

SECURITIES & EXCHANGE COMMISSION EDGAR FILING

VASO Corp

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended March 31, 2014

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____

Commission File Number: 0-18105



VASOMEDICAL, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

11-2871434
(IRS Employer Identification Number)

180 Linden Ave., Westbury, New York 11590
(Address of principal executive offices)

Registrant's Telephone Number

(516) 997-4600

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer.

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller Reporting Company

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

Number of Shares Outstanding of Common Stock, \$.001 Par Value, at May 8, 2014 - 155,844,754.

INDEX

<u>PART I – FINANCIAL INFORMATION</u>	3
<u>ITEM 1 - FINANCIAL STATEMENTS</u>	3
<u>CONDENSED CONSOLIDATED BALANCE SHEETS as of March 31, 2014 (unaudited) and December 31, 2013</u>	3
<u>CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS (unaudited) for the Three Months Ended March 31, 2014 and 2013</u>	4
<u>CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited) for the Three Months Ended March 31, 2014 and 2013</u>	5
<u>NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)</u>	6
<u>ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	15
<u>ITEM 4 - CONTROLS AND PROCEDURES</u>	19
<u>PART II - OTHER INFORMATION</u>	20
<u>ITEM 6 – EXHIBITS</u>	20

ITEM 1 - FINANCIAL STATEMENTS

Vasomedical, Inc. and Subsidiaries

CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	March 31, 2014 (unaudited)	December 31, 2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 12,009	\$ 7,961
Short-term investments	111	111
Accounts and other receivables, net of an allowance for doubtful accounts and commission adjustments of \$3,544 at March 31, 2014 and \$3,764 at December 31, 2013	5,381	13,570
Receivables due from related parties	21	21
Inventories, net	1,833	1,618
Deferred commission expense	2,319	2,312
Other current assets	466	338
Total current assets	<u>22,140</u>	<u>25,931</u>
PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$1,325 at March 31, 2014 and \$1,281 at December 31, 2013	391	365
GOODWILL	3,276	3,303
OTHER ASSETS, net	4,116	3,918
	<u>\$ 29,923</u>	<u>\$ 33,517</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 743	\$ 597
Accrued commissions	1,700	2,161
Accrued expenses and other liabilities	4,114	5,571
Sales tax payable	196	230
Deferred revenue - current portion	10,294	10,541
Deferred tax liability, net	112	112
Notes payable due to related party	3	3
Total current liabilities	<u>17,162</u>	<u>19,215</u>
LONG-TERM LIABILITIES		
Deferred revenue	6,710	7,478
Other long-term liabilities	384	359
Total long-term liabilities	<u>7,094</u>	<u>7,837</u>
COMMITMENTS AND CONTINGENCIES (NOTE M)		
STOCKHOLDERS' EQUITY		
Preferred stock, \$.01 par value; 1,000,000 shares authorized; nil shares issued and outstanding at March 31, 2014, and December 31, 2013	-	-
Common stock, \$.001 par value; 250,000,000 shares authorized; 165,790,382 and 164,705,382 shares issued at March 31, 2014 and December 31, 2013, respectively; 156,308,981 and 155,223,981 shares outstanding at March 31, 2014 and December 31, 2013, respectively	166	165
Additional paid-in capital	61,793	61,508
Accumulated deficit	(54,605)	(53,561)
Accumulated other comprehensive income	68	108
Treasury stock, at cost, 9,481,401 shares at March 31, 2014 and December 31, 2013	(1,755)	(1,755)
Total stockholders' equity	<u>5,667</u>	<u>6,465</u>
	<u>\$ 29,923</u>	<u>\$ 33,517</u>

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

Vasomedical, Inc. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Unaudited)

(in thousands, except per share data)

	Three months ended March 31,	
	2014	2013
Revenues		
Equipment sales	\$ 483	\$ 877
Equipment rentals and services	367	407
Commissions	6,241	6,009
Total revenues	<u>7,091</u>	<u>7,293</u>
Cost of revenues		
Cost of sales, equipment	144	293
Cost of equipment rentals and services	181	242
Cost of commissions	1,602	1,696
Total cost of revenues	<u>1,927</u>	<u>2,231</u>
Gross profit	<u>5,164</u>	<u>5,062</u>
Operating expenses		
Selling, general and administrative	6,041	5,604
Research and development	213	140
Total operating expenses	<u>6,254</u>	<u>5,744</u>
Operating loss	<u>(1,090)</u>	<u>(682)</u>
Other income		
Interest and other income, net	56	38
Total other income, net	<u>56</u>	<u>38</u>
Loss before income taxes	(1,034)	(644)
Income tax expense	(10)	(8)
Net loss	<u>(1,044)</u>	<u>(652)</u>
Other comprehensive loss		
Foreign currency translation loss	(39)	(34)
Comprehensive loss	<u>\$ (1,083)</u>	<u>\$ (686)</u>
Loss per common share		
- basic and diluted	<u>\$ (0.01)</u>	<u>\$ (0.00)</u>
Weighted average common shares outstanding		
- basic and diluted	<u>155,454</u>	<u>162,117</u>

