, or 76.3% of equipment segment revenues, for the year ended December 31, 2022, due to higher segment revenue offset by lower gross profit margin in our China operations. Equipment segment gross profits are dependent on a number of factors including the mix of products sold, their respective models and average selling prices, the ongoing costs of training, maintenance and servicing, as well as certain fixed period costs, including facilities, payroll and insurance.

Operating Income

Operating income was \$4,195,000 for the year ended December 31, 2023 compared to operating income of \$6,454,000 for the year ended December 31, 2022, a decrease of \$2,259,000, or 35%. The decrease was primarily attributable to a \$2,325,000 decrease in operating income in the professional sales service segment from \$9,520,000 for the year ended December 31, 2022 to \$7,195,000 for the year ended December 31, 2023, due to higher operating expenses

mainly relating to the staffing and launching cost of the ultrasound sales program, offset by higher gross profit. The IT segment reduced its operating loss by \$1,154,000 from \$1,620,000 for the year ended December 31, 2022 to \$466,000 for the year ended December 31, 2023, as a result primarily of higher gross profit. Operating loss in the equipment segment increased by \$271,000, from \$180,000 in the prior year to \$451,000 for the year ended December 31, 2023, resulting mainly from higher SG&A and R&D costs, partially offset by higher gross profit. Corporate expenses increased by \$818,000, from \$1,266,000 in the prior year to \$2,084,000 for the year ended December 31, 2023, mainly due to increases in director fees and investment banking activities.

Selling, general and administrative (SG&A) expenses for the years ended December 31, 2023 and 2022 were \$45,643,000, or 56.3% of revenues, and \$40,843,000, or 51.5% of revenues, respectively, reflecting an increase of \$4,800,000 or 11.8%. The increase in SG&A expenditures in the year ended December 31, 2023 resulted primarily from a \$3,415,000 increase in the professional sales service segment attributable mainly to higher sales personnel-related and travel costs; a \$300,000 increase in the IT segment due to higher personnel and travel costs; a \$268,000 increase in the equipment segment due mainly to higher personnel costs in our China operations, and by a \$818,000 increase in corporate expenses reflecting higher director fees and investment banking activities.

Research and development (R&D) expenses of \$755,000, or 1% of revenues, for the year ended December 31, 2023 increased by \$150,000, or 25%, from \$605,000, or 1% of revenues, for the year ended December 31, 2022. The increase is primarily attributable to higher software development costs in our China operations in 2023.

Adjusted EBITDA

We define Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization), which is a non-GAAP financial measure, as net (loss) income, plus net interest expense (income), tax expense, depreciation and amortization, and non-cash expenses for share-based compensation. Adjusted EBITDA is a metric that is used by the investment community for comparative and valuation purposes. We disclose this metric in order to support and facilitate the dialogue with research analysts and investors.

Adjusted EBITDA is not a measure of financial performance under GAAP and should not be considered a substitute for operating income, which we consider to be the most directly comparable GAAP measure. Adjusted EBITDA has limitations as an analytical tool, and when assessing our operating performance, you should not consider Adjusted EBITDA in isolation, or as a substitute for net income or other consolidated income statement data prepared in accordance with GAAP. Other companies may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

A reconciliation of net income to Adjusted EBITDA is set forth below:

(in thousands)

	Year ended December 31,	
	2023	2022
Net income	\$ 4,805	\$ 11,294
Interest expense (income), net	(858)	(85)
Income tax expense (benefit)	100	(4,743)
Depreciation and amortization	999	1,923
Share-based compensation	48	35
Adjusted EBITDA	\$ 5,094	\$ 8,424

Adjusted EBITDA decreased by \$3,330,000, to \$5,094,000 in the year ended December 31, 2023, from \$8,424,000 in the year ended December 31, 2022. The decrease was primarily attributable to lower net income, lower depreciation and amortization, and higher net interest income, partially offset by the change from income tax benefit to income tax expense, as compared to the prior year. Net income decreased primarily due to higher operating expenses and lower income tax benefit in 2023, partially offset by higher revenue and gross profit.

Other Income (Expense), Net

Other income (expense), net for the years ended December 31, 2023 and 2022, was \$710,000 and \$97,000, respectively, an increase in net other income of \$613,000. The increase was due primarily to \$621,000 higher interest and other income arising mainly from the increase in short-term investments from \$8,504,000 at December 31, 2022 to \$13,979,000 at December 31, 2023.

Income Tax (Expense) Benefit

During the year ended December 31, 2023, we recorded an income tax expense of \$100,000, as compared to income tax benefit of \$4,743,000 in the year ended December 31, 2022. The Company utilized \$5,857,000 and \$7,754,000 in net operating loss carryforwards for the years ended December 31, 2023 and 2022, respectively. The change to income tax expense in 2023 arose primarily from the partial release of the deferred tax asset valuation allowance in 2022, due to estimated future taxable income. The Company has net operating loss carryforwards of approximately \$25,000,000 at December 31, 2023.

Liquidity and Capital Resources

Cash and Cash Flow – For the year ended December 31, 2023

We have financed our operations and investment activities from working capital. At December 31, 2023, we had cash and cash equivalents and short-term investments of \$25,321,000 and working capital of \$15,059,000. At March 24, 2024 the Company's cash and cash equivalents and short-term investments were approximately \$29.6 million.

Cash provided by operating activities was \$5,296,000 during the year ended December 31, 2023, which consisted of net income after non-cash adjustments of \$6,175,000 and changes in operating assets and liabilities of \$(879,000). The changes in the account balances primarily reflect a decrease in prepaid expense and other current assets of \$1,271,000 and increases in accrued commissions and accrued liabilities totaling \$2,617,000; partially offsetting these changes was a decrease in accounts and other receivables of \$2,062,000 and an increase in deferred revenue of \$1,397,000.

Cash used in investing activities during the year ended December 31, 2023 was \$5,657,000, consisting of \$24,473,000 in purchases of short term investments and \$731,000 in purchases of equipment and software, offset by \$19,457,000 in redemption of short-term investments.

Cash used in financing activities during the year ended December 31, 2023 was \$134,000, consisting of \$128,000 in payments of notes and finance leases and \$6,000 in shares withheld for payment of payroll taxes.

Liquidity

The Company expects to generate sufficient cash flow from operations to satisfy its obligations at least for the next twelve months.

Off-Balance Sheet Arrangements

We do not participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities (SPES), which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As of December 31, 2023, we are not involved in any unconsolidated SPES or other off-balance sheet arrangements.

Effects of Inflation

We believe that inflation and changing prices over the past two years have not had a significant impact on our revenue or on our results of operations.

Critical Accounting Policies and Estimates

Note C of the Notes to Consolidated Financial Statements includes a summary of our significant accounting policies and methods used in the preparation of our financial statements. In preparing these financial statements, we have made our best estimates and judgments of certain amounts included in the financial statements, giving due consideration to materiality. The application of these accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. Our critical accounting policies and estimates are as follows:

Allowance for Commission Adjustments

In our professional sale service segment, we bill a portion of commissions on the orders we booked in advance of delivery of the underlying equipment. Such amounts are classified in our consolidated balance sheets in accounts receivable and deferred revenue, net of estimated commission adjustments. Similarly, commissions payable to our sales force related to such billings are recorded as deferred commission expense, net of the impact of the estimated commission adjustments, when the associated deferred revenue is recorded. The commission adjustments are based on estimates of future order cancellations, which is calculated based on historical cancellation rates over multiple prior years and applicable credit policies. Such cancellation rates are subject to the uncertainty that future activity cancels at higher or lower rates than the past orders on which the rate was calculated, or that credit policies may change. While such rates have remained fairly constant in prior years, the Company, based on its current year analysis, increased its estimated cancellation rate as of December 31, 2023. Application of the rates only affects the aforementioned balance sheet accounts, there is no impact to the statement of operations.

Valuation Allowance for Deferred Tax Assets

Deferred income taxes are recognized for temporary differences between financial statement and income tax bases of assets and liabilities and loss carry forwards for which income tax benefits are expected to be realized in future years. A valuation allowance is established, when necessary, to reduce deferred tax assets to the amount expected to be realized. In estimating future tax consequences, we generally consider all expected future events other than an enactment of changes in the tax laws or rates. Deferred tax assets are continually evaluated for realizability. To the extent our judgment regarding the realization of the deferred tax assets changes, an adjustment to the allowance is recorded, with an offsetting increase or decrease, as appropriate, in income tax expense. Such adjustments are recorded in the period in which our estimate as to the realizability of the assets changed that it is “more likely than not” that all of the deferred tax assets will be realized. The “more likely than not” standard is subjective and is based upon our estimate of a greater than 50% probability that the deferred tax asset will be realized.

The primary underlying uncertainty in evaluating the realizability of our deferred tax assets, which are primarily net operating losses, is the need to accurately project taxable income. The Company generated net operating losses in the years ended December 31, 2017, 2018 and 2019. From 2020 to 2022, this trend reversed and the Company generated increasingly higher taxable income, primarily as a result of the professional sales services segment’s growth in orders, revenue, and operating results. As a result of this trend, which we expect to continue, and the extension, through December 31, 2026, of the GEHC Agreement which underlies the performance of the professional sales segment, the Company reviewed positive and negative evidence, including improved historical operating results and the likelihood of such results continuing, and also reviewed its expected taxable income for future periods based on the positive trend in operating results and the extension of the GEHC Agreement to the end of 2026, and concluded that it is more likely than not that approximately \$5.4 million of tax benefits related to net operating loss carryforwards will be utilized in the future tax years of 2023 to 2026 and, therefore, reduced its valuation allowance during the year ended December 31, 2022 in accordance with ASC 740. In addition, the Company expects to provide a valuation allowance on the remaining future tax benefits until it can sustain a level of profitability that demonstrates its ability to utilize the remaining assets, or other significant positive evidence arises that suggests its ability to utilize the remaining assets.

Goodwill and Intangible Assets

Goodwill represents the excess of cost over the fair value of net assets of businesses acquired. The Company accounts for goodwill under the guidance of the ASC Topic 350, “Intangibles: Goodwill and Other”. Goodwill acquired in a purchase business combination and determined to have an indefinite useful life is not amortized, but instead tested for impairment, at least annually, in accordance with this guidance. The recoverability of goodwill is subject to an annual impairment test or whenever an event occurs or circumstances change that would more likely than not result in an impairment. The impairment test is based on the estimated fair value of the underlying businesses and performed in the fourth quarter of each year.

We perform either a quantitative or qualitative assessment to assess if the fair value of the respective reporting unit exceeds its carrying value. The qualitative goodwill impairment assessment requires evaluating factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. As part of our goodwill qualitative assessment process for our two applicable reporting units, when utilized, we evaluate various factors that are specific to the reporting unit as well as industry and macroeconomic factors in order to determine whether it is reasonably likely to have a material impact on the fair value of our reporting units. Examples of the factors that are considered include the results of the most recent impairment test, current forecasts, and changes in the strategic outlook or organizational structure of the reporting units. The financial forecasts of the reporting units are compared to the forecasts used in the prior year analysis to determine if management expectations for the business have changed.

When performing the quantitative assessment to calculate the fair value of a reporting unit, we consider both comparative market multiples as well as estimated discounted cash flows for the reporting unit. The significant estimates and assumptions include, but are not limited to, revenue growth rates, operating margins, and future economic and market conditions. The discount rates are based upon industry weighted average cost of capital ranges. As a supplement, we conduct additional sensitivity analysis to assess the risk for potential impairment based upon changes in the key assumptions such as the discount rate, expected long-term growth rate, and cash flow projections. Based upon the completion of our annual test as of December 31, 2023, we determined that there was no impairment of goodwill and that the applicable reporting units’ estimated fair values were substantially in excess of their carrying amounts.

Intangible assets consist of the value of customer contracts and relationships, patent and technology costs, and software. The cost of significant customer-related intangibles is amortized in proportion to estimated total related revenue; cost of other intangible assets is generally amortized on a straight-line basis over the asset's estimated economic life, which range from five to ten years. The Company capitalizes internal use software costs incurred during the application development stage. Costs related to preliminary project activities and post implementation activities are expensed as incurred. We evaluate whether events or circumstances have occurred that warrant a revision to the remaining useful lives of intangible assets. In cases where a revision is deemed appropriate, the remaining carrying amounts of the intangible assets are amortized over the revised remaining useful life.

Recently Issued Accounting Pronouncements

Note C of the Notes to Consolidated Financial Statements includes a description of the Company’s evaluation of recently issued accounting pronouncements.

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements listed in the accompanying Index to Consolidated Financial Statements are filed as part of this report.

ITEM 9A - CONTROLS AND PROCEDURES

Report on Disclosure Controls and Procedures

Disclosure controls and procedures reporting as promulgated under the Exchange Act is defined as controls and procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act are recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms. Disclosure controls and procedures include without limitation, controls and procedures

designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Our CEO and our CFO have evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2023 and have concluded that the Company’s disclosure controls and procedures were effective.

Management’s Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Internal control involves maintaining records that accurately represent our business transactions, providing reasonable assurance that receipts and expenditures of company assets are made in accordance with management authorization, and providing reasonable assurance that unauthorized acquisition, use or disposition of company assets that could have a material effect on our financial statements would be detected or prevented on a timely basis.

Because of its inherent limitations, internal control over our financial statements is not intended to provide absolute guarantee that a misstatement can be detected or prevented in the statements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in condition, or that the degree of compliance with the policies or procedures may deteriorate.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 COSO framework). A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company’s annual or interim financial statements will not be prevented or detected on a timely basis.

Based on this evaluation and those criteria, the Company’s CEO and CFO concluded that the Company’s internal control over financial reporting were effective as of December 31, 2023.

This report does not include an attestation report of the Company’s Independent Registered Public Accounting Firm regarding internal control over financial reporting. Management’s report was not subject to attestation by the Company’s Independent Registered Public Accounting Firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only Management’s report in this Annual Report.

Changes in Internal Control over Financial Reporting

For the quarter ended December 31, 2023 there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART III

ITEM 10 – DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors of the Registrant

As of March 24, 2024, the members of our Board of Directors are:

Name of Director	Age	Principal Occupation	Director Since
Joshua Markowitz (2)	68	Chairman of the Board and Director	June, 2015
David Lieberman	79	Vice Chairman of the Board and Director	February, 2011
Jun Ma	60	President, Chief Executive Officer and Director	June, 2007
Jane Moen	44	President, Vasohealthcare and Director	March, 2020
Leon Dembo	69	Director	April, 2023
Behnam Movaseghi (1) (2)	70	Director	July, 2007
Edgar Rios (1)	71	Director	February, 2011

- (1) Member of the Audit Committee
- (2) Member of the Compensation Committee

The following is a brief account of the business experience for at least the past five years of our directors:

Joshua Markowitz has been a director since June 2015, and was appointed Chairman of the Board of the Company in August 2016. Mr. Markowitz has been a practicing attorney in the State of New Jersey for in excess of 30 years. He is currently a senior partner in the New Jersey law firm of Markowitz O'Donnell, LLP. Mr. Markowitz was the brother-in-law of Mr. Simon Srybnik (deceased), the former Chairman and director of the Company.