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

Vasomedical, Inc. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands)

	Three months ended	
	March 31, 2014	March 31, 2013
Cash flows from operating activities		
Net loss	\$ (1,044)	\$ (652)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization	99	91
Provision for doubtful accounts and commission adjustments	(8)	17
Share-based compensation and arrangements	153	223
Changes in operating assets and liabilities:		
Accounts and other receivables	8,194	4,359
Receivables due from related parties	-	5
Inventories, net	(225)	4
Deferred commission expense	(7)	21
Other current assets	3	(45)
Other assets	(184)	477
Accounts payable	147	113
Accrued commissions	(461)	(863)
Accrued expenses and other liabilities	(1,449)	(604)
Sales tax payable	(33)	(25)
Deferred revenue	(1,014)	(1,786)
Other long-term liabilities	25	162
Net cash provided by operating activities	4,196	1,497
Cash flows from investing activities		
Purchases of property, equipment and software	(136)	(12)
Purchases of short-term investments	(40)	(40)
Redemption of short-term investments	40	40
Net cash used in investing activities	(136)	(12)
Effect of exchange rate differences on cash and cash equivalents	(12)	(55)
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,048	1,430
Cash and cash equivalents - beginning of period	7,961	11,469
Cash and cash equivalents - end of period	<u>\$ 12,009</u>	<u>\$ 12,899</u>
SUPPLEMENTAL DISCLOSURE OF CASH INFORMATION		
Interest paid	\$ -	\$ -
Income taxes paid	\$ 13	\$ 24
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Inventories transferred to property and equipment, attributable to operating leases, net	\$ -	\$ 2
Common shares issued for prepaid directors' fees	\$ 175	\$ -

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

Notes to Condensed Consolidated Financial Statements (unaudited)

NOTE A - ORGANIZATION AND PLAN OF OPERATIONS

Vasomedical, Inc. was incorporated in Delaware in July 1987. Unless the context requires otherwise, all references to “we”, “our”, “us”, “Company”, “registrant”, “Vasomedical” or “management” refer to Vasomedical, Inc. and its subsidiaries. The Company since 2010 has been operating in two distinct business segments, the Sales Representation segment and the Equipment segment. In May 2010, the Company, through its wholly-owned subsidiary Vaso Diagnostics, Inc. d/b/a VasoHealthcare, expanded into the sales representation business via its agreement with GE Healthcare (“GEHC”), the healthcare business unit of General Electric Company (NYSE: GE), to be GEHC’s exclusive sales representative for the sale of select GEHC diagnostic imaging products in specific market segments in the 48 contiguous states of the United States and the District of Columbia. In June 2012, the Company entered into an amendment, effective July 1, 2012, of the sales representative agreement (“GEHC Agreement”) extending the initial term of three years commencing July 1, 2010 to five years through June 30, 2015, subject to earlier termination under certain circumstances. In the Equipment segment we design, manufacture, market and support certain medical devices. Our principal products in this segment are Enhanced External Counterpulsation (EECP®) systems, which are non-invasive heart therapy devices based on our unique proprietary technology, and currently indicated in the United States for use in cases of refractory angina and congestive heart failure (“CHF”). In addition we develop, manufacture and market certain ambulatory patient monitoring systems including recorders and analysis software.

In September 2011, the Company acquired Fast Growth Enterprises Limited (FGE), a British Virgin Islands company which owns and controls two Chinese operating companies - Life Enhancement Technologies Ltd. (“LET”) and Biox Instruments Co. Ltd. (“Biox”), respectively – to expand its technical and manufacturing capabilities and to enhance its distribution network, technology, and product portfolio.

Also in September 2011, the Company restructured to further align its business management structure and long-term growth strategy and now operates through three wholly-owned subsidiaries. Vaso Diagnostics d/b/a VasoHealthcare continues as the operating subsidiary for the sales representation of GE Healthcare diagnostic imaging products; Vasomedical Global Corp. operates the Company’s Chinese companies; and Vasomedical Solutions, Inc. manages and coordinates our EECP® therapy business as well as other medical equipment operations.

We report the operations of Vasomedical Global Corp. and Vasomedical Solutions, Inc. under our Equipment segment. VasoHealthcare activities are included under our Sales Representation segment (See Note C).

NOTE B - BASIS OF PRESENTATION AND CRITICAL ACCOUNTING POLICIES

Basis of Presentation and Use of Estimates

The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and pursuant to the accounting and disclosure rules and regulations of the Securities and Exchange Commission (the “SEC”). Certain information and disclosures normally included in the condensed consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. Accordingly, these condensed consolidated financial statements should be read in connection with the audited consolidated financial statements and related notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2013, as filed with the SEC. These condensed consolidated financial statements include the accounts of the companies over which we exercise control. In the opinion of management, the accompanying condensed consolidated financial statements reflect all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of interim results for the Company. The results of operations for any interim period are not necessarily indicative of results to be expected for any other interim period or the full year.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the condensed consolidated financial statements, the disclosure of contingent assets and liabilities in the condensed consolidated financial statements and the accompanying notes, and the reported amounts of revenues, expenses and cash flows during the periods presented. Actual amounts and results could differ from those estimates. The estimates and assumptions the Company makes are based on historical factors, current circumstances and the experience and judgment of the Company’s management. The Company evaluates its estimates and assumptions on an ongoing basis.

Significant Accounting Policies

Note B of the Notes to Consolidated Financial Statements, included in the Annual Report on Form 10-K for the year ended December 31, 2013, includes a summary of the significant accounting policies used in the preparation of the condensed consolidated financial statements.

Revenue and Expense Recognition for VasoHealthcare

The Company recognizes commission revenue in its Sales Representation segment (see Note C) when persuasive evidence of an arrangement exists, service has been rendered, the price is fixed or determinable and collectability is reasonably assured. These conditions are deemed to be met when the underlying equipment has been delivered and accepted at the customer site in accordance with the specific terms of the sales agreement. Consequently, amounts billable under the agreement with GE Healthcare in advance of the customer acceptance of the equipment are recorded as accounts receivable and deferred revenue in the condensed consolidated balance sheets. Under our agreement with GE Healthcare ("GEHC"), GEHC pays the Company a commission. In accordance with the agreement GEHC pays the Company fifty percent of the commission at the time the order is received and fifty percent of the commission when the order is completed by delivery and acceptance to their customer. At the time the order is received therefore, the Company records a receivable for the fifty percent of the commission and offsets this to deferred revenue. At the time the order is completed the Company records a receivable for the remaining fifty percent commission and records this as recognized revenue including the amount previously deferred.

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. Cost of commissions includes commission expense and costs associated with the medical device excise tax imposed by the Affordable Care Act.

Reclassifications

Certain reclassifications have been made to prior period amounts to conform with the current period presentation.

NOTE C – SEGMENT REPORTING AND CONCENTRATIONS

The Company views its business in two segments – the Equipment segment and the Sales Representation segment. The Equipment segment is engaged in designing, manufacturing, marketing and supporting EECP® enhanced external counterpulsation systems both domestically and internationally, as well as the development, production, marketing and supporting of other medical devices. The Sales Representation 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 Company evaluates segment performance based on operating income. Administrative functions such as finance, human resources, and information technology 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:

Notes to Condensed Consolidated Financial Statements (unaudited)

(in thousands)

	As of or for the three months ended March 31, 2014			
	Sales			
	Equipment Segment	Representation Segment	Corporate	Consolidated
Revenues from external customers	\$ 850	\$ 6,241	\$ -	\$ 7,091
Operating (loss) income	\$ (1,082)	\$ 523	\$ (531)	\$ (1,090)
Total assets	\$ 7,728	\$ 10,209	\$ 11,986	\$ 29,923
Accounts and other receivables, net	\$ 846	\$ 4,535	\$ -	\$ 5,381
Deferred commission expense	\$ -	\$ 4,066	\$ -	\$ 4,066

	As of or for the three months ended March 31, 2013			
	Sales			
	Equipment Segment	Representation Segment	Corporate	Consolidated
Revenues from external customers	\$ 1,284	\$ 6,009	\$ -	\$ 7,293
Operating (loss) income	\$ (643)	\$ 362	\$ (401)	\$ (682)
Total assets	\$ 7,533	\$ 8,485	\$ 12,783	\$ 28,801
Accounts and other receivables, net	\$ 618	\$ 4,117	\$ -	\$ 4,735
Deferred commission expense	\$ -	\$ 4,032	\$ -	\$ 4,032

For the three months ended March 31, 2014 and 2013, GE Healthcare accounted for 88% and 82% of revenue, respectively, and \$4.4 million or 81%, and \$12.5 million or 92%, of accounts and other receivables at March 31, 2014 and December 31, 2013, respectively.

NOTE D – SHARE-BASED COMPENSATION

The Company complies with ASC Topic 718 "Compensation – Stock Compensation" ("ASC 718"), which requires all share-based awards to employees, including grants of employee stock options, to be recognized in the condensed consolidated financial statements based on their estimated fair values.

During the three months ended March 31, 2014, the Company granted 450,000 restricted shares of common stock valued at \$157,500 to officers and 50,000 restricted shares of common stock valued at \$15,500 to employees. The 450,000 shares granted to officers vest at various times through February 2016 and the 50,000 shares granted to employees vested immediately. In the first quarter of 2014, the Company also granted 500,000 restricted shares of common stock to directors. The shares were valued at \$175,000 and vested immediately.

During the three months ended March 31, 2013, the Company granted 60,000 restricted shares of common stock to employees. The shares were valued at \$10,800 and vested immediately.

During the three-month periods ended March 31, 2014 and 2013, the Company did not grant any stock options.