David Lieberman has been a director of the Company and the Vice Chairman of the Board, since February 2011. Mr. Lieberman has been a practicing attorney in the State of New York for more than 45 years, specializing in corporation and securities law. He is currently of counsel to the law firm of Ortoli Rosenstadt, LLP, which performs certain legal services for the Company and its subsidiaries. Mr. Lieberman is a former Chairman of the Board of Herley Industries, Inc., which was sold in March, 2011.

Jun Ma, PhD, has been a director since June 2007 and was appointed President and Chief Executive Officer of the Company on October 16, 2008. Dr. Ma has held various positions in academia and business, and prior to becoming President and CEO of the Company, had provided technology and business consulting services to several domestic and international companies in aerospace, automotive, biomedical, medical device, and other industries, including Kerns Manufacturing Corp. and Living Data Technology Corp., both of which are stockholders of our Company. Dr. Ma received his PhD degree in mechanical engineering from Columbia University, MS degree in biomedical engineering from Shanghai University, and BS degree in precision machinery and instrumentation from University of Science and Technology of China.

Jane Moen has been a director since March 2020 and an executive officer of the Company since November 2022. Ms. Moen has been President of the Company's wholly-owned subsidiary Vaso Diagnostics, Inc. d/b/a VasoHealthcare since June 2018 following a remarkable career track record at VasoHealthcare, starting as an Account Manager at the inception of VasoHealthcare in April 2010 and being promoted to Regional Manager in January 2012, Director of Product Business Lines in July 2012 and Vice President of Sales in April 2016. Jane Moen has been in the medical sales industry for over 17 years, having had prior experience with Ledford Medical Sales, Vital Signs, Inc., Pfizer Inc. and Ecolab, Inc.

Leon Dembo has been in the private practice of law for the last 43 years and has been the managing partner of Dembo, Brown & Burns LLP (and its predecessor firm, Dembo & Saldutti LLP) since 1991.

Behnam Movaseghi, CPA, has been a director since July 2007. Mr. Movaseghi has been treasurer of Kerns Manufacturing Corporation since 2000, and controller from 1990 to 2000. For approximately ten years prior thereto Mr. Movaseghi was a tax and financial consultant. Mr. Movaseghi is a Certified Public Accountant.

Edgar G. Rios has been a director of the Company since February 2011. Mr. Rios was a co-founder, Executive Vice President, General Counsel and Director of AmeriChoice Corporation from its inception in 1989 through its acquisition by UnitedHealthcare in 2002 and continued as a senior executive with United Healthcare through 2007. Prior to co-founding AmeriChoice, Mr. Rios was a senior executive with a number of businesses that provided technology services and non-technology products to government purchasers. Mr. Rios also serves as a member of the Board of Trustees of Meharry Medical School and the Brookings Institution in Washington DC; and as a director of the Los Padres Foundation in Virginia. Mr. Rios holds a J.D. from Columbia University Law School and an A.B. from Princeton University.

Committees of the Board of Directors

Audit Committee and Audit Committee Financial Expert

The Board has a standing Audit Committee. The Board has affirmatively determined that each director who serves on the Audit Committee is independent, as the term is defined by applicable Securities and Exchange Commission ("SEC") rules. During the year ended December 31, 2023, the Audit Committee consisted of Edgar Rios, committee chair, and Behnam Movaseghi. The members of the Audit Committee have substantial experience in assessing the performance of companies, gained as members of the Company's Board of Directors and Audit Committee, as well as by serving in various capacities in other companies or governmental agencies. As a result, they each have an understanding of financial statements. The Board believes that Behnam Movaseghi fulfills the role of the financial expert on this committee.

The Audit Committee regularly meets with our independent registered public accounting firm without the presence of management.

The Audit Committee operates under a charter approved by the Board of Directors. The Audit Committee charter is available on our website.

Compensation Committee

Our Compensation Committee annually establishes, subject to the approval of the Board of Directors and any applicable employment agreements, the compensation that will be paid to our executive officers during the coming year, as well as administers our stock-based benefit plans. During the year ended December 31, 2023, the Compensation Committee consisted of Joshua Markowitz, committee chair, and Behnam Movaseghi. Neither of these persons has been officers or employees of the Company at the time of his position on the committee, or, except as otherwise disclosed, had any relationship requiring disclosure herein.

The Compensation Committee operates under a charter approved by the Board of Directors. The Compensation Committee charter is available on our website.

MEETINGS OF THE BOARD OF DIRECTORS AND COMMITTEES

During the year ended December 31, 2023 there were:

- 7 meetings of the Board of Directors
- 4 meetings of the Audit Committee
- 3 meetings of the Compensation Committee

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires directors, executive officers and persons who beneficially own more than 10% of our common stock (collectively, "Reporting Persons") to file initial reports of ownership and reports of

changes in ownership of our common stock with the SEC. Reporting Persons are required by SEC regulations to furnish us with copies of all Section 16(a) reports they file. To our knowledge, based solely on our review of the copies of such reports received or written representations from certain Reporting Persons that no other reports were required, we believe that during the year ended December 31, 2023 all Reporting Persons timely complied with all applicable filing requirements.

Corporate Governance - Code of Ethics

We have adopted a Corporate Code of Business Ethics (the "Code") that applies to all employees, including our principal executive officer, principal financial officer, and directors of the Company. A copy of the Code can be found on our website, www.vasocorporation.com. The Code is broad in scope and is intended to foster honest and ethical conduct, including accurate financial reporting, compliance with laws and the like. If any substantive amendments are made to the Code or if there is any grant of waiver, including any implicit waiver, from a provision of the Code to our Chief Executive Officer or Chief Financial Officer, we will disclose the nature of such amendment or waiver in a Current Report on Form 8-K.

Executive Officers of the Registrant

As of March 24, 2024 our executive officers are:

Name of Officer	Age	Position held with the Company
Jun Ma, PhD	60	President, Chief Executive Officer
Peter C. Castle	55	Chief Operating Officer
Jane Moen	44	President of VasoHealthcare
Michael J. Beecher	79	Co-Chief Financial Officer and Secretary
Jonathan P. Newton	63	Co-Chief Financial Officer and Treasurer

Peter Castle was a director from August 2010 to December 2019 and was appointed the Chief Operating Officer of the Company after the NetWolves acquisition in June 2015. Prior to the acquisition, Mr. Castle was the President and Chief Executive Officer of NetWolves Network Services, LLC, where he has been employed since 1998. At NetWolves, Mr. Castle also held the position of Chief Financial Officer from 2001 until October 2009, Vice President of Finance since January 2000, Controller from August 1998 until December 1999 and Treasurer and Secretary from August 1999.

Michael J. Beecher, CPA, was Chief Financial Officer of the Company from September 2011 and Co-Chief Financial Officer since December 10, 2019. Prior to joining Vasomedical in 2011, Mr. Beecher was Chief Financial Officer of Direct Insite Corp., a publicly held company, from December 2003 to September 2011. Prior to his position at Direct Insite, Mr. Beecher was Chief Financial Officer and Treasurer of FiberCore, Inc., a publicly held company in the fiber-optics industry. From 1989 to 1995 he was Vice-President Administration and Finance at the University of Bridgeport. Mr. Beecher began his career in public accounting with Haskins & Sells, an international public accounting firm. He is a graduate of the University of Connecticut, a Certified Public Accountant and a member of the American Institute of Certified Public Accountants.

Jonathan P. Newton served as Chief Financial Officer of the Company from September 1, 2010 to September 8, 2011, Vice President of Finance and Treasurer until December 10, 2019, and is currently Co-Chief Financial Officer and Treasurer. From June 2006 to August 2010, Mr. Newton was Director of Budgets and Financial Analysis for Curtiss-Wright Flow Control. Prior to his position at Curtiss-Wright Flow Control, Mr. Newton was Vasomedical's Director of Budgets and Analysis from August 2001 to June 2006. Prior positions included Controller of North American Telecommunications Corp., Accounting Manager for Luitpold Pharmaceuticals, positions of increasing responsibility within the internal audit function of the Northrop Grumman Corporation and approximately three and one half years as an accountant for Deloitte Haskins & Sells, during which time Mr. Newton became a Certified Public Accountant. Mr. Newton holds a B.S. in Accounting from SUNY at Albany, and a B.S. in Mechanical Engineering from Hofstra University.

ITEM 11 - EXECUTIVE COMPENSATION

The following table sets forth the annual and long-term compensation of our Chief Executive Officer and each of our most highly compensated officers and employees who were serving as executive officers or employees at the end of the last completed fiscal year for services rendered for the years ended December 31, 2023 and 2022.

Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock	Option	Non-Equity	Nonqualified	All Other	Total (\$)
				Awards (\$)	Awards	Incentive Plan	Deferred	Compensation	
				(1)	(2)	(3)	Earnings (\$)	(4)	
Jun Ma, PhD	2023	500,000	230,000					191,610	921,610
Chief Executive Officer	2022	500,000	220,000					85,323	805,323
Peter C. Castle	2023	350,000	80,000					12,000	442,000
Chief Operating Officer	2022	350,000	20,000					13,368	383,368
Jane Moen	2023	350,000	330,000					49,438	729,438
President of VasoHealthcare	2022	293,750	245,000					11,145	549,895
Michael J. Beecher	2023	96,000	50,000					3,570	149,570
Co-Chief Financial Officer and Secretary	2022	102,000	20,000					3,362	125,362
Jonathan P. Newton	2023	220,000	130,000					18,780	368,780
Co-Chief Financial Officer and Treasurer	2022	215,000	120,000					11,416	346,416

- (1) Represents fair value on the date of grant. See Note C to the Consolidated Financial Statements included in our Form 10-K for the year ended December 31, 2023 for a discussion of the relevant assumptions used in calculating grant date fair value.
- (2) Represents tax gross-ups, lodging and vehicle allowances, Company-paid life insurance, and amounts matched in the Company's 401(k) Plan.

Outstanding Equity Awards at Last Fiscal Year End

The following table provides information concerning outstanding options, unvested stock and equity incentive plan awards for our named executive officers at December 31, 2023:

Name	Option Awards				Stock Awards				
	Number of Securities Underlying Unexercised Options - Exercisable	Number of Securities Underlying Unexercised Options - Unexercisable	Equity Incentive Plan Awards: Number of Underlying Unexercised Options	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Stock That Have Not Vested	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested
Jane Moen						200,000	62,000	-	-
Jonathan P. Newton						100,000	31,000	-	-

The future vesting dates of the above stock awards are:

Name	Number of Shares or Units of Stock That Have Not Vested	Vesting Date
Jane Moen	200,000	4/1/2024
Jonathan P. Newton	100,000	1/1/2024

Employment Agreements

On May 10, 2019, the Company modified its Employment Agreement with its President and Chief Executive Officer, Dr. Jun Ma, to provide for a five-year term with extensions, unless earlier terminated by the Company, but in no event can it extend beyond May 31, 2026. The Employment Agreement provides for annual compensation of \$500,000. Dr. Ma shall be eligible to receive a bonus for each fiscal year during the employment term. The amount and the occasion for payment of such bonus, if any, shall be at the discretion of the Board of Directors. Dr. Ma shall also be eligible for an award under any long-term incentive compensation plan and grants of options and awards of shares of the Company's stock, as determined at the Board of Directors' discretion. The Employment Agreement further provides for reimbursement of certain expenses, and certain severance benefits in the event of termination prior to the expiration date of the Employment Agreement.

On December 31, 2022, the Company executed an Employment Agreement with the President of its VasoHealthcare subsidiary, Ms. Jane Moen, to provide for a twenty-seven month initial term with extensions, unless earlier terminated by the Company, but in no event can it extend beyond December 31, 2026. The Employment Agreement provides for annual base compensation of \$350,000. Ms. Moen shall be eligible to receive bonuses for each fiscal year during the employment term. The amount and the occasion for payment of such bonuses, if any, shall be based on employment status and achieving certain operating targets. Ms. Moen shall also be eligible for an award under any long-term incentive compensation plan and grants of options and awards of shares of the Company's stock, as determined at the Board of Directors' discretion. The Employment Agreement further provides for reimbursement of certain expenses, and certain severance benefits in the event of termination prior to the expiration date of the Employment Agreement.

401(k) Plan

The Company maintains a defined contribution plan to provide retirement benefits for its employees - the Vaso Corporation 401(k) Plan adopted in April 1997. As allowed under Section 401(k) of the Internal Revenue Code, the plan provides tax-deferred salary deductions for eligible employees. Employees are eligible to participate in the next quarter enrollment period after employment under the Vaso Corporation Plan. Participants may make voluntary contributions to the plan up to 80% of their compensation under the Vaso Corporation Plan. In the years ended December 31, 2023 and 2022 the Company made discretionary contributions of approximately \$234,000 and \$112,000, respectively, to match a percentage of employee contributions.

Director's Compensation

Each of the non-employee directors receives an annual fee of \$50,000 as well as a fee of \$2,500 for each Board of Directors and Committee meeting attended, except for the Chairman who receives a flat fee of \$180,000 per annum. Committee chairs receive an additional annual fee of \$5,000. Each director also received a fee of \$30,000 plus an additional \$30,000 per committee seat.

Name	Fees Earned	Stock Awards	Option Awards	Non-equity Incentive Plan Compensation	Nonqualified	All Other Compensation (1)	Total
	or Paid in Cash				Deferred Compensation Earnings		
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Leon Dembo	65,000	-	-	-	-	-	65,000
David Lieberman	97,500	-	-	-	-	25,624	123,124
Joshua Markowitz	240,000	-	-	-	-	-	240,000
Behnam Movaseghi	175,000	-	-	-	-	-	175,000
Edgar Rios	142,500	-	-	-	-	-	142,500

(1) Represents health benefit premiums.

Compensation Committee Interlocks and Insider Participation

During the year ended December 31, 2023, the Compensation Committee consisted of Joshua Markowitz, committee chair, and Behnam Movaseghi. Neither of these persons were officers or employees of the Company during the time they held positions on the committee, or, except as otherwise disclosed, had any relationship requiring disclosure herein.

ITEM 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth the beneficial ownership of shares of our common stock as of March 25, 2024 of (i) each person known by us to beneficially own 5% or more of the shares of outstanding common stock, based solely on filings with the SEC, (ii) each of our executive officers and directors, and (iii) all of our executive officers and directors as a group. Except as otherwise indicated, all shares are beneficially owned, and investment and voting power is held by the persons named as owners. To our knowledge, except under community property laws or as otherwise noted, the persons and entities named in the table have sole voting and sole investment power over their shares of our common stock. Unless otherwise indicated, each beneficial owner listed below maintains a mailing address of c/o Vaso Corporation, 137 Commercial Street, Plainview, New York 11803.