Share-based compensation expense recognized for the three month periods ended March 31, 2014 and 2013 was \$110,000 and \$137,000, respectively. These expenses are included in selling, general, and administrative expenses in the condensed consolidated statements of operations in 2014, and in cost of revenues; selling, general, and administrative expenses; and research and development expenses in the condensed consolidated statements of operations in 2013. Expense for share-based arrangements with non-employees was \$43,000 and \$86,000 for the three months ended March 31, 2014 and 2013, respectively. Unrecognized expense related to existing share-based compensation and arrangements is approximately \$293,000 at March 31, 2014 and will be recognized through February 2016.

Notes to Condensed Consolidated Financial Statements (unaudited)

NOTE E – LOSS PER COMMON SHARE

Basic loss per common share is computed as earnings applicable to common stockholders divided by the weighted-average number of common shares outstanding for the period. Diluted loss per common share reflects the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common stock.

The following table represents common stock equivalents that were excluded from the computation of diluted earnings per share for the three months ended March 31, 2014 and 2013, because the effect of their inclusion would be anti-dilutive.

	<i>(in thousands)</i>	
	For the three months ended	
	March 31, 2014	March 31, 2013
Stock options	1,754	1,780
Warrants	-	1,500
Common stock grants	875	2,188
	<u>2,629</u>	<u>5,468</u>

NOTE F – FAIR VALUE MEASUREMENTS

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.

The following tables present information about the Company’s assets measured at fair value as of March 31, 2014 and December 31, 2013:

	<i>(in thousands)</i>			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of March 31, 2014
Assets				(unaudited)
Cash equivalents invested in money market funds (included in cash and cash equivalents)	\$ 10,899	\$ -	\$ -	\$ 10,899
Investment in certificates of deposit (included in short-term investments)	111			111
	<u>\$ 11,010</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,010</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, 2013
Assets				
Cash equivalents invested in money market funds (included in cash and cash equivalents)	\$ 6,883	\$ -	\$ -	\$ 6,883
Investment in certificates of deposit (included in short-term investments)	111			111
	<u>\$ 6,994</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,994</u>

Notes to Condensed Consolidated Financial Statements (unaudited)

The fair values of the Company's cash equivalents invested in money market funds are determined through market, observable and corroborated sources.

NOTE G – ACCOUNTS AND OTHER RECEIVABLES, NET

The following table presents information regarding the Company's accounts and other receivables as of March 31, 2014 and December 31, 2013:

	<i>(in thousands)</i>	
	March 31, 2014	December 31,
	(unaudited)	2013
Trade receivables	\$ 8,758	\$ 17,173
Due from employees	167	161
Allowance for doubtful accounts and commission adjustments	(3,544)	(3,764)
Accounts and other receivables, net	<u>\$ 5,381</u>	<u>\$ 13,570</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 subsequent changes in sales order amounts that may reduce the amount the Company will ultimately receive under the GEHC Agreement. Due from employees is primarily commission advances made to sales personnel.

NOTE H – INVENTORIES, NET

Inventories, net of reserves, consist of the following:

	<i>(in thousands)</i>	
	March 31, 2014	December 31, 2013
	(unaudited)	
Raw materials	\$ 766	\$ 790
Work in process	488	291
Finished goods	579	537
	<u>\$ 1,833</u>	<u>\$ 1,618</u>

At March 31, 2014 and December 31, 2013, the Company maintained reserves for excess and obsolete inventory of \$776,000 and \$803,000, respectively.

NOTE I – GOODWILL AND OTHER INTANGIBLES

Goodwill aggregating \$3,276,000 and \$3,303,000 was recorded on the Company's condensed consolidated balance sheets at March 31, 2014 and December 31, 2013, respectively, pursuant to the acquisition of FGE in September 2011. All of the goodwill was allocated to the Company's Equipment segment. The components of the change in goodwill are as follows:

Notes to Condensed Consolidated Financial Statements (unaudited)

	<i>(in thousands)</i>	
	<u>Carrying Amount</u>	
Balance at December 31, 2013	\$	3,303
Foreign currency translation		<u>(27)</u>
Balance at March 31, 2014	\$	<u>3,276</u>

The Company's other intangible assets consist of capitalized patent costs, customer lists and software costs, as follows:

	<i>(in thousands)</i>	
	<u>March 31, 2014</u>	<u>December 31,</u>
	<u>(unaudited)</u>	<u>2013</u>
Patents		
Costs	\$ 469	\$ 469
Accumulated amortization	<u>(457)</u>	<u>(454)</u>
	<u>12</u>	<u>15</u>
Customer lists		
Costs	800	800
Accumulated amortization	<u>(295)</u>	<u>(267)</u>
	<u>505</u>	<u>533</u>
Software		
Costs	757	696
Accumulated amortization	<u>(439)</u>	<u>(424)</u>
	<u>318</u>	<u>272</u>
	<u>\$ 835</u>	<u>\$ 820</u>

Patents, customer lists, and software are included in other assets in the accompanying condensed consolidated balance sheets and are amortized on a straight line basis over their estimated useful lives of ten, seven, and five years, respectively. Amortization expense amounted to \$46,000 and \$42,000 for the three months ended March 31, 2014 and 2013, respectively.

Notes to Condensed Consolidated Financial Statements (unaudited)

NOTE J - DEFERRED REVENUE

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

	<i>(in thousands)</i>	
	For the three months ended March 31,	
	2014	2013
	(unaudited)	(unaudited)
Deferred revenue at the beginning of the period	\$ 18,019	\$ 15,602
Additions:		
Deferred extended service contracts	237	150
Deferred in-service and training	3	5
Deferred service arrangements	5	10
Deferred commission revenues	1,770	1,008
Recognized as revenue:		
Deferred extended service contracts	(227)	(260)
Deferred in-service and training	(8)	(1)
Deferred service arrangements	(24)	(19)
Deferred commission revenues	(2,771)	(2,679)
Deferred revenue at end of period	17,004	13,816
Less: current portion	10,294	10,222
Long-term deferred revenue at end of period	<u>\$ 6,710</u>	<u>\$ 3,594</u>

NOTE K – RELATED-PARTY TRANSACTIONS

On February 28, 2011, David Lieberman and Edgar Rios were appointed by the Board of Directors as directors of the Company. Mr. Lieberman, a practicing attorney in the State of New York, was also appointed to serve as the Vice Chairman of the Board. He is currently a senior partner at the law firm of Beckman, Lieberman & Barandes, LLP, which performs certain legal services for the Company. Fees of approximately \$60,000 were billed by the firm through each of the three month periods ended March 31, 2014 and 2013, at which dates no amounts were outstanding.

Mr. Rios currently is President of Edgary Consultants, LLC, and was appointed a director in conjunction with the Company's consulting agreement with Edgary Consultants, LLC. The consulting agreement (the "Agreement") between the Company and Edgary Consultants, LLC ("Consultant") commenced on March 1, 2011 and was for a two year term and expired on February 28, 2013. The Agreement provided for the engagement of Consultant to assist the Company in seeking broader reimbursement coverage of EEC[®] therapy.

In consideration for the services to be provided by Consultant under the Agreement, the Company agreed to issue to Consultant or its designees, up to 18,500,000 shares of restricted common stock of the Company, 3,000,000 of which were issued in March 2011 and the balance was to be earned on performance. Mr. Lieberman received 600,000 of these restricted shares. The Company recorded the fair value of the shares issued to Consultant as a prepaid expense and amortized the cost ratably over the two year agreement. No performance-based shares were issued and no further compensation is expected to be paid in conjunction with the agreement.

Receivables due from FGE management aggregating \$5,000 were collected during the three months ended March 31, 2013.

On March 14, 2014, Biox Instruments Co., Ltd. (Biox) entered into a Manufacturing, Marketing and Licensing Agreement (the "Genwell Agreement") with Genwell Instruments Co., Ltd. (Genwell), a corporation organized under the People's Republic of China, where Biox was granted exclusive rights to manufacture and sell Genwell's MobiCare™ wireless multi-parameter patient monitoring systems worldwide. The Genwell Agreement commenced on March 31, 2014 for an initial term of six years. Certain officers of Biox are shareholders of Genwell.

NOTE L – STOCKHOLDERS' EQUITY

Common Stock

On June 17, 2010 the Board of Directors approved the 2010 Stock Plan (the "2010 Plan") for officers, directors, employees and consultants of the Company. The stock issuable under the 2010 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 2010 Plan is 5,000,000 shares.

The 2010 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 compensation for services rendered to the Company. The 2010 Plan provides that the Board of Directors, or a committee of the Board of Directors, 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 three months ended March 31, 2014 the Company issued, under the 2010 Plan, 585,000 shares of common stock to employees and officers, and 500,000 shares of common stock to directors. As of March 31, 2014, 91,222 shares were available for issuance under the 2010 Plan.

On October 30, 2013 the Board of Directors 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 compensation for services rendered to the Company. The 2013 Plan provides that the Board of Directors, or a committee of the Board of Directors, will administer the Plan with full authority to determine the identity of the recipients of the options or shares and the number of options or shares. As of March 31, 2014, 7,500,000 shares were available for issuance under the 2013 Plan.

No options were issued under the 2010 Plan or 2013 Plan during the three month period ended March 31, 2014.

In April 2013, the Company's Board of Directors authorized a share repurchase program of up to \$1.5 million, which was subsequently increased in July 2013 to \$2.0 million, of the Company's common stock. As of March 31, 2014, 9,481,401 shares had been repurchased at a cost of \$1,755,000, which cost has been recorded as treasury stock in the accompanying condensed consolidated balance sheet as of March 31, 2014.

NOTE M – COMMITMENTS AND CONTINGENCIES

Sales representation agreement

In June 2012, the Company concluded an amendment of the GEHC Agreement with GE Healthcare, originally signed on May 19, 2010. The amendment, effective July 1, 2012, extended the initial term of three years commencing July 1, 2010 to five years through June 30, 2015, subject to earlier termination under certain circumstances. These circumstances include: not materially achieving certain sales goals; not maintaining a minimum number of sales representatives; and various legal and GEHC policy requirements. Under the terms of the agreement, the Company is required to lease dedicated computer equipment from GEHC for connectivity to their network.