Name of Beneficial Owner	Common Stock Beneficially Owned (1)	% of Common Stock (2)
Joshua Markowitz ** (3).....	56,088,318	31.99%
Jun Ma, PhD **.....	10,298,146	5.87%
Peter Castle **.....	3,125,000	1.78%
Edgar Rios **.....	1,625,000	*
Jane Moen **.....	1,605,087	*
David Lieberman **.....	1,599,200	*
Jonathan Newton **.....	1,275,000	*
Michael J. Beecher **.....	1,240,400	*
Behnam Movaseghi **.....	1,189,404	*
Leon Dembo **.....	-	-
** Directors and executive officers as a group		
(10 persons).....	78,045,555	44.52%

*Less than 1% of the Company's common stock

- (1) No officer or director owns more than one percent of the issued and outstanding common stock of the Company unless otherwise indicated.
- (2) Applicable percentages are based on 175,319,296 shares of common stock outstanding as of March 25, 2024, adjusted as required by rules promulgated by the SEC.
- (3) Joshua Markowitz is the record holder of 350,000 shares of our common stock. Additionally, 55,738,318 shares are held in trust funds of which Mr. Markowitz is the sole trustee.

Equity Compensation Plan Information

We maintain various stock plans under which stock options and stock grants are awarded at the discretion of our Board of Directors or its Compensation Committee. The purchase price of the shares under the plans and the shares subject to each option granted is not less than the fair market value on the date of the grant. The term of each option is generally five years and is determined at the time of the grant by our board of directors or the compensation committee. The participants in these plans are officers, directors, employees, and consultants of the Company and its subsidiaries and affiliates.

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted- average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity Compensation plans approved by security holders	-	\$0.00	-
Equity Compensation plans not approved by security holders (1)	1,058,333	\$0.00	8,996,709
Total	1,058,333		8,996,709

- (1) Includes 33,333 shares of restricted common stock granted, but unissued, under the 2013 Plan, and 1,025,000 shares of restricted common stock granted, but unissued, under the 2016 Plan. The exercise price for the stock grants is zero. 496,709 shares and 8,500,000 shares remain available for future grants under the 2016 Plan and 2019 Plan, respectively.

See Note Q to the Consolidated Financial Statements for description of the material features of our current stock plans not approved by stockholders.

ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Director Independence

We have adopted the NASDAQ Stock Market's standards for determining the independence of directors. Under these standards, an independent director means a person other than an executive officer or one of our employees or any other individual having a relationship which, in the opinion of the Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In addition, the following persons shall not be considered independent:

- a director who is, or at any time during the past three years was, employed by us;
- a director who accepted or who has a family member who accepted any compensation from us in excess of \$100,000 during any period of twelve consecutive months within the three years preceding the determination of independence, other than the following:
 - compensation for service on the Board of Directors or any committee thereof;
 - compensation paid to a family member who is one of our employees (other than an executive officer); or
 - under a tax-qualified retirement plan, or non-discretionary compensation;
- a director who is a family member of an individual who is, or at any time during the past three years was, employed by us as an executive officer;
- a director who is, or has a family member who is, a partner in, or a controlling stockholder or an executive officer of, any organization to which we made, or from which we received, payments for property or

services in the current or any of the past three fiscal years that exceed 5% of the recipient's consolidated gross revenues for that year, or \$200,000, whichever is more, other than the following:

- payments arising solely from investments in our securities; or
- payments under non-discretionary charitable contribution matching programs;
- a director who is, or has a family member who is, employed as an executive officer of another entity where at any time during the past three years any of our executive officers served on the compensation committee of such other entity; or
- a director who is, or has a family member who is, a current partner of our outside auditor, or was a partner or employee of our outside auditor who worked on our audit at any time during any of the past three years.

For purposes of the NASDAQ independence standards, the term “family member” means a person's spouse, parents, children and siblings, whether by blood, marriage or adoption, or anyone residing in such person's home.

The Board of Directors has assessed the independence of each non-employee director under the independence standards of the NASDAQ Stock Market set forth above, and has affirmatively determined that four of our non-employee directors (Mr. Rios, Mr. Markowitz, Mr. Dembo and Mr. Movaseghi) are independent.

We expect each director to attend every meeting of the Board and the committees on which he serves as well as the annual meeting. In the year ended December 31, 2023, all directors attended at least 75% of the meetings of the Board and the committees on which they served.

ITEM 14 - PRINCIPAL ACCOUNTING FEES AND SERVICES

UHY LLP, as our independent registered public accounting firm, performed the audits of our consolidated financial statements for the years ended December 31, 2023 and 2022. The following table sets forth all fees for such periods:

	2023	2022
Audit fees	\$ 260,000	\$ 235,000
Tax fees	-	-
All other fees	31,400	-
Total	\$ 291,400	\$ 235,000

The Audit Committee has adopted a policy that requires advance approval of all audit, audit-related, tax services, and other services performed by the Company's independent auditor. Accordingly, the Audit Committee must approve the permitted service before the independent auditor is engaged to perform it. In accordance with such policies, the Audit Committee approved 100% of the services relative to the above fees.

PART IV

ITEM 15 – EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Financial Statements and Financial Statement Schedules

- (1) See Index to Consolidated Financial Statements on page F-1 at beginning of attached financial statements.

(a) Exhibits

- (3)(i) (a) Restated Certificate of Incorporation (2)
- (b) Certificate of Designations of Preferences and Rights of Series E Convertible Preferred Stock (3)
- (c) Certificate of Amendment to Certificate of Incorporation (11)
- (3)(ii) By-Laws (1)
- (4) (a) Specimen Certificate for Common Stock (1)
- (b) Specimen Certificate for Series E Convertible Preferred Stock (5)
- (c) Secured Subordinated Note, dated as of May 29, 2015, between Vasomedical, Inc. and MedTechnology Investments LLC (9)
- (10) (a) Form of Stock Purchase Agreement (3)
- (b) Redacted Sales Representative Agreement between GE Healthcare Division of General Electric Company and Vaso Diagnostics, Inc. d/b/a VasoHealthcare, a subsidiary of Vasomedical, Inc. dated as of May 19, 2010 (4).
- (c) 2010 Stock Plan (5).
- (d) Employment Agreement entered into as of March 21, 2011 between Vasomedical, Inc. and Jun Ma, as amended. (8)
- (e) Stock Purchase Agreement dated as of August 19, 2011 among Vasomedical, Inc., Fast Growth Enterprises Limited (FGE) and the FGE Shareholders (6)
- (f) Amendment to Sales Representative Agreement between GE Healthcare Division of General Electric Company and Vaso Diagnostics, Inc. d/b/a VasoHealthcare, a subsidiary of Vasomedical, Inc. dated as of June 20, 2012 (7)
- (g) 2013 Stock Plan (12)
- (h) Asset Purchase and Sale Agreement, dated as of May 29, 2015, by and among Vasomedical, Inc., VasoTechnology, Inc., NetWolves, LLC and NetWolves Corporation (9)
- (i) Subordinated Security Agreement dated as of May 29, 2015 by and between Vasomedical, Inc. and MedTechnology Investments LLC (9)
- (j) Employment Agreement dated as of June 1, 2015 between Vasomedical, Inc. and Peter C. Castle (10)
- (k) 2016 Stock Plan (13)
- (l) 2019 Stock Plan (14)

- (21) Subsidiaries of the Registrant

<u>Name</u>	<u>State of Incorporation</u>	<u>Percentage Owned by Company</u>
Vaso Diagnostics, Inc.	New York	100%
VasoMedical, Inc.	Delaware	100%
Vasomedical Global Corp.	New York	100%
Vasomedical Solutions, Inc.	New York	100%
VasoHealthcare IT Corp.	Delaware	100%
VasoTechnology, Inc.	Delaware	100%
NetWolves Network Services LLC Florida		100%

EECP Global Corporation	New York	49%
Fast Growth Enterprises Limited	British Virgin Islands	100%

- (31) Certification Reports pursuant to Securities Exchange Act Rule 13a - 14
- (32) Certification Reports pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

-
- (1) Incorporated by reference to Registration Statement on Form S-18, No. 33-24095.
 - (2) Incorporated by reference to Registration Statement on Form S-1, No. 33-46377 (effective 7/12/94).
 - (3) Incorporated by reference to Report on Form 8-K dated June 21, 2010.
 - (4) Incorporated by reference to Report on Form 8-K/A dated May 19, 2010 and filed November 9, 2010.
 - (5) Incorporated by reference to Report on Form 10-K for the fiscal year ended May 31, 2010.
 - (6) Incorporated by reference to Report on Form 10-K for the fiscal year ended May 31, 2011.
 - (7) Incorporated by reference to Report on Form 8-K dated June 20, 2012.
 - (8) Incorporated by reference to Report on Form 8-K dated March 21, 2011.
 - (9) Incorporated by reference to Report on Form 8-K dated May 29, 2015.
 - (10) Incorporated by reference to Report on Form 8-K dated October 8, 2015.
 - (11) Incorporated by reference to Report on Form 10-Q for the quarter ended September 30, 2016.
 - (12) Incorporated by reference to Report on Form 10-Q for the quarter ended September 30, 2013.
 - (13) Incorporated by reference to Report on Form 10-Q for the quarter ended June 30, 2016.
 - (14) Incorporated by reference to Report on Form 10-K for the year ended December 31, 2019.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, we have duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 1st day of April 2024.

VASO CORPORATION

By: /s/ Jun Ma
Jun Ma
President, Chief Executive Officer,
and Director (Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on April 1, 2024, by the following persons in the capacities indicated:

<u>/s/ Jun Ma</u> Jun Ma	President, Chief Executive Officer and Director (Principal Executive Officer)
<u>/s/ Michael Beecher</u> Michael Beecher	Chief Financial Officer (Principal Financial Officer)
<u>/s/ Joshua Markowitz</u> Joshua Markowitz	Chairman of the Board
<u>/s/ David Lieberman</u> David Lieberman	Vice Chairman of the Board
<u>/s/ Jane Moen</u> Jane Moen	Director
<u>/s/ Edgar Rios</u> Edgar Rios	Director
<u>/s/ Behnam Movaseghi</u> Behnam Movaseghi	Director
<u>/s/ Leon Dembo</u> Leon Dembo	Director

**CERTIFICATION PURSUANT TO RULE 13a/15d OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jun Ma, certify that:

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

/s/ Jun Ma
Jun Ma
President and Chief Executive Officer

Dated: April 1, 2024

**CERTIFICATION PURSUANT TO RULE 13a/15d OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael Beecher, certify that:

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

/s/ Michael Beecher

Michael Beecher
Chief Financial Officer

Dated: April 1, 2024

Exhibit 32.1

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

I, Jun Ma, President and Chief Executive Officer of Vaso Corporation (the “Company”), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

- (1) the Annual Report on Form 10-K of the Company for the year ended December 31, 2023 (the “Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 1, 2024

/s/ Jun Ma
Jun Ma
President and Chief Executive Officer

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

I, Michael Beecher, Chief Financial Officer of Vaso Corporation (the “Company”), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

- (1) the Annual Report on Form 10-K of the Company for the year ended December 31, 2023 (the “Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 1, 2024

/s/ Michael Beecher
Michael Beecher
Chief Financial Officer

Vaso Corporation and Subsidiaries

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors of
Vaso Corporation and Subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Vaso Corporation and Subsidiaries (the “Company”) as of December 31, 2023 and 2022, and the related consolidated statements of operations and comprehensive income, stockholders’ equity and cash flows for the years then ended, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements referred to above present fairly, in all material respect, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

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

Critical Audit Matters

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

Critical Audit Matter - Revenue recognized from sales commission with General Electric Healthcare (GEHC)

As discussed in Notes A and C to the financial statements, the Company, through its wholly owned subsidiary VasoHealthcare (VHC), was appointed the exclusive representative for the sale of GEHC's diagnostics imaging equipment to specific market segments and recognized sales commission revenue when the underlying equipment and services have been delivered or completed by GEHC. VHC has total sales commission revenue of approximately \$37.8 million for the year ended December 31, 2023, which is concentrated solely with GEHC.

We identified the testing of sales commission revenue generated from GEHC as a critical audit matter. Specifically, the sales commission revenue, along with the associated deferred revenue, accounts receivable and commissions payable for VHC, is calculated through complicated formulas including order data from various files obtained from GEHC monthly and is stored in a spreadsheet file based on the master agreement and various subsequent amendments between GEHC and the Company. The audit of the spreadsheet file requires significant efforts due to the volume of data, size of the file, and complexity of formulas within the spreadsheet file.

How the Critical Audit Matter Was Addressed in the Audit

During the audit, we obtained an understanding of the design and implementation of the internal control over the revenue recognition process and over the spreadsheet file. For selected orders based on our judgment, we tested the Company's master file for completeness, traced the source data to the various files that are further directly confirmed with GEHC on sales orders, delivery and payments received, tested the formulas for its accuracy and reasonableness and agreed the commission rates to the agreements between GEHC and further confirmed with GEHC as to which sales region achieved the target order volume. Furthermore, for a selection of orders, we verified the delivery date and customer order value to the source documents.

Critical Audit Matter – Valuation of Goodwill

As discussed in Note C to the financial statements, the Company evaluates goodwill for impairment at the reporting unit level at least annually, or more frequently if events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. The goodwill balance as of December 31, 2023 was \$15.6 million. The Company performs either a quantitative or qualitative assessment to assess if the fair value of the respective reporting unit exceeds its carrying value. The qualitative goodwill impairment assessment requires evaluating factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. When performing the quantitative assessment to calculate the fair value of a reporting unit, the Company considers both comparative market multiples as well as estimated discounted cash flows for the reporting unit. The significant estimates and assumptions include, but are not limited to, revenue growth rates, operating margins, and future economic and market conditions. The discount rates are based upon industry weighted average cost of capital ranges. No impairment charge was recorded for the year ended December 31, 2023.

We identified goodwill impairment as a critical audit matter because of the significant judgments made by management to estimate the fair value of the reporting units. This required a high degree of auditor judgment and an increased extent of effort, including our need to involve valuation specialists, when performing audit procedures to evaluate the reasonableness of inputs used in management's estimates and assumptions. Significant management estimates include forecasted revenue growth rates, forecasted gross profit, and discount rates.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures performed to evaluate the reasonableness of management's estimates and assumptions included assessing the methodologies used by the Company and testing the significant assumptions used in the analysis. We compared current and prior year forecasts prepared by management to historical revenue and gross profit to evaluate the reasonableness of the assumptions and to evaluate management's ability to accurately forecast future revenues and gross profit. We evaluated historical trends in assessing the reasonableness of growth rate assumptions and performed sensitivity analyses of significant assumptions to evaluate the changes in the fair value of the reporting units that would result from changes in these assumptions. We performed procedures to verify the mathematical accuracy of the calculations used by

management. We involved our valuation specialists to assist us in identifying the significant assumptions underlying the models, assessing the rationale and supporting documents related to these assumptions, and determining the appropriateness and reasonableness of the methodologies employed. Furthermore, we assessed the appropriateness of the disclosures in the financial statements.

/s/ UHY LLP

We have served as the Company's auditor since 2022.