NOTE N - RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

As of March 31, 2014, the Company believes that there are no recently issued accounting pronouncements that will have an impact on the Company's condensed consolidated financial statements.

NOTE O – SUBSEQUENT EVENT

In April 2014, the Company announced that it entered into an agreement with Chongqing PSK-Health Sci-Tech Development Co., Ltd. ("PSK") of Chongqing, China, the leading manufacturer of ECP therapy systems in China, to form a joint venture company, VSK Medical Limited ("VSK"), for the global marketing, sale and advancement of ECP therapy technology.

The agreement provides for Vasomedical and PSK to appoint the joint venture company as the exclusive distributor to market, distribute and sell EECP and ECP therapy products globally, except for the United States and China. In this regard, the agreement provides for PSK to be the exclusive distributor of Vasomedical's EECP therapy systems in China and for Vasomedical to be the exclusive distributor of PSK's ECP therapy systems in the United States, subject to certain conditions.

We believe that combining the efforts of the two largest global providers of EECP/ECP therapy technology will create greater success than either working independently. The initial focus will be on the efficient use of the combined resources and leveraging areas of market strength.

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

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; the effect of the dramatic changes taking place in the healthcare environment; the impact of competitive procedures and products and their pricing; medical insurance reimbursement policies; unexpected manufacturing or supplier problems; unforeseen difficulties and delays in the conduct of clinical trials and other product development programs; the actions of regulatory authorities and third-party payers in the United States and overseas; uncertainties about the acceptance of a novel therapeutic modality by the medical community; continuation of the GEHC Agreement and the risk factors reported from time to time in the Company's SEC reports, including its recent report on Form 10-K. The Company undertakes no obligation to update forward-looking statements as a result of future events or developments.

General Overview

Vasomedical, Inc. was incorporated in Delaware in July 1987. Unless the context requires otherwise, all references to "we", "our", "us", "Company", "registrant", "Vasomedical" or "management" refer to Vasomedical, Inc. and its subsidiaries. Since 2010 we have been operating in two distinct business segments, the Sales Representation segment and the Equipment segment. In May 2010, the Company, through its wholly-owned subsidiary Vaso Diagnostics, Inc. d/b/a VasoHealthcare, expanded into the sales representation business via its agreement with GE Healthcare ("GEHC"), the healthcare business unit of General Electric Company (NYSE: GE), to be GEHC's exclusive sales representative for the sale of select GEHC diagnostic imaging products in specific market segments in the 48 contiguous states of the United States and the District of Columbia. In June 2012, the Company entered into an amendment, effective July 1, 2012, of the sales representative agreement ("GEHC Agreement") extending the initial term of three years commencing July 1, 2010 to five years through June 30, 2015, subject to earlier termination under certain circumstances. In the Equipment segment we design, manufacture, market and support certain medical devices. Our principal products in this segment are Enhanced External Counterpulsation (EECP®) systems, which are non-invasive heart therapy devices based on our unique proprietary technology. In addition we develop, manufacture and market certain ambulatory patient monitoring systems including recorders and analysis software.

In September 2011, the Company acquired Fast Growth Enterprises Limited (FGE), a British Virgin Islands company, which owns and controls two Chinese operating companies - Life Enhancement Technology Ltd. and Biox Instruments Co. Ltd., respectively - to expand its technical and manufacturing capabilities and to enhance its distribution network, technology, and product portfolio.

Also in September 2011, the Company restructured to further align its business management structure and long-term growth strategy, and now operates through three wholly-owned subsidiaries. Vaso Diagnostics d/b/a VasoHealthcare continues as the operating subsidiary for the sales representation of GE diagnostic imaging products; Vasomedical Global Corp. operates the Company's Chinese companies; and Vasomedical Solutions, Inc. was formed to manage and coordinate our EECP® therapy business as well as other medical equipment operations.

We now report the operations of Vasomedical Global Corp. and Vasomedical Solutions, Inc. under our Equipment segment. VasoHealthcare activities are included under our Sales Representation segment (see Note C).

The Company expects to achieve profitability through its existing sales representation operations, growth in our China operations and by expanding its market presence and product portfolio. In addition, the Company plans to pursue acquisitions or partnership opportunities in the international and domestic markets and to expand its sales representation business.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon the accompanying unaudited condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). The preparation of financial statements in conformity with U.S. GAAP requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses, and the related disclosures at the date of the financial statements and during the reporting period. Although these estimates are based on our knowledge of current events, our actual amounts and results could differ from those estimates. The estimates made are based on historical factors, current circumstances, and the experience and judgment of our management, who continually evaluate the judgments, estimates and assumptions and may employ outside experts to assist in the evaluations.