Sterling Heights, Michigan
April 1, 2024

Vaso Corporation and Subsidiaries
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	December 31, 2023	December 31, 2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 11,342	\$ 11,821
Short-term investments	13,979	8,504
Accounts and other receivables, net of an allowance for credit losses and commission adjustments of \$9,708 at December 31, 2023 and \$6,947 at December 31, 2022	12,377	14,514
Receivables due from related parties	929	421
Inventories, net	1,470	1,473
Deferred commission expense	3,285	3,249
Prepaid expenses and other current assets	1,717	1,008
Total current assets	45,099	40,990
Property and equipment, net of accumulated depreciation of \$10,358 at December 31, 2023 and \$9,787 at December 31, 2022	1,174	1,340
Operating lease right of use assets	1,949	1,568
Goodwill	15,588	15,614
Intangibles, net	1,406	1,511
Other assets, net	4,902	4,726
Investment in EECF Global	683	889
Deferred tax assets, net	4,956	5,007
Total assets	\$ 75,757	\$ 71,645
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 2,670	\$ 2,270
Accrued commissions	2,411	3,518
Accrued expenses and other liabilities	7,365	8,891
Finance lease liabilities - current	72	122
Operating lease liabilities - current	928	745
Sales tax payable	699	809
Deferred revenue - current portion	15,883	15,139
Notes payable - current portion	9	9
Due to related party	3	3
Total current liabilities	30,040	31,506
LONG-TERM LIABILITIES		
Notes payable, net of current portion	6	15
Finance lease liabilities, net of current portion	25	96
Operating lease liabilities, net of current portion	1,020	823
Deferred revenue, net of current portion	16,317	15,664
Other long-term liabilities	1,506	1,474
Total long-term liabilities	18,874	18,072
COMMITMENTS AND CONTINGENCIES (NOTE S)		
STOCKHOLDERS' EQUITY		
Preferred stock, \$.01 par value; 1,000,000 shares authorized; nil shares issued and outstanding at December 31, 2023 and 2022	-	-
Common stock, \$.001 par value; 250,000,000 shares authorized; 185,627,383 and 185,435,965 shares issued at December 31, 2023 and 2022, respectively; 175,319,296 and 175,127,878 shares outstanding at December 31, 2023 and 2022, respectively	186	185
Additional paid-in capital	63,993	63,952
Accumulated deficit	(35,032)	(39,837)
Accumulated other comprehensive loss	(304)	(233)
Treasury stock, at cost, 10,308,087 shares at December 31, 2023 and 2022	(2,000)	(2,000)
Total stockholders' equity	26,843	22,067
	\$ 75,757	\$ 71,645

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

Vaso Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(in thousands, except per share data)

	Year ended December 31,	
	2023	2022
Revenues		
Managed IT systems and services	\$ 40,371	\$ 40,100
Professional sales services	37,820	36,621
Equipment sales and services	2,833	2,573
Total revenues	<u>81,024</u>	<u>79,294</u>
Cost of revenues		
Cost of managed IT systems and services	22,712	23,871
Cost of professional sales services	7,021	6,912
Cost of equipment sales and services	698	609
Total cost of revenues	<u>30,431</u>	<u>31,392</u>
Gross profit	<u>50,593</u>	<u>47,902</u>
Operating expenses		
Selling, general and administrative	45,643	40,843
Research and development	755	605
Total operating expenses	<u>46,398</u>	<u>41,448</u>
Operating income	<u>4,195</u>	<u>6,454</u>
Other (expense) income		
Interest and financing costs	(50)	(44)
Interest and other income, net	764	143
Loss on disposal of fixed assets	(4)	(2)
Total other income, net	<u>710</u>	<u>97</u>
Income before income taxes	4,905	6,551
Income tax (expense) benefit	(100)	4,743
Net income	<u>4,805</u>	<u>11,294</u>
Other comprehensive income		
Foreign currency translation loss	(71)	(343)
Comprehensive income	<u>\$ 4,734</u>	<u>\$ 10,951</u>
Income per common share		
- basic	<u>\$ 0.03</u>	<u>\$ 0.07</u>
- diluted	<u>\$ 0.03</u>	<u>\$ 0.06</u>
Weighted average common shares outstanding		
- basic	<u>174,441</u>	<u>173,065</u>
- diluted	<u>175,541</u>	<u>174,656</u>

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

Vaso Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(in thousands)

	Common Stock		Treasury Stock		Additional Paid-in-Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)		Total Stockholders' Equity
	Shares	Amount	Shares	Amount			Income (Loss)	Equity	
Balance at January 1, 2022	185,436	\$ 185	(10,308)	(2,000)	\$ 63,917	\$ (51,131)	\$ 110	\$ 11,081	
Share-based compensation	-	-	-	-	35	-	-	35	
Foreign currency translation loss	-	-	-	-	-	-	(343)	(343)	
Net income	-	-	-	-	-	11,294	-	11,294	
Balance at December 31, 2022	185,436	\$ 185	(10,308)	\$(2,000)	\$ 63,952	\$ (39,837)	\$ (233)	\$ 22,067	
Balance at January 1, 2023	185,436	\$ 185	(10,308)	(2,000)	\$ 63,952	\$ (39,837)	\$ (233)	\$ 22,067	
Share-based compensation	191	1	-	-	47	-	-	48	
Shares withheld for employee tax liability	-	-	-	-	(6)	-	-	(6)	
Foreign currency translation loss	-	-	-	-	-	-	(71)	(71)	
Net income	-	-	-	-	-	4,805	-	4,805	
Balance at December 31, 2023	185,627	\$ 186	(10,308)	\$(2,000)	\$ 63,993	\$ (35,032)	\$ (304)	\$ 26,843	

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

Vaso Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Year ended	
	December 31,	
	2023	2022
Cash flows from operating activities		
Net income	\$ 4,805	\$ 11,294
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	999	1,923
Deferred income taxes	51	(4,788)
Loss from investment in EECF Global	206	154
Provision for credit losses and commission adjustments	66	63
Share-based compensation	48	35
Changes in operating assets and liabilities:		
Accounts and other receivables	2,062	480
Due from related parties	(498)	(343)
Inventories	(22)	(416)
Deferred commission expense	(36)	300
Prepaid expenses and other current assets	(1,271)	(103)
Other assets, net	(213)	(2,422)
Accounts payable	402	(521)
Accrued commissions	(1,068)	950
Accrued expenses and other liabilities	(1,549)	1,392
Sales tax payable	(105)	108
Deferred revenue	1,397	5,838
Due to related party	(10)	(14)
Other long-term liabilities	32	486
Net cash provided by operating activities	5,296	14,416
Cash flows from investing activities		
Purchases of equipment and software	(731)	(566)
Purchases of short-term investments	(24,473)	(8,000)
Redemption of short-term investments	19,547	149
Net cash used in investing activities	(5,657)	(8,417)
Cash flows from financing activities		
Payroll taxes paid by withholding shares	(6)	-
Repayment of notes payable and finance lease obligations	(128)	(230)
Net cash used in financing activities	(134)	(230)
Effect of exchange rate differences on cash and cash equivalents	16	27
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(479)	5,796
Cash and cash equivalents - beginning of period	11,821	6,025
Cash and cash equivalents - end of period	\$ 11,342	\$ 11,821
SUPPLEMENTAL DISCLOSURE OF CASH INFORMATION		
Interest paid	\$ 17	\$ 44
Income taxes paid	\$ 89	\$ 48
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Initial recognition of operating lease right of use asset and liability	\$ 1,174	\$ 1,396

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

Vaso Corporation was incorporated in Delaware in July 1987. For most of its history, the Company was a single-product company designing, manufacturing, marketing and servicing its proprietary Enhanced External Counterpulsation, or EECP[®], therapy systems, mainly for the treatment of angina. In 2010 it began to diversify its business operations. The Company changed its name to Vaso Corporation in 2016 to more accurately reflect the diversified nature of its business mixture, and continues to use the original name VasoMedical for its proprietary medical device subsidiary. Unless the context requires otherwise, all references to “we”, “our”, “us”, “Company”, “registrant”, “Vaso” or “management” refer to Vaso Corporation and its subsidiaries.

Overview

Vaso Corporation principally operates in three distinct business segments in the healthcare equipment and information technology industries. We manage and evaluate our operations, and report our financial results, through these three business segments.

- IT segment, operating through a wholly-owned subsidiary VasoTechnology, Inc., primarily focuses on healthcare IT and managed network technology services;
- Professional sales service segment, operating through a wholly-owned subsidiary Vaso Diagnostics, Inc. d/b/a VasoHealthcare, primarily focuses on the sale of healthcare capital equipment for GE HealthCare (“GEHC”) into the health provider middle market; and
- Equipment segment, primarily focuses on the design, manufacture, sale and service of proprietary medical devices and software, operating through a wholly-owned subsidiary VasoMedical, Inc., which in turn operates through Vasomedical Solutions, Inc. for domestic business and Vasomedical Global Corp. for international business, respectively.

VasoTechnology

VasoTechnology, Inc. was formed in May 2015, at the time the Company acquired all of the assets of NetWolves, LLC and its affiliates, including the membership interests in NetWolves Network Services, LLC (collectively, “NetWolves”). It currently consists of a managed network and security service division, NetWolves, and a healthcare IT application VAR (value added reseller) division, VasoHealthcare IT.

In June 2014, the Company began its IT segment business by executing the Value Added Reseller Agreement (“VAR Agreement”) with GEHC to become a national value added reseller of GEHC Digital’s software solutions such as Picture Archiving and Communication System (“PACS”), Radiology Information System (“RIS”), and related services, including implementation, training, management and support. This business focuses primarily on customer segments currently served by VasoHealthcare on behalf of GEHC. A new wholly owned subsidiary, VasoHealthcare IT Corp. (“VHC IT”), was formed to conduct the healthcare IT business. The VAR Agreement with GEHC was terminated in 2021.

In May 2015, the Company further expanded its IT segment business by acquiring NetWolves. NetWolves designs and delivers multi-network and multi-technology solutions as a managed network provider, and provides a complete single-source solution that includes design, network redundancy, application device management, real-time network monitoring, reporting and support systems as a comprehensive solution.

VasoHealthcare

In May 2010, the Company launched its Professional Sales Service business through a wholly-owned subsidiary Vaso Diagnostics, Inc. d/b/a VasoHealthcare, which was appointed by GEHC as its exclusive representative for the sale of select GEHC diagnostic imaging equipment to specific market segments in the 48 contiguous states of the United States and the District of Columbia. The original agreement (“GEHC Agreement”) has been extended several times and currently

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

expires December 31, 2026, subject to earlier termination under certain conditions. The scope of the agreement has also been expanded in 2023 to include ultrasound systems.

VasoMedical

The proprietary medical equipment business under VasoMedical traces back to 1995 when the Company began the proprietary Enhanced External Counterpulsation (EECP[®]) technology in the United States and has since diversified to include other medical hardware and software. Vasomedical Global was formed in 2011 to combine and coordinate the various international operations including design, development, manufacturing, and sales of medical devices and software, while domestic activities are conducted under Vasomedical Solutions.

Over the last 10+ years the Company's Equipment business has been significantly expanded from the original EECP[®]-only operations. In September 2011, the Company acquired Fast Growth Enterprises Limited ("FGE"), a British Virgin Islands company, which owned or controlled two Chinese operating companies - Life Enhancement Technology Ltd. ("LET") and Biox Instruments Co. Ltd. ("Biox") - to expand its technical and manufacturing capabilities and to enhance its distribution network, technology, and product portfolio. Biox was a variable interest entity ("VIE") controlled by FGE through certain contracts and an option to acquire all the shares of Biox by FGE's wholly owned subsidiary Gentone, and in March 2019 Gentone exercised its option to acquire all of the shares of Biox. In August 2014, the Company, through Gentone, acquired all of the outstanding shares of Genwell Instruments Co. Ltd. ("Genwell"), which was formed in China in 2010 to develop the MobiCare[®] wireless multi-parameter patient monitoring system and holds intellectual property rights for this system. As a result, the Company has expanded its equipment products portfolio to include Biox[™] series ambulatory patient monitoring systems, ARCS[®] series software for ECG and blood pressure analysis, and the MobiCare[®] patient monitoring device.

In April 2014, the Company entered into a cooperation agreement with Chongqing PSK-Health Sci-Tech Development Co., Ltd. ("PSK") of Chongqing, China, the leading manufacturer of external counter pulsation, or ECP, therapy systems in China, to form a joint venture company, VSK Medical Limited ("VSK"), a Cayman Islands company, for the global marketing, sale and advancement of ECP therapy technology. The Company owned 49.9% of VSK, which commenced operations in January 2015. In March 2018, the Company terminated the cooperation agreement with PSK and sold its shares in VSK to PSK. On May 20, 2020, the Company closed on the sale of 51% of the capital stock of its wholly-owned subsidiary EECP Global Corporation ("EECP Global") to PSK. EECP Global was formed in September 2019 to hold all the assets and liabilities of its EECP business. Concurrently with the closing of the transaction, the Company signed a Management Service Agreement with EECP Global to provide management service for the business and operation of EECP Global in the United States. The agreement provides an initial term of three years starting April 1, 2020, the effective date of the sale, which is automatically renewable for additional one-year terms. Pursuant to the agreement, EECP Global reimburses the Company all direct expenses and pays a monthly management fee during the term of the agreement.

Achari Business Combination Agreement

As previously announced, the Company entered into a business combination agreement (the "Business Combination Agreement"), dated as of December 6, 2023, with Achari Ventures Holdings Corp. I, a Delaware corporation ("Achari") (NASDAQ: AVHI), and Achari Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of Achari ("Merger Sub"). The Business Combination Agreement provides, among other things, that on the terms and subject to the conditions set forth therein, Merger Sub will merge with and into the Company (the "Merger"), with the Company surviving as a wholly owned subsidiary of Achari. Upon the closing of the Business Combination Agreement (the "Closing"), we anticipate that Achari will change its name to "Vaso Holdings Corp." or an alternative name chosen by the Company and reasonably acceptable to Achari ("New Vaso"). The Merger and the other transactions contemplated by the Business Combination Agreement are hereinafter referred to collectively as the "Business Combination".

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

Upon the Closing, New Vaso would have authorized shares of Class A common stock and Class B common stock. The Business Combination Agreement establishes a pro forma equity value of the Company at approximately \$176 million, at \$10.00 per share of Class A common stock. As such, we believe that the current Vaso stockholders would receive approximately 17.6 million shares of Class A common stock and the current Achari shareholders would maintain between 500 thousand and 750 thousand shares of Class A common stock depending on Achari's unpaid expenses at the Closing and presuming the redemption of all outstanding public shares of Achari on or prior to the Closing. In addition, current Achari warrant holders would have outstanding warrants to purchase a minimum of 8.25 million shares of Class A common stock at an exercise price of \$11.50 per share. No shares of Class B common stock are expected to be outstanding immediately after the Business Combination.

The Boards of Directors of Vaso and Achari have each approved the Business Combination, the consummation of which is subject to various customary closing conditions, including the filing and effectiveness of a Registration Statement on Form S-4 (as amended or supplemented, the "Registration Statement") by Achari with the United States Securities and Exchange Commission ("SEC"), the filing of a proxy statement by Vaso with the SEC and clearance by the SEC, and the approval of a majority of shareholders of both Achari and Vaso of the proposed business combination (Vaso shareholders representing approximately 44% of Vaso's outstanding shares have entered into support agreements committing them to vote in favor of the Business Combination). The Business Combination is expected to close in the second quarter of 2024.