Certain of our accounting policies are deemed "critical", as they are both most important to the financial statement presentation and require management's most difficult, subjective or complex judgments as a result of the need to make estimates about the effect of matters that are inherently uncertain. For a discussion of our critical accounting policies, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2013.

Results of Operations – For the Three Months Ended March 31, 2014 and 2013

Total revenue for the three months ended March 31, 2014 and 2013 was \$7,091,000 and \$7,293,000, respectively, a decrease of \$202,000, or 3%. Net loss for the three months ended March 31, 2014 and 2013 was \$1,044,000 and \$652,000, respectively, an increase of \$392,000, or 60%. The higher loss was primarily attributable to a \$437,000 increase in selling, general and administrative ("SG&A") costs. Our total net loss was \$(0.01) and \$(0.00) per basic and diluted common share for the three months ended March 31, 2014 and 2013, respectively.

Revenues

Commission revenues in the Sales Representation segment were \$6,241,000 in the first quarter of 2014, as compared to \$6,009,000 in the first quarter of 2013, an increase of 4%. The increase in commission revenue in the first quarter of 2014 is due primarily to an increase in commission rate, partially offset by decreased volume of equipment delivered by GEHC. The Company recognizes commission revenue when the underlying equipment has been accepted at the customer site in accordance with the specific terms of the sales agreement. Consequently, amounts billable under the agreement with GE Healthcare prior to customer acceptance of the equipment are recorded as deferred revenue in the condensed consolidated balance sheet. As of March 31, 2014, \$15,665,000 in deferred commission revenue was recorded in the Company's condensed consolidated balance sheet, of which \$6,112,000 is long-term. At March 31, 2013, \$12,662,000 in deferred commission revenue was recorded in the Company's condensed consolidated balance sheet, of which \$3,168,000 was long-term.

Revenue in our Equipment segment decreased by \$434,000, or 34%, to \$850,000 for the three-month period ended March 31, 2014 from \$1,284,000 for the same period of the prior year. Equipment segment revenue from equipment sales decreased by \$394,000, or 45%, to \$483,000 for the three-month period ended March 31, 2014 as compared to \$877,000 for the same period in the prior year, primarily due to a \$206,000 decrease in EECP[®] revenues as a result of lower sales volume, and a \$149,000 decrease in international sales by our China operations.

We anticipate that demand for EECP[®] systems will remain soft unless there is greater clinical acceptance for the use of EECP[®] therapy or a favorable change in current reimbursement policies by CMS or third party payers. We will continue to cost effectively pursue strategies to increase and expand the reimbursement for EECP[®] therapy. At the same time, expenditures will be aligned with the forecast for the newly formed VSK model (see Note O).

Equipment segment revenue from equipment rental and services decreased 10% to \$367,000 in the first quarter of 2014 from \$407,000 in the first quarter of 2013. Revenue from equipment rental and services represented 43% and 32% of total Equipment segment revenue in the first quarters of fiscal 2014 and fiscal 2013, respectively. The decrease in revenue generated from equipment rentals and services is due primarily to lower service contract and accessory part revenues.

Gross Profit

The Company had a gross profit of \$5,164,000 in the first quarter of 2014 compared to \$5,062,000 in the first quarter of the prior year, an increase of 2%. The increase is principally due to higher gross profit margin in both our Sales Representation segment and our Equipment segment.

Sales Representation segment gross profit was \$4,639,000, or 74%, for the three months ended March 31, 2014 as compared to \$4,313,000, or 72%, for the three months ended March 31, 2013. The increase in absolute dollars and margin percentage was due to higher commission rates on equipment booked in 2013 but delivered during the first quarter of 2014 while the commission expense was at the same rate in both periods. Cost of commissions of \$1,602,000 and \$1,696,000, for the three months ended March 31, 2014 and 2013, respectively, reflects commission expense associated with 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 decreased to \$525,000, or 62% of Equipment segment revenues, for the first quarter of 2014 compared to \$749,000, or 58% of Equipment segment revenues, for the same quarter of 2013. Gross profit margin in the Equipment segment improved due to lower production costs at Biox and lower field service costs, partially offset by lower margin on EEC[®] equipment as a result of lower shipment volume during the quarter.

Operating Loss

Operating loss was \$1,090,000 for the three months ended March 31, 2014 as compared to \$682,000 for the three months ended March 31, 2013, an increase of \$408,000. The increase in operating loss was primarily attributable to a \$437,000 increase in selling, general, and administrative costs. Operating loss in the Equipment segment increased by \$439,000, or 68%, to \$1,082,000 compared to \$643,000 in the same quarter of the prior year due primarily to \$225,000 lower gross profit and \$142,000 higher SG&A costs in the current year quarter. Partially offsetting the higher loss in the Equipment segment was a \$161,000 increase in operating income in the Sales Representation segment, which increased to \$523,000 as compared to \$362,000 in the first quarter of the prior year due mainly to higher gross margin.