NOTE B – REVISIONS

We record commission revenue for certain products in our professional sales service segment based on GEHC's reporting and payment of such commissions to us. In late August 2023, GEHC informed the Company that its calculations for such products were partially inaccurate and had remitted excess commissions. The Company has taken immediate steps to implement additional internal control procedures whereby GEHC will provide additional information sufficient to assess the accuracy of such commission payments going forward. We assessed the materiality of this misstatement on prior periods' financial statements in accordance with SEC Staff Accounting Bulletin ("SAB") Topic 1.M, Materiality, codified in Accounting Standards Codification ("ASC") Topic 250, Accounting Changes and Error Corrections, ("ASC 250") and concluded that the misstatements were not material to the prior annual or interim periods.

Accordingly, in accordance with ASC 250 (SAB No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements), we have increased the accumulated deficit at January 1, 2022 by \$229,000 to reflect \$287,000 lower commission revenue and \$58,000 lower commission expense, and corrected the accompanying Consolidated Balance Sheets as of December 31, 2022 and the Consolidated Statements of Operations and Comprehensive Income, Cash Flows, and Changes in Stockholders' Equity for the year ended December 31, 2022, and the related notes to revise for those misstatements that impacted such periods.

The following are selected line items from the Company's Consolidated Financial Statements illustrating the effect of these corrections:

Consolidated Balance Sheet			
As of December 31, 2022			
<i>(in thousands)</i>	As Reported	Adjustment	As Revised
Accounts and other receivables	\$ 15,524	\$ (1,010)	\$ 14,514
Accrued commissions	\$ 3,720	\$ (202)	\$ 3,518
Accumulated deficit	\$ (39,029)	\$ (808)	\$ (39,837)

Vaso Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

Consolidated Statement of Operations and Comprehensive Income			
Year ended December 31, 2022			
<i>(in thousands, except per share data)</i>	As Reported	Adjustment	As Revised
Revenues			
Professional sales services	\$ 37,344	\$ (723)	\$ 36,621
Cost of revenues			
Cost of professional sales services	\$ 7,056	\$ (144)	\$ 6,912
Gross Profit - professional sales services segment	\$ 30,288	\$ (579)	\$ 29,709
Operating income	\$ 7,033	\$ (579)	\$ 6,454
Net income	\$ 11,873	\$ (579)	\$ 11,294
Comprehensive income	\$ 11,530	\$ (579)	\$ 10,951
Income per common share			
- basic	\$ 0.07	\$ (0.00)	\$ 0.07
- diluted	\$ 0.07	\$ (0.00)	\$ 0.06

Consolidated Statement of Changes in Stockholders' Equity						
<i>(in thousands)</i>	Accumulated Deficit			Total Stockholders' Equity		
	As Reported	Adjustment	As Revised	As Reported	Adjustment	As Revised
Balance at January 1, 2022	\$ (50,902)	\$ (229)	\$ (51,131)	\$ 11,310	\$ (229)	\$ 11,081
Net income	\$ 11,873	\$ (579)	\$ 11,294	\$ 11,873	\$ (579)	\$ 11,294
Balance at December 31, 2022	\$ (39,029)	\$ (808)	\$ (39,837)	\$ 22,875	\$ (808)	\$ 22,067

Consolidated Statement of Cash Flows			
Year ended December 31, 2022			
<i>(in thousands)</i>	As Reported	Adjustment	As Revised
Net income	\$ 11,873	\$ (579)	\$ 11,294
Accounts and other receivables	\$ (243)	\$ 723	\$ 480
Accrued commissions	\$ 1,094	\$ (144)	\$ 950

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the consolidated financial statements are as follows:

Principles of Consolidation

The consolidated financial statements include the accounts of Vaso Corporation, its wholly-owned subsidiaries, and the accounts of the companies over which we exercise control. Significant intercompany balances and transactions have been eliminated.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Significant estimates and assumptions relate to estimates of commission adjustments due to order cancellations, collectability of accounts receivable, the realizability of deferred tax assets, stock-based compensation, values and lives assigned to acquired intangible assets, fair value of reporting units in connection with goodwill impairment test, the adequacy of inventory reserves, variable consideration, and allocation of contract transaction price to performance obligations. Actual results could differ from those estimates.

Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). Under the standard, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. ASU 2014-09 replaced most existing revenue recognition guidance in U.S. GAAP. The new standard introduces a five-step process to be followed in determining the amount and timing of revenue recognition. It also provides guidance on accounting for costs incurred to obtain or fulfill contracts with customers, and establishes disclosure requirements which are more extensive than those required under prior U.S. GAAP. Generally, we recognize revenue under Topic 606 for each of our performance obligations either over time (generally, the transfer of a service) or at a point in time (generally, the transfer of a good) as follows:

- VasoTechnology

Revenue relating to recurring managed network and voice services provided by NetWolves, for which the customer has unlimited access to such services throughout the contract term, are thus recognized as provided on a monthly basis (“over time”). Non-recurring charges related to the provision of such services are recognized in the period provided (“point in time”). In the IT VAR business, software system installations are recognized upon verification of installation and expiration of an acceptance period (“point in time”). Monthly post-implementation customer support – a stand-ready obligation of the Company to provide maintenance services if and when needed - provided under such installations, as well as software solutions offered under a monthly Software as a Service (“SaaS”) fee basis, for which the customer has unlimited access to such services throughout the contract term, are thus recognized monthly over the contract term (“over time”).

- VasoHealthcare

Commission revenue is recognized when the underlying equipment has been delivered by GEHC and accepted at the customer site in accordance with the terms of the specific sales agreement (“point in time”).

- VasoMedical

In the United States, we recognized revenue from the sale of our medical equipment in the period in which we deliver the product to the customer (“point in time”). Revenue from the sale of our medical equipment to international markets is recognized upon shipment of the product to a common carrier, as are supplies, accessories and spare parts delivered in both domestic and international markets (“point in time”). Revenue from the provision of ARCS[®] under a monthly SaaS fee basis, for which the customer has unlimited access to such services throughout the contract term, are thus recognized monthly over the contract term (“over time”). The Company also recognizes revenue from the maintenance of its medical products either on a time and material as-billed basis (“point in time”) or through the sale of a service contract, where revenue is recognized ratably over the contract term (“over time”).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

Disaggregation of Revenue

The following tables present revenues disaggregated by our business operations and timing of revenue recognition:

(in thousands)

	Year Ended December 31, 2023				Year Ended December 31, 2022			
	IT segment	Professional sales	Equipment	Total	IT segment	Professional sales	Equipment	Total
		service segment	segment			service segment	segment	
Network services	\$ 35,673	\$ -	\$ -	\$ 35,673	\$ 35,833	\$ -	\$ -	\$ 35,833
Software sales and support	4,698	-	-	4,698	4,267	-	-	4,267
Commissions	-	37,820	-	37,820	-	36,621	-	36,621
Medical equipment sales	-	-	2,708	2,708	-	-	2,450	2,450
Medical equipment service	-	-	125	125	-	-	123	123
	\$ 40,371	\$ 37,820	\$ 2,833	\$ 81,024	\$ 40,100	\$ 36,621	\$ 2,573	\$ 79,294

	Year Ended December 31, 2023				Year Ended December 31, 2022			
	IT segment	Professional sales	Equipment	Total	IT segment	Professional sales	Equipment	Total
		service segment	segment			service segment	segment	
Revenue recognized over time	\$ 37,223	\$ -	\$ 600	\$ 37,823	\$ 37,089	\$ -	\$ 325	\$ 37,414
Revenue recognized at a point in time	3,148	37,820	2,233	43,201	3,011	36,621	2,248	41,880
	\$ 40,371	\$ 37,820	\$ 2,833	\$ 81,024	\$ 40,100	\$ 36,621	\$ 2,573	\$ 79,294

Transaction Price Allocated to Remaining Performance Obligations

As of December 31, 2023, the aggregate amount of transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) for executed contracts approximates \$95 million, of which we expect to recognize revenue as follows:

(in thousands)

	Fiscal years of revenue recognition			
	2024	2025	2026	Thereafter
Unfulfilled performance obligations	\$ 44,667	\$ 19,861	\$ 6,240	\$ 23,918

As of December 31, 2022, the aggregate amount of transaction price allocated to performance obligations that were unsatisfied (or partially unsatisfied) for executed contracts approximated \$91 million.

Contract Balances

Contract receivables include trade receivables, net and long-term receivables (recorded in Other assets in the consolidated balance sheets). Contract liabilities arise in our IT, VasoHealthcare, and VasoMedical businesses. In our VHC IT business, payment arrangements with clients typically include an initial payment due upon contract signing and milestone-based payments based upon product delivery and go-live, as well as post go-live monthly payments for subscription and support fees. Customer payments received, or receivables recorded, in advance of go-live and customer acceptance, where applicable, are deferred as contract liabilities. Such amounts aggregated approximately \$419,000 and \$481,000 at December 31, 2023 and 2022, respectively, and are included in accrued expenses and other liabilities in our consolidated balance sheets.

In our VasoHealthcare business, we bill a portion of commissions on the orders we booked in advance of delivery of the underlying equipment. Such amounts aggregated approximately \$32,194,000 and \$30,794,000 at December 31, 2023 and 2022, respectively, and are classified in our consolidated balance sheets into current or long-term deferred revenue net of estimated commission adjustments. In addition, we record a contract liability for amounts expected to be credited back

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

to GEHC due to customer order reductions. Such amounts aggregated approximately \$971,000 and \$2,577,000 at December 31, 2023 and 2022, respectively, and are included in accrued expenses and other liabilities in our consolidated balance sheets.

In our VasoMedical business, we bill amounts for post-delivery services and varying duration service contracts in advance of performance. Such amounts aggregated approximately \$6,000 and \$9,000 at December 31, 2023 and 2022, respectively, and are classified in our consolidated balance sheets as either current or long-term deferred revenue.

The following table summarizes the Company's contract receivable and contract liability balances:

	<i>(in thousands)</i>	
	2023	2022
Contract receivables - January 1	15,306	15,474
Contract receivables - December 31	13,398	15,306
Increase (decrease)	(1,909)	(168)
Contract liabilities - January 1	33,861	26,890
Contract liabilities - December 31	33,589	33,861
Increase (decrease)	(272)	6,971

The decrease in contract receivables and liabilities in 2023 is due primarily to increased estimate of allowance for commission adjustments in our VasoHealthcare business. During the years ended December 31, 2023 and 2022, we recognized approximately \$9.2 million and \$9.1 million, respectively, of revenues that were included in our contract liability balance at the beginning of such periods.

Costs to Obtain or Fulfill a Contract

Topic 606 requires that incremental costs of obtaining a contract are recognized as an asset and amortized to expense in a pattern that matches the timing of the revenue recognition of the related contract. We have determined the only significant incremental costs incurred to obtain contracts with customers within the scope of Topic 606 are certain sales commissions paid to associates. In addition, the Company elected the practical expedient to recognize the incremental costs of obtaining a contract when incurred for contracts where the amortization period for the asset the Company would otherwise have recognized is one year or less.

Under Topic 606, sales commissions applicable to service contracts exceeding one year have been capitalized and amortized ratably over the term of the contract. In our VHC IT business, commissions allocable to multi-year subscription contracts or multi-year post-contract support performance obligations are amortized to expense ratably over the terms of the multi-year periods. VHC IT commissions allocable to other elements are charged to expense at go-live or customer acceptance. In our professional sales services segment, commissions paid to our sales force are deferred until the underlying equipment is accepted by the customer. We recognized approximately \$2,561,000 and \$2,732,000 of amortization related to these sales commission assets in "Cost of professional sales services" in 2023 and 2022, respectively, and approximately \$75,000 and \$79,000 of amortization in "Selling, general and administrative" expense in 2023 and 2022, respectively, in our consolidated statements of operations and comprehensive income.

At December 31, 2023 and 2022, our consolidated balance sheets include approximately \$7,106,000 and \$7,113,000, respectively, in capitalized sales commissions - primarily in our professional sales services segment - to be expensed in future periods, of which \$3,285,000 and \$3,249,000, respectively, is recorded in deferred commission expense and \$3,821,000 and \$3,864,000, respectively, representing the long-term portion, is included in other assets.

Significant Judgments when Applying Topic 606

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

Contract transaction price is allocated to performance obligations using estimated stand-alone selling price. Judgment is required in estimating stand-alone selling price for each distinct performance obligation. We determine stand-alone selling price maximizing observable inputs such as stand-alone sales when they exist or substantive renewal price charged to clients. In instances where stand-alone selling price is not observable, we utilize an estimate of stand-alone selling price based on historical pricing and industry practices.

Certain revenue we record in our professional sales service segment contains an estimate for variable consideration. Due to the tiered structure of our commission rate, which increases as annual targets are achieved, under Topic 606 we record revenue and deferred revenue at the rate we expect to be achieved by year end. We base our estimate of variable consideration on historical results of previous years' achievement under the GEHC agreement. Such estimate is reviewed each quarter and adjusted as necessary. In addition, the Company records commissions for arranging financing at an estimated rate which is subject to later revision based on certain factors. The Company recognized increases (decreases) in revenue associated with revisions to variable consideration for previously completed performance obligations of \$3,000 and \$(5,000) for the years ended December 31, 2023 and 2022 respectively.

The Company also records commission adjustments to contract liabilities in its professional sales service segment based on estimates of future order cancellations. Such cancellations also result in adjustments to the related capitalized cost to obtain or fulfill a contract.

Shipping and Handling Costs

All shipping and handling expenses are charged to cost of sales. Amounts billed to customers related to shipping and handling costs are included as a component of sales.

Research and Development

Research and development costs attributable to development are expensed as incurred.

Share-Based Compensation

The Company complies with ASC Topic 718, "Compensation – Stock Compensation" ("ASC 718"), which requires all companies to recognize the cost of services received in exchange for equity instruments to be recognized in the financial statements based on their grant date fair values. The Company applies an estimated forfeiture rate to the grant date fair value to determine the annual compensation cost of share-based payment arrangements with employees. The forfeiture rate is estimated based primarily on job title and prior forfeiture experience. The Company did not grant any awards to non-employees during the years ended December 31, 2023 and 2022.

During the year ended December 31, 2023, the Company granted 225,000 restricted shares of common stock valued at \$50,000 to employees. The shares vest over five years from the grant date. The total fair value of shares vested during the year ended December 31, 2023 was \$27,000 for officers and \$24,000 for employees. The weighted average grant date fair value of shares granted during the year ended December 31, 2023 was \$0.22 per share, based on the closing price as of the grant date.

During the year ended December 31, 2022, the Company granted 1,050,000 restricted shares of common stock valued at \$115,000 to employees. The shares vest over three and five years from the grant date. The total fair value of shares vested during the year ended December 31, 2022 was \$23,000 for officers and \$4,000 for employees. The weighted average grant date fair value of shares granted during the year ended December 31, 2022 was \$0.11 per share, based on the closing price as of the grant date.

The Company did not grant any stock options during the years ended December 31, 2023 or 2022, nor were any options exercised during such periods. No options were outstanding at December 31, 2023 or 2022.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

Share-based compensation expense recognized for the years ended December 31, 2023 and 2022 was \$48,000 and \$35,000, respectively, and is recorded in selling, general, and administrative expense in the consolidated statements of operations and comprehensive income. Unrecognized expense related to existing share-based compensation and arrangements is approximately \$114,000 at December 31, 2023 and will be recognized over a weighted-average period of approximately 46 months.

Cash and Cash Equivalents

Cash and cash equivalents represent cash and short-term, highly liquid investments either in certificates of deposit, treasury bills, money market funds, or investment grade commercial paper issued by major corporations and financial institutions that generally have maturities of three months or less from the date of acquisition.

Short term investments

The Company's short-term investments consist of six-month U.S. Treasury bills and bank deposits with yields based on underlying debt and equity securities. The U.S. Treasury bills are classified as held-to-maturity and are carried at amortized cost of approximately \$13,555,000, including approximately \$216,000 in accrued interest, at December 31, 2023. Their fair value at December 31, 2023 is approximately \$13,559,000 and the unrecognized holding gain is \$4,000 for the year ended December 31, 2023. The bank deposits are carried at fair value of approximately \$424,000 at December 31, 2023 and are classified as available-for-sale. Realized gains or losses on the bank deposits are included in net income. The Company does not expect a credit loss for its short-term investments.

Financial Instruments

The Company complies with the provisions of ASC 820 "Fair Value Measurements and Disclosures" ("ASC 820"). Under ASC 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Company uses various valuation approaches. ASC 820 establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs reflect the Company's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1

Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2

Level 2 applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

The carrying amount of assets and liabilities including cash and cash equivalents, short-term investments, accounts receivable, prepaids, accounts payable, accrued expenses and other current liabilities approximated their fair value as of December 31, 2023 and 2022, due to the relative short maturity of these instruments. Property and equipment, intangible assets, capital lease obligations, and goodwill are not required to be re-measured to fair value on a recurring basis. These assets are evaluated for impairment if certain triggering events occur. If such evaluation indicates that impairment exists, the respective asset is written down to its fair value.

The following table presents information about the Company's assets measured at fair value as of December 31, 2023 and 2022:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2023
Assets				
Cash equivalents invested in money market funds and treasury bills	\$ 10,522	\$ -	\$ -	\$ 10,522
Bank deposits (included in short term investments)	424			424
	<u>\$ 10,946</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,946</u>
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2022
Assets				
Cash equivalents invested in money market funds	\$ 7,934	\$ -	\$ -	\$ 7,934
Bank deposits (included in short term investments)	433			433
	<u>\$ 8,367</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,367</u>

Accounts Receivable, net

The Company's accounts receivable are due from customers to whom we sell our products and services, distributors engaged in the distribution of our products and from GEHC. Credit is extended based on evaluation of a customer's financial condition and, generally, collateral is not required. Accounts receivable are generally due 30 to 90 days from shipment and services provided and are stated at amounts due from customers net of allowances for doubtful accounts, returns, term discounts and other allowances. Accounts that are outstanding longer than the contractual payment terms are considered past due. Estimates are used in determining the allowance for doubtful accounts based on the Company's historical collections experience, current trends, credit policy and a percentage of its accounts receivable by aging category. In determining these percentages, the Company reviews historical write-offs of their receivables. The Company also looks at the credit quality of their customer base as well as changes in their credit policies. The Company continuously monitors collections and payments from our customers, and writes off receivables when all efforts at collection have been exhausted. While credit losses have historically been within expectations and the provisions established, the Company cannot guarantee that it will continue to experience the same credit loss rates that they have in the past.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

The changes in the Company's allowance for doubtful accounts and commission adjustments are as follows:

	<i>(in thousands)</i>	
	Year ended December 31,	
	2023	2022
Beginning Balance	\$ 6,947	\$ 5,804
Provision for losses on accounts receivable	66	63
Direct write-offs, net of recoveries	(60)	(159)
Commission adjustments	2,755	1,239
Ending Balance	\$ 9,708	\$ 6,947

Concentrations of Credit Risk

We market our equipment and IT software solutions principally to hospitals, diagnostic imaging centers and physician private practices. We perform credit evaluations of our customers' financial condition and, as a result, believe that our receivable credit risk exposure is limited. For the years ended December 31, 2023 and 2022, no customer in our equipment or IT segment accounted for 10% or more of revenues or accounts receivable. In our professional sales service segment, 100% of our revenues and accounts receivable are with GEHC; however, we believe this risk is acceptable based on GEHC's financial position and our long history of doing business with GEHC.

The Company maintains cash balances in certain U.S. financial institutions which exceed the Federal Depository Insurance Corporation ("FDIC") coverage of \$250,000 by approximately \$10,054,000. The Company has not experienced any losses on these accounts and believes it is not subject to any significant credit risk on these accounts. In addition, the FDIC does not insure the Company's foreign bank balances, which aggregated approximately \$467,000 and \$1,234,000 at December 31, 2023 and 2022, respectively.

Inventories

The Company values inventories in the equipment segment at the lower of cost or net realizable value, with cost being determined on a first-in, first-out basis. The Company regularly reviews inventory quantities on hand, particularly raw materials and components, and records a provision for excess and slow moving inventory based primarily on existing and anticipated design and engineering changes to its products as well as forecasts of future product demand.

In our IT Segment, we purchase computer hardware and software for specific customer requirements and value such inventories using the specific identification method.

Property and Equipment

Property and equipment, including assets under finance leases, are stated at cost less accumulated depreciation and amortization. Major improvements are capitalized and minor replacements, maintenance and repairs are charged to expense as incurred. Upon retirement or disposal of assets, the cost and related accumulated depreciation are removed from the consolidated balance sheets. Depreciation is expensed over the estimated useful lives of the assets, which range from two to eight years, on a straight-line basis. Accelerated methods of depreciation are used for tax purposes. We amortize leasehold improvements over the useful life of the related leasehold improvement or the life of the related lease, whichever is less.

Impairment of Long-lived Assets

The Company reviews the recoverability of all long-lived assets, including the related useful lives, whenever events or changes in circumstances indicate that the carrying amount of a long-lived asset might not be recoverable. If required, the Company compares the estimated fair value determined by either the undiscounted future net cash flows or appraised value to the related asset's carrying value to determine whether there has been an impairment. If an asset is considered impaired,

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

the asset is written down to fair value, which is based either on discounted cash flows or appraised values in the period the impairment becomes known. No assets were determined to be impaired as of December 31, 2023 and 2022.

Goodwill and Intangible Assets

Goodwill represents the excess of cost over the fair value of net assets of businesses acquired. The Company accounts for goodwill under the guidance of the ASC Topic 350, "Intangibles: Goodwill and Other". Goodwill acquired in a purchase business combination and determined to have an indefinite useful life is not amortized, but instead tested for impairment, at least annually, in accordance with this guidance. The recoverability of goodwill is subject to an annual impairment test or whenever an event occurs or circumstances change that would more likely than not result in an impairment. The impairment test is based on the estimated fair value of the underlying businesses and performed in the fourth quarter of each year.

We perform either a quantitative or qualitative assessment to assess if the fair value of the respective reporting unit exceeds its carrying value. The qualitative goodwill impairment assessment requires evaluating factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. As part of our goodwill qualitative assessment process for our two applicable reporting units, when utilized, we evaluate various factors that are specific to the reporting unit as well as industry and macroeconomic factors in order to determine whether it is reasonably likely to have a material impact on the fair value of our reporting units. Examples of the factors that are considered include the results of the most recent impairment test, current forecasts, and changes in the strategic outlook or organizational structure of the reporting units. The financial forecasts of the reporting units are compared to the forecasts used in the prior year analysis to determine if management expectations for the business have changed.

When performing the quantitative assessment to calculate the fair value of a reporting unit, we consider both comparative market multiples as well as estimated discounted cash flows for the reporting unit. The significant estimates and assumptions include, but are not limited to, revenue growth rates, operating margins, and future economic and market conditions. The discount rates are based upon industry weighted average cost of capital ranges. As a supplement, we conduct additional sensitivity analysis to assess the risk for potential impairment based upon changes in the key assumptions such as the discount rate, expected long-term growth rate, and cash flow projections. Based upon the completion of our annual test as of December 31, 2023 and 2022, we determined that there was no impairment of goodwill and that the applicable reporting units' estimated fair values were substantially in excess of their carrying amounts.

Intangible assets consist of the value of customer contracts and relationships, patent and technology costs, and software. The cost of significant customer-related intangibles is amortized in proportion to estimated total related revenue; cost of other intangible assets is generally amortized on a straight-line basis over the asset's estimated economic life, which range from five to ten years. The Company capitalizes internal use software development costs incurred during the application development stage. Costs related to preliminary project activities, training, data conversion, and post implementation activities are expensed as incurred. The Company capitalized \$253,000 and \$0 in software development costs for the years ended December 31, 2023 and 2022, respectively. No intangible assets were determined to be impaired as of December 31, 2023 and 2022.

Deferred Revenue

Amounts billable under the agreement with GEHC in advance of delivery of the underlying equipment are recorded initially as deferred revenue, and commission revenue is subsequently recognized as customer acceptance of such equipment is reported to us by GEHC. Similarly, commissions payable to our sales force related to such billings are recorded as deferred commission expense when the associated deferred revenue is recorded. Commission expense is recognized when the corresponding commission revenue is recognized.

In our equipment segment, we record revenue on extended service contracts ratably over the term of the related service contracts.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

Income Taxes

Deferred income taxes are recognized for temporary differences between financial statement and income tax bases of assets and liabilities and loss carry-forwards for which income tax benefits are expected to be realized in future years. A valuation allowance is established, when necessary, to reduce deferred tax assets to the amount expected to be realized. In estimating future tax consequences, we generally consider all expected future events other than an enactment of changes in the tax laws or rates. Deferred tax assets are continually evaluated for the expected realization. To the extent our judgment regarding the realization of the deferred tax assets changes, an adjustment to the allowance is recorded, with an offsetting increase or decrease, as appropriate, in income tax expense. Such adjustments are recorded in the period in which our estimate as to the realization of the assets changed that it is “more likely than not” that all of the deferred tax assets will be realized. The “realization” standard is subjective and is based upon our estimate of a greater than 50% probability that the deferred tax asset can be realized.

The Company also complies with the provisions of ASC Topic 740, “Income Taxes”, which prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by the relevant taxing authority based on the technical merits. The tax benefit recognized is measured as the largest amount of benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement with the relevant taxing authority. Derecognition of a tax benefit previously recognized results in the Company recording a tax liability that reduces ending retained earnings. Based on its analysis, the Company has determined that it has not incurred any liability for unrecognized tax benefits as of December 31, 2023 and 2022. The Company recognizes accrued interest and penalties related to unrecognized tax benefits as income tax expense. No amounts were accrued for the payment of interest and penalties at December 31, 2023 and 2022. Generally, the Company is no longer subject to income tax examinations by major domestic taxing authorities for years before 2020. According to the China tax regulatory framework, there is no statute of limitations on examination of tax filings by tax authorities. However, the general practice is going back five years. Management is currently unaware of any issues under review that could result in significant payments, accruals or material deviations from its position.

Foreign Currency Translation Gain (Loss) and Comprehensive Income

In the country in which the Company operates, and the functional currency is other than the U.S. dollar, assets and liabilities are translated using published exchange rates in effect at the consolidated balance sheet date. Equity accounts are translated at historical rates except for the changes in accumulated deficit during the year as the result of the income statement translation process. Revenues and expenses and cash flows are translated using a weighted average exchange rate for the period. Resulting translation adjustments are recorded as a component of accumulated other comprehensive income (loss) on the accompanying consolidated balance sheets. For the years ended December 31, 2023 and 2022, other comprehensive income includes losses of \$71,000 and \$343,000, respectively, which were entirely from foreign currency translation loss.

Net Income Per Common Share

Basic income per common share is based on the weighted average number of common shares outstanding, including vested restricted shares, without consideration of potential common stock. Diluted earnings per common share is based on the weighted average number of common and potential dilutive common shares outstanding.

Diluted earnings per share were computed based on the weighted average number of shares outstanding plus all potentially dilutive common shares. A reconciliation of basic to diluted shares used in the earnings per share calculation is as follows:

(in thousands)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

	Year ended December 31,	
	2023	2022
Basic weighted average shares outstanding	174,441	173,065
Dilutive effect of unvested restricted shares	1,100	1,591
Diluted weighted average shares outstanding	175,541	174,656

No common stock equivalents were excluded from the computation of diluted earnings per share for the years ended December 31, 2023 and 2022.

Recently Adopted Accounting Standards

On January 1, 2023 the Company adopted ASU No. 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. The ASU amended ASC 805 to add contract assets and contract liabilities to the list of exceptions to the recognition and measurement principles that apply to business combinations and to require that an entity (acquirer) recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606. While primarily related to contract assets and contract liabilities that were accounted for by the acquiree in accordance with ASC 606, the amendments also apply to contract assets and contract liabilities from other contracts to which the provisions of Topic 606 apply, such as contract liabilities from the sale of nonfinancial assets within the scope of Subtopic 610-20. The adoption of this standard did not have a material impact on the Company's Consolidated Financial Statements as of January 1, 2023.

On January 1, 2023 the Company adopted ASU No. 2022-04, Liabilities — Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations. This ASU required that a buyer in a supplier finance program disclose the key terms of supplier finance programs, the amount of obligations outstanding at the end of the reporting period that the entity has confirmed as valid to the finance provider, where these obligations are recorded in the balance sheet, and a rollforward of the obligations. As the Company does not engage in supplier finance programs, the adoption of this standard did not have a material impact on its Consolidated Financial Statements as of January 1, 2023.

Recently Issued Accounting Standards To Be Adopted

The Company continually assesses any new accounting pronouncements to determine their applicability to the Company. Where it is determined that a new accounting pronouncement affects the Company's financial reporting, the Company undertakes a study to determine the consequence of the change to its financial statements and assures that there are proper controls in place to ascertain that the Company's consolidated financial statements properly reflect the change. New pronouncements assessed by the Company recently are discussed below:

In December 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2023-09, Income Taxes (Topic 740), Improvement to Income Tax Disclosures, which requires enhanced income tax disclosures, including disaggregation of information in the rate reconciliation table and disaggregated information related to income taxes paid. The ASU is effective for annual reporting periods beginning with the year ending December 31, 2025. Early adoption is permitted. The Company is currently evaluating the impact of adopting this standard on its Consolidated Financial Statements.

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280), Improvement to Reportable Segment Disclosures. This ASU enhances disclosures required for reportable segments in both annual and interim consolidated financial statements. The ASU, which requires retrospective application, is effective for annual reporting periods beginning with the year ending December 31, 2024, and interim periods beginning with the three months ending March 31, 2025. Early adoption is permitted. The Company is currently evaluating the impact of adopting this standard on its Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

NOTE D – SEGMENT REPORTING

The Company views its business in three segments – the IT segment, the professional sales service segment, and the equipment segment. The IT segment includes the operations of NetWolves and VasoHealthcare IT Corp. The professional sales service segment operates through the VasoHealthcare subsidiary and is currently engaged solely in the fulfillment of the Company’s responsibilities under our agreement with GEHC. The equipment segment is engaged in designing, manufacturing, marketing and supporting of proprietary medical devices and software, as well as managing the domestic business of EECF[®] per a management service agreement with EECF Global.