SG&A expenses for the first quarter of 2014 and 2013 were \$6,041,000, or 85% of revenues, and \$5,604,000, or 77% of revenues, respectively, reflecting an increase of \$437,000 or approximately 8%, which includes approximately \$231,000 of non-cash items. The increase in SG&A expenditures in the first quarter of 2014 resulted primarily from higher meeting costs in the Sales Representation segment (which took place in the second quarter last year), increased EEC[®] equipment sales personnel, and increased staffing costs associated with the recently introduced MobiCare[™] product in the Equipment segment, as well as higher corporate expenses, primarily accounting and directors' fees.

Research and development ("R&D") expenses were \$213,000, or 3% of revenues (25% of Equipment segment revenues), for the first quarter of 2014, an increase of \$73,000, or 52%, from \$140,000, or 2% of revenues (11% of Equipment segment revenues), for the first quarter of 2013. The increase is primarily attributable to costs associated with the preparation of an FDA required pre-market approval of our EEC[®] therapy system for the treatment of congestive heart failure.

Interest and Other Income, Net

Interest and other income, net for the first quarter of 2014 was \$56,000 as compared to \$38,000 for the first quarter of 2013. The increase was due primarily to higher government grants received by our Chinese subsidiaries.

Income Tax Expense

During the first quarter of 2014 we recorded income tax expense of \$10,000 as compared to income tax expense of \$8,000 for the first quarter of 2013. The increase arose from higher tax expense at our Chinese subsidiaries.

Liquidity and Capital Resources

Cash and Cash Flow

We have financed our operations from working capital. At March 31, 2014, we had cash and cash equivalents of \$12,009,000, short-term investments of \$111,000 and working capital of \$4,978,000 compared to cash and cash equivalents of \$7,961,000, short-term investments of \$111,000 and working capital of \$6,716,000 at December 31, 2013.

Cash provided by operating activities was \$4,196,000 during the first three months of 2014, which consisted of a net loss after adjustments to reconcile net loss to net cash of \$800,000, offset by cash provided by operating assets and liabilities of \$4,996,000. The changes in the account balances primarily reflect a decrease in accounts and other receivables of \$8,194,000, partially offset by decreases in deferred revenue of \$1,014,000 and accrued expenses of \$1,449,000. Under the GEHC Agreement the Company earns progressively higher commission rates as calendar year targets are met, and this commission structure has a significant impact on our cash flows. As we achieve these targets, the higher commission rates are retroactively applied to all orders booked in the calendar year, and therefore, significantly higher commission billings and recognized revenue were generated in the fourth quarter of 2013 resulting in significant cash inflows early in 2014. As we previously reported in our Annual Report on Form 10-K for the year ended December 31, 2013, higher commission rates were earned in 2013 than in 2012, resulting in higher cash inflows in 2014.

Cash used in investing activities during the three-month period ended March 31, 2014 was \$136,000 for the purchase of equipment and software.

No cash was received from or used in financing activities during the three-month period ended March 31, 2014.

Liquidity

The Company expects to achieve profitability and continued positive cash flow through its existing sales representation operations, growth in its China operations and by expanding its market presence and product portfolio. The Company is in the process of reorganizing its EECP® business model, both domestically and internationally, in view of its recent joint venture (see Note O). The Company will continue to pursue acquisitions and partnership opportunities in the international and domestic markets and to expand its sales representation business.

ITEM 4 - CONTROLS AND PROCEDURES

Evaluation of 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 March 31, 2014 and have concluded that the Company's disclosure controls and procedures were effective as of March 31, 2014.

Changes in Internal Control Over Financial Reporting

There was no change in the Company's internal control over financial reporting during the Company's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 6 – EXHIBITS

Exhibits

- 31 Certifications of the Chief Executive Officer and the Chief Financial Officer pursuant to Rules 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32 Certifications of the Chief Executive Officer and the Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 99 Cooperation Agreement Between Vasomedical Global Corp. and Chongqing PSK-Health Sci-Tech Development Co., Ltd.

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

VASOMEDICAL, INC.

By: /s/ Jun Ma
Jun Ma

President and Chief Executive Officer
(Principal Executive Officer)

/s/ Michael J. Beecher
Michael J. Beecher

Chief Financial Officer and Principal Accounting Officer

Date: May 14, 2014

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 quarterly report on Form 10-Q of Vasomedical, Inc. 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 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 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

Date: May 14, 2014

**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 J. Beecher, certify that:

- 1.I have reviewed this quarterly report on Form 10-Q of Vasomedical, Inc. 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 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 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 J. Beecher .
Michael J. Beecher
Chief Financial Officer

Date: May 14, 2014

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

In connection with the quarterly report of Vasomedical, Inc. and subsidiaries (the "Company") on Form 10-Q for the period ending March 31, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jun Ma, as President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ Jun Ma

Jun Ma
President and Chief Executive Officer

Dated: May 14, 2014

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

In connection with the quarterly report of Vasomedical, Inc. and subsidiaries (the "Company") on Form 10-Q for the period ending March 31, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael J. Beecher, as Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

Michael J. Beecher

/s/ Michael J. Beecher

Chief Financial Officer

Dated: May 14, 2014