The chief operating decision maker is the Company’s Chief Executive Officer, who, in conjunction with upper management, evaluates segment performance based on operating income and Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization – defined as net (loss) income, plus net interest expense (income), tax expense, depreciation and amortization, and non-cash expenses for share-based compensation). Administrative functions such as finance and human resources are centralized and related expenses allocated to each segment. Other costs not directly attributable to operating segments, such as audit, legal, director fees, investor relations, and others, as well as certain assets – primarily cash balances – are reported in the Corporate entity below. There are no intersegment revenues. Summary financial information for the segments is set forth below:

(in thousands)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

Our revenues were derived from the following geographic areas:

	<i>(in thousands)</i>	
	Year ended December 31,	
	2023	2022
Domestic (United States)	\$ 78,843	\$ 77,062
Non-domestic (foreign)	2,181	\$ 2,232
	<u>\$ 81,024</u>	<u>\$ 79,294</u>

NOTE E – ACCOUNTS AND OTHER RECEIVABLES

The following table presents information regarding the Company's accounts and other receivables as of December 31, 2023 and 2022:

	<i>(in thousands)</i>	
	December 31, 2023	December 31, 2022
Trade receivables	\$ 22,085	\$ 21,461
Allowance for credit losses and commission adjustments	(9,708)	(6,947)
Accounts and other receivables, net	<u>\$ 12,377</u>	<u>\$ 14,514</u>

Trade receivables include amounts due for shipped products and services rendered. Amounts currently due under the GEHC Agreement are subject to adjustment in subsequent periods should the underlying sales order amount, upon which the receivable is based, change.

Allowance for doubtful accounts and commission adjustments include estimated losses resulting from the inability of our customers to make required payments, and adjustments arising from estimated future changes in sales order amounts that may reduce the amount the Company will ultimately receive under the GEHC Agreement.

NOTE F – INVENTORIES

Inventories, net of reserves, consisted of the following:

	<i>(in thousands)</i>	
	December 31, 2023	December 31, 2022
Raw materials	\$ 832	\$ 751
Work in process	11	6
Finished goods	627	716
	<u>\$ 1,470</u>	<u>\$ 1,473</u>

At December 31, 2023 and 2022, the Company maintained reserves for slow moving inventories of \$164,000 and \$163,000, respectively.

NOTE G – PROPERTY AND EQUIPMENT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

Property and equipment is summarized as follows:

	<i>(in thousands)</i>	
	December 31, 2023	December 31, 2022
Office, laboratory and other equipment	\$ 2,084	\$ 1,928
Equipment furnished for customer use	8,233	7,981
Right of use assets - finance leases	1,116	1,119
Furniture and fixtures	99	99
	11,532	11,127
Less: accumulated depreciation and amortization	(10,358)	(9,787)
Property and equipment, net	\$ 1,174	\$ 1,340

Accumulated amortization of right of use (“ROU”) assets under finance leases aggregated approximately \$951,000 and \$858,000 at December 31, 2023 and 2022, respectively. Depreciation expense amounted to approximately \$635,000 and \$1,372,000 for the years ended December 31, 2023 and 2022, respectively. Amortization of ROU assets under finance leases is included in depreciation expense.

NOTE H – GOODWILL AND OTHER INTANGIBLES

Goodwill of \$14,375,000 is attributable to the NetWolves reporting unit within the IT segment. The remaining \$1,213,000 of goodwill is attributable to the FGE reporting unit within the Equipment segment. The changes in the carrying amount of goodwill are as follows:

	<i>(in thousands)</i>	
	Year ended	Year ended
	December 31, 2023	December 31, 2022
Beginning of period	\$ 15,614	\$ 15,722
Foreign currency translation adjustment	(26)	(108)
End of period	\$ 15,588	\$ 15,614

The Company’s other intangible assets consist of capitalized customer-related intangibles, patent and technology costs, and software costs, as set forth in the following table:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

(in thousands)

	December 31, 2023	December 31, 2022
Customer-related		
Costs	\$ 5,831	\$ 5,831
Accumulated amortization	(4,790)	(4,557)
	1,041	1,274
Patents and Technology		
Costs	1,894	1,894
Accumulated amortization	(1,894)	(1,894)
	-	-
Software		
Costs	2,618	2,362
Accumulated amortization	(2,253)	(2,125)
	365	237
	\$ 1,406	\$ 1,511

The Company owns, through our Chinese subsidiaries, thirty-five invention and utility patents that expire at various times through 2041, as well as sixteen software copyright certificates in China related to proprietary technologies in physiological data acquisition, analysis and reporting. Costs incurred for submitting the applications to the United States Patent and Trademark Office or other foreign authorities for these patents have been capitalized. Patent and technology costs are being amortized using the straight-line method over 10-year and 8-year lives, respectively. The Company begins amortizing patent costs once a filing receipt is received stating the patent serial number and filing date from the Patent Office or other foreign authority. The cost of significant customer-related intangibles is amortized in proportion to estimated total related revenue; cost of other customer-related intangible assets is amortized on a straight-line basis over the asset's estimated economic life of seven years. Software costs are amortized on a straight-line basis over its expected useful life of five years.

Amortization expense amounted to approximately \$361,000 and \$551,000 for the years ended December 31, 2023 and 2022, respectively. Amortization of intangibles for the next five years is:

(in thousands)

Years ending December 31,	
2024	325
2025	254
2026	199
2027	169
2028	131
	\$ 1,078

NOTE I – OTHER ASSETS

Other assets consist of the following:

(in thousands)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

	December 31, 2023	December 31, 2022
Deferred commission expense - noncurrent	\$ 3,821	\$ 3,864
Trade receivables - noncurrent	1,021	792
Other, net of allowance for loss on loan receivable of \$412 at December 31, 2023 and 2022	60	70
	<u>\$ 4,902</u>	<u>\$ 4,726</u>

NOTE J – DEFERRED REVENUE

The changes in the Company's deferred revenues are as follows:

	<i>(in thousands)</i>	
	Year ended December 31,	
	2023	2022
Deferred revenue at beginning of period	\$ 30,803	\$ 24,965
Net additions:		
Deferred extended service contracts	2	3
Deferred commission revenues	15,064	19,666
Recognized as revenue:		
Deferred extended service contracts	(4)	(4)
Deferred commission revenues	(13,665)	(13,827)
Deferred revenue at end of period	32,200	30,803
Less: current portion	15,883	15,139
Long-term deferred revenue at end of period	<u>\$ 16,317</u>	<u>\$ 15,664</u>

NOTE K – ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consist of the following:

	<i>(in thousands)</i>	
	December 31, 2023	December 31, 2022
Accrued compensation	\$ 2,482	\$ 2,652
Accrued expenses - other	2,142	2,012
Order reduction liability	971	2,577
Other liabilities	1,770	1,650
	<u>\$ 7,365</u>	<u>\$ 8,891</u>

NOTE L – RELATED-PARTY TRANSACTIONS

David Lieberman, a practicing attorney in the State of New York, serves as Vice Chairman of the Board of Directors. Until July 2022, he was a senior partner at the law firm of Beckman Lieberman and Associates, LLP, which performed certain legal services for the Company. Fees of approximately \$0 and \$95,000 were billed by the firm for the years ended December 31, 2023 and 2022, respectively, at which dates no amounts were outstanding.

NOTE M – NOTES PAYABLE AND REVOLVING CREDIT AGREEMENT

Notes payable consists of the following:

(in thousands)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

	December 31, 2023	December 31, 2022
Notes payable	15	24
Less: current portion	(9)	(9)
	\$ 6	\$ 15

Notes payable consists of a vehicle loan. The note is secured by the vehicle, bears interest at 1.9% per annum and matures in August 2025.

On December 30, 2022, the Company executed a \$3.0 million revolving credit agreement with a lending institution. Advances under the agreement bear interest at Wall Street Journal Prime Rate and are secured by substantially all of the assets of the Company. The agreement expired August 31, 2023 and was renewed through August 31, 2024. The agreement includes certain financial covenants, and the Company was in compliance with such covenants at December 31, 2023, at which time no amounts had been drawn.

NOTE N – LEASES

The Company enters into finance leases, typically with terms of 3 to 5 years, to acquire equipment for its data center. The Company enters into operating leases for its facilities in New York, Florida, and China, as well as for vehicles and equipment provided to certain employees in the professional sales services segment. The operating lease terms range from 2 to 7 years. The Company excluded the renewal option on its applicable facility leases from the calculation of its ROU assets and lease liabilities. The Company made the accounting policy decision not to recognize lease assets and liabilities for leases with a term of 12 months or less.

Finance and operating lease liabilities consist of the following:

	<i>(in thousands)</i>	
	December 31, 2023	December 31, 2022
Lease liabilities - current		
Finance leases	\$ 72	\$ 122
Operating leases	928	745
	<u>\$ 1,000</u>	<u>\$ 867</u>
Lease liabilities - net of current portion		
Finance leases	\$ 25	\$ 96
Operating leases	1,020	823
	<u>\$ 1,045</u>	<u>\$ 919</u>

A reconciliation of undiscounted cash flows to finance and operating lease liabilities recognized in the consolidated balance sheet at December 31, 2023 is set forth below:

(in thousands)

Years ending December 31,	Finance leases	Operating leases	Total
2024	83	932	1,015
2025	25	697	722
2026	-	406	406
2027	-	124	124
Undiscounted lease payments	108	2,159	2,267
Amount representing interest	(11)	(211)	(222)
Discounted lease liabilities	97	1,948	2,045

Additional disclosures of lease data are set forth below:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

(in thousands)

	2023	2022
Lease costs:		
Finance lease costs:		
Amortization of right-of-use assets	\$ 107	\$ 154
Interest on lease liabilities	23	44
	130	198
Operating lease costs	1,011	878
Short-term lease costs	52	52
Total lease cost	<u>\$ 1,193</u>	<u>\$ 1,128</u>
Other information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	\$ 144	\$ 44
Operating cash flows from operating leases	1,011	878
Financing cash flows from finance leases	119	222
	<u>\$ 1,274</u>	<u>\$ 1,144</u>
	December 31, 2023	December 31, 2022
Weighted-average remaining lease term - finance leases (months)	16	23
Weighted-average remaining lease term - operating leases (months)	31	30
Weighted-average discount rate - finance leases	16.4%	14.2%
Weighted-average discount rate - operating leases	8.4%	9.1%

The Company used the rate implicit in the lease, where known, or its incremental borrowing rate as the rate used to discount the future lease payments.

NOTE O – EQUITY IN THE EECF BUSINESS

On May 20, 2020, the Company closed on the sale of 51% of the capital stock of its then wholly-owned subsidiary EECF Global Corporation (“EECF Global”) to Chongqing PSK-Health Sci-Tech Development Co. Ltd, a China-based company, for \$1,150,000. EECF Global was formed in September 2019 to hold all the assets and liabilities of its EECF business. Concurrently with the closing of the transaction, the Company signed a Management Service Agreement with EECF Global to provide management service for the business and operation of EECF Global in the United States. The agreement provides an initial term of three years starting April 1, 2020, the effective date of the sale, which is automatically renewable for additional one-year terms. Pursuant to the agreement, EECF Global reimburses the Company all direct expenses and pays a monthly management fee during the term of the agreement.

The Company uses the equity method to account for its interest in EECF Global, as it has the ability to exercise significant influence over the entity, and reports its share of EECF Global operations in Other Income (Expense) on its consolidated statements of operations and comprehensive income. For the years ended December 31, 2023 and 2022, the Company’s share of EECF Global’s loss was approximately \$206,000 and \$154,000, respectively. At December 31, 2023 and 2022, the Company recorded Receivables due from related parties, net of approximately \$901,000 and \$403,000,

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

respectively, on its consolidated balance sheets for amounts due from EECF Global for fees and cost reimbursements, net of receivables collected on its behalf due to EECF Global.

NOTE P – STOCKHOLDERS' EQUITY

Chinese subsidiaries dividends and statutory reserves

The payment of dividends by entities organized in China is subject to limitations. In particular, regulations in China currently permit payment of dividends only out of accumulated profits as determined in accordance with People's Republic of China ("PRC") accounting standards and regulations. Based on PRC accounting standards, our Chinese subsidiaries are also required to set aside at least 10% of after-tax profit each year to their general reserves until the accumulative amount of such reserves reaches 50% of the registered capital. As of December 31, 2023 and 2022, statutory reserves aggregating approximately \$35,000 were recorded in the Company's consolidated balance sheets. These reserves are not distributable as cash dividends. In addition, they are required to allocate a portion of their after-tax profit to their staff welfare and bonus fund at the discretion of their respective boards of directors. Moreover, if any of our PRC subsidiaries incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Distribution of dividends from the Chinese operating companies to foreign shareholders is also subject to a withholding tax.

NOTE Q - OPTION AND STOCK ISSUANCE PLANS

2013 Stock Option and Stock Issuance Plan

On October 30, 2013, the Board of Directors ("Board") approved the 2013 Stock Plan (the "2013 Plan") for officers, directors, employees and consultants of the Company. The stock issuable under the 2013 Plan shall be shares of the Company's authorized but unissued or reacquired common stock. The maximum number of shares of common stock which may be issued under the 2013 Plan is 7,500,000 shares.

The 2013 Plan is comprised of two separate equity programs, the Options Grant Program, under which eligible persons may be granted options to purchase shares of common stock, and the Stock Issuance Program, under which eligible persons may be issued shares of common stock directly, either through the immediate purchase of such shares or as a bonus for services rendered to the Company. The 2013 Plan provides that the Board, or a committee of the Board, will administer it with full authority to determine the identity of the recipients of the options or shares and the number of options or shares.

During the year ended December 31, 2023, no options or shares of common stock were granted or forfeited, and 759,120 shares expired. 3,540 shares were withheld for withholding taxes.

2016 Stock Issuance Plan

On June 15, 2016, the Board approved the 2016 Stock Plan (the "2016 Plan") for officers, directors, and senior employees of the Corporation or any subsidiary of the Corporation. The stock issuable under the 2016 Plan shall be shares of the Company's authorized but unissued or reacquired common stock. The maximum number of shares of common stock that may be issued under the 2016 Plan is 7,500,000 shares.

The 2016 Plan consists of a Stock Issuance Program, under which eligible persons may, at the discretion of the Board, be issued shares of common stock directly, as a bonus for services rendered or to be rendered to the Corporation or any subsidiary of the Corporation.

During the year ended December 31, 2023, 225,000 shares of common stock were granted under the 2016 Plan and 21,709 shares were withheld for withholding taxes.

2019 Stock Issuance Plan

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

In May 2019, the Board approved the 2019 Stock Plan (the "2019 Plan") for officers, directors, and senior employees of the Corporation or any subsidiary of the Corporation. The stock issuable under the 2019 Plan shall be shares of the Company's authorized but unissued or reacquired common stock. The maximum number of shares of common stock that may be issued under the 2019 Plan is 15,000,000 shares.

The 2019 Plan consists of a Stock Issuance Program, under which eligible persons may, at the discretion of the Board, be issued shares of common stock directly, as a bonus for services rendered or to be rendered to the Corporation or any subsidiary of the Corporation.

During the year ended December 31, 2023, no shares were granted under the 2019 Plan.

The following table summarizes non-vested restricted shares under all plans for the year ended December 31, 2023:

	Shares Available for Future Issuance	Unvested shares	Weighted Average Grant Date Fair Value
Balance at December 31, 2021	10,915,580	2,990,000	\$ 0.02
Authorized	-	-	\$ -
Granted	(1,050,000)	1,050,000	\$ 0.11
Vested	-	(1,300,000)	\$ 0.02
Forfeited	90,000	(90,000)	\$ 0.05
Expired	-	-	\$ -
Balance at December 31, 2022	9,955,580	2,650,000	\$ 0.06
Authorized	-	-	\$ -
Granted	(225,000)	225,000	\$ 0.22
Vested	-	(1,491,418)	\$ 0.03
Forfeited	25,249	(25,249)	\$ 0.11
Expired	(759,120)	-	\$ -
Balance at December 31, 2023	8,996,709	1,358,333	\$ 0.11

There were 54,317,575 remaining authorized shares of common stock after reserves for all stock option plans.

NOTE R - INCOME TAXES

The following is a geographical breakdown of income before the provision for income taxes:

	<i>(in thousands)</i>	
	Year ended December 31,	
	2023	2022
Domestic	\$ 5,085	\$ 6,244
Foreign	(180)	307
Income before provision for income taxes	\$ 4,905	\$ 6,551

The provision for income taxes consisted of the following:

(in thousands)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

	Year ended December 31,	
	2023	2022
Current provision (benefit)		
Federal	\$ -	\$ -
State	50	36
Foreign	(1)	9
Total current provision (benefit)	49	45
Deferred provision (benefit)		
Federal	40	(3,724)
State	11	(1,064)
Foreign	-	-
Total deferred provision (benefit)	51	(4,788)
Total income tax provision (benefit)	\$ 100	\$ (4,743)
Effective income tax rate	2.04%	-72.40%

The income tax expense of \$100,000 for the year ended December 31, 2023 was due \$50,000 in state income taxes and a \$51,000 reduction in deferred tax assets, offset by a \$1,000 foreign tax benefit. The income tax benefit of \$4,743,000 for the year ended December 31, 2022 was due to the partial release of deferred tax asset valuation allowance, offset by \$36,000 in state income taxes and \$9,000 in foreign taxes .

The following is a reconciliation of the effective income tax rate to the federal statutory rate:

	For the year ended	
	December 31, 2023	December 31, 2022
	%	%
Federal statutory rate	21.00	21.00
State income taxes	6.19	6.11
Change in valuation allowance relating to operations	(17.96)	(92.63)
Foreign tax rate differential	(2.71)	(0.81)
R&D credit	1.87	0.58
Nondeductible expenses	0.71	0.22
Other	(7.06)	(6.87)
	2.04	(72.40)

The effective tax rate increased mainly due to the impact of the partial release of the deferred tax asset valuation allowance in 2022.

As of December 31, 2023, the recorded deferred tax assets were \$11,547,000, reflecting a decrease of \$459,000 during the year ended December 31, 2023, which was offset by a valuation allowance of \$3,663,000, reflecting a decrease of \$880,000.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

The components of our deferred tax assets and liabilities are summarized as follows:

	<i>(in thousands)</i>	
	December 31, 2023	December 31, 2022
Deferred Tax Assets:		
Net operating loss carryforwards	\$ 6,796	\$ 8,367
Amortization	590	328
Stock-based compensation	4	7
Allowance for doubtful accounts	100	99
Reserve for slow moving inventory	46	46
Tax credits	324	416
Expense accruals	855	908
Capitalized R&D	13	-
Deferred revenue	2,819	1,835
Total gross deferred taxes	11,547	12,006
Valuation allowance	(3,663)	(4,543)
Net deferred tax assets	7,884	7,463
Deferred Tax Liabilities:		
Deferred commissions	(701)	(464)
Goodwill	(2,221)	(1,962)
Depreciation	(7)	(30)
Total deferred tax liabilities	(2,929)	(2,456)
Total deferred tax assets (liabilities)	4,955	5,007
Recorded as:		
Non-current deferred tax assets	4,955	5,007
Non-current deferred tax liabilities	-	-
Total deferred tax assets (liabilities)	\$ 4,955	\$ 5,007

The activity in the valuation allowance is set forth below:

	<i>(in thousands)</i>	
	2023	2022
Valuation allowance, January 1,	\$ 4,543	\$ 10,769
Partial release of allowance	-	(4,840)
Change in valuation allowance	(880)	(1,386)
Valuation allowance, December 31,	\$ 3,663	\$ 4,543

At December 31, 2023, the Company had net operating loss carryforwards for federal and state income tax purposes of approximately \$18 million expiring at various dates from 2023 through 2037 and approximately \$7 million with no expiration date.

Under current tax law, the utilization of tax attributes will be restricted if an ownership change, as defined, were to occur. Section 382 of the Internal Revenue Code provides, in general, that if an "ownership change" occurs with respect to a corporation with net operating and other loss carryforwards, such carryforwards will be available to offset taxable income in each taxable year after the ownership change only up to the "Section 382 Limitation" for each year (generally, the product of the fair market value of the corporation's stock at the time of the ownership change, with certain adjustments, and a specified

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

long-term tax-exempt bond rate at such time). The Company's ability to use its loss carryforwards will be limited in the event of an ownership change.

NOTE S - COMMITMENTS AND CONTINGENCIES

Sales representation agreement

In October 2022, the Company concluded an amendment of the GEHC Agreement with GEHC, originally signed on May 19, 2010 and previously extended in 2012, 2015 and 2017. The amendment extended the term of the original agreement, which began on July 1, 2010, through December 31, 2026, subject to early termination by GEHC without cause with certain conditions. Under the agreement, VasoHealthcare is the exclusive representative for the sale of select GEHC diagnostic imaging and ultrasound products to specific market accounts in the 48 contiguous states of the United States and the District of Columbia. The circumstances under which early termination of the agreement may occur with cause include: not materially achieving certain sales goals, not maintaining a minimum number of sales representatives, and not meeting various legal and GEHC policy requirements. The Company met all the contractual conditions in 2023.

Employment Agreements

On May 10, 2019, the Company modified its Employment Agreement with its President and Chief Executive Officer, Dr. Jun Ma, to provide for a five-year term with extensions, unless earlier terminated by the Company, but in no event can it extend beyond May 31, 2026. The Employment Agreement provides for annual compensation of \$500,000. Dr. Ma shall be eligible to receive a bonus for each fiscal year during the employment term. The amount and the occasion for payment of such bonus, if any, shall be at the discretion of the Board of Directors. Dr. Ma shall also be eligible for an award under any long-term incentive compensation plan and grants of options and awards of shares of the Company's stock, as determined at the Board of Directors' discretion. The Employment Agreement further provides for reimbursement of certain expenses, and certain severance benefits in the event of termination prior to the expiration date of the Employment Agreement.

On December 31, 2023, the Company executed an Employment Agreement with the President of its VasoHealthcare subsidiary, Ms. Jane Moen, to provide for a twenty-seven month initial term with extensions, unless earlier terminated by the Company, but in no event can it extend beyond December 31, 2026 or the earlier termination of the GEHC Agreement. The Employment Agreement provides for annual base compensation of \$350,000. Ms. Moen shall be eligible to receive bonuses for each fiscal year during the employment term. The amount and the occasion for payment of such bonuses, if any, shall be based on employment status as well as achieving certain operating targets. Ms. Moen shall also be eligible for an award under any long-term incentive compensation plan and grants of options and awards of shares of the Company's stock, as determined at the Board of Directors' discretion. The Employment Agreement further provides for reimbursement of certain expenses, and certain severance benefits in the event of termination prior to the expiration date of the Employment Agreement.

Licensing and Support Service Agreement

In December 2023, NetWolves extended the licensing and support service agreement of its billing system for an additional year, to expire December 2024. The agreement provides for monthly recurring charges based on a percentage of billed revenues using these services, which charges aggregated approximately \$337,000 and \$339,000 for the years ended December 31, 2023 and 2022, respectively.

Litigation

The Company is currently, and has been in the past, a party to various routine legal proceedings, primarily employee related matters, incident to the ordinary course of business. The Company believes that the outcome of all such pending legal

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

proceedings in the aggregate is unlikely to have a material adverse effect on the business or consolidated financial condition of the Company.

Foreign operations

During the years ended December 31, 2023 and 2022, the Company had and continues to have operations in China. Operating transactions in China are denominated in the Chinese currency called RMB or CNY, which is not freely convertible into foreign currencies. Operating internationally involves additional risks relating to such things as currency exchange rates, different legal and regulatory environments, political, economic risks relating to the stability or predictability of foreign governments, differences in the manner in which different cultures do business, difficulties in staffing and managing foreign operations, differences in financial reporting, operating difficulties, and other factors.

Commercial law is still developing in China and there are limited legal precedents to follow in commercial transactions. There are many tax jurisdictions, each of which may have changing tax laws. Applicable taxes include value added taxes (“VAT”), Enterprise Income Tax, and social (payroll) taxes. Regulations are often unclear. Tax declarations (reports) are subject to review and taxing authorities may impose fines, penalties and interest. These facts create risks in China.

NOTE T - 401(k) PLANS

The Company maintains a defined contribution plan to provide retirement benefits for its employees - the Vaso Corporation 401(k) Plan adopted in April 1997. As allowed under Section 401(k) of the Internal Revenue Code, the plan provides tax-deferred salary deductions for eligible employees. Employees are eligible to participate in the next quarter enrollment period after employment and participants may make voluntary contributions to the plan up to 80% of their compensation, subject to applicable IRS annual limitations. The Company doubled its employer match percentage in 2023 and made discretionary contributions of approximately \$234,000 and \$112,000 in the years ended December 31, 2023 and 2022, respectively.

Corporate Information

GENERAL COUNSEL

Ortoli Rosenstadt LLP
366 Madison Avenue, 3rd Floor
New York, New York 10017

AUDITORS

UHY LLP
12900 Hall Road
Suite 500
Sterling Heights, Michigan 48313

REGISTRAR AND TRANSFER AGENT

Equiniti Trust Company, LLC
48 Wall Street
New York, NY 10005

OTHER AVAILABLE INFORMATION

A copy of the Company's Report on Form 10-K for the year ended December 31, 2023, as filed with the Securities and Exchange Commission, is available without charge to interested stockholders upon a written request to:

Mr. Michael J. Beecher
Vaso Corporation
137 Commercial Street
Plainview, New York 11803
mbeecher@vasocorporation.com

INVESTOR CONTACTS

Michael J. Beecher
516-997-4600
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BOARD OF DIRECTORS



Joshua Markowitz, Esq.
Chairman of the Board

Joshua Markowitz has been the Chairman of the Board since August 2016 and a director since June 2015. Mr. Markowitz is a practicing attorney in the State of New Jersey for more than 30 years and is currently a senior partner in the New Jersey law firm of Markowitz O'Donnell, LLP and President of Kerns Manufacturing Corporation.



David Lieberman
Vice Chairman

David Lieberman has been a director of the Company and the Vice Chairman of the Board, since February 2011. He is currently of counsel at the law firm of Ortolí Rosenstadt LLP.



Jun Ma, Ph.D.
Director, President and CEO of Vaso Corporation

Jun Ma, Ph.D. has been a director since June 2007 and was appointed President and Chief Executive Officer of the Company on October 16, 2008. Prior to joining Vaso Corporation, Dr. Ma held various academic, consulting and executive positions in aerospace, automotive, biomedical, medical device, and other industries.



Ben Movaseghi, C.P.A.
Director

Ben Movaseghi, C.P.A. has been a director since July 2007. Mr. Movaseghi is the CFO and Treasurer of Kerns Manufacturing Corporation since 2000.



Edgar Rios
Director

Edgar G. Rios has been a director of the Company since February 2011. Mr. Rios was a co-founder, Executive Vice President, General Counsel and Director of AmeriChoice Corporation from its inception in 1989 through its acquisition by UnitedHealthcare in 2002 and continued as a senior executive with UnitedHealthcare through 2007. Prior to co-founding AmeriChoice, Mr. Rios was a senior executive with a number of businesses that provided technology services and non-technology products to government purchasers. Mr. Rios also serves as a member of the Board of Trustees of Meharry Medical School and the Brookings Institution in Washington DC; and as a director of the Los Padres Foundation in Virginia. Mr. Rios holds a J.D. from Columbia University Law School and an A.B. from Princeton University.



Jane Moen
Director and President of VasoHealthcare

Ms. Jane Moen was appointed as a director in March, 2020. An accomplished healthcare sales professional, Ms. Jane Moen was appointed President of Vaso Diagnostics, Inc. d/b/a VasoHealthcare, in June 2018 following a remarkable career track at VasoHealthcare, rising through the ranks of Account Manager, Regional Manager, Director of Product Business Line, and Vice President of National Sales. Prior to joining VasoHealthcare, she held sales positions at various companies including Ledford Medical, Vital Signs, Pfizer, and Ecolab.



Leon Dembo
Director

Leon Dembo was appointed a director on March 23, 2023. Mr. Dembo has been a practicing lawyer for 44 years and is the managing partner of Dembo, Brown & Burns LLP since 1991. Mr. Dembo holds a BA degree from Georgetown University and a law degree from Rutgers University. He also serves on the Board of Trustees of Cooper University Hospital.

SENIOR MANAGEMENT

Jun Ma, Ph.D.
President and CEO



Peter Castle
COO of Vaso Corporation and President of VasoTechnology

Peter Castle was appointed Chief Operating Officer of Vaso Corporation and President of VasoTechnology in June 2015 after the Company acquired NetWolves NetWork Services, LLC. Mr. Castle has been employed by NetWolves since 1998 and presently continues to serve as its President.



Michael Beecher, C.P.A.
Co-Chief Financial Officer

Michael Beecher, C.P.A., joined the Company as Chief Financial Officer in September 2011. Prior to joining Vaso Corporation, Mr. Beecher was Chief Financial Officer of Direct Insite Corp., a publicly held company, from December 2003 to September 2011.

Jane Moen
President of VasoHealthcare

Jonathan Newton
Co-Chief Financial Officer and Vice President of Finance and Controller



Jonathan Newton served as Chief Financial Officer of the Company from September 1, 2010 to September 8, 2011, Vice President of Finance and Treasurer until December 10, 2019 and is currently Co-Chief Financial Officer, Vice President of Finance, and Treasurer.

Qiuming Shen
President of BioX Instruments Co. Ltd.



Qiuming Shen is a co-founder and President of BioX Instruments Co. Ltd. since its inception in 1996. He started his career in medical devices nearly 30 years ago, first in research and development then in marketing and corporate operations and management. His work has led to many personal awards and corporate awards by various governmental bodies in China.



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