

SECURITIES & EXCHANGE COMMISSION EDGAR FILING

VASO Corp

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

May 29, 2015

Date of Report

VASOMEDICAL, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation)

0-18105

(Commission File Number)

11-2871434

(IRS Employer Identification No.)

180 Linden Avenue, Westbury, New York

(Address of principal executive offices)

11590

(Zip Code)

(516) 997-4600

Registrant's telephone number, including area code

N/A

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- [] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - [] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - [] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - [] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01 Entry into a Material Definitive Agreement

The information provided in Item 2.01 and Item 2.03 of this Form 8-K is incorporated by reference in this Item 1.01.

Item 2.01 Completion of Acquisition of Assets

On May 29, 2015, the Company entered into an agreement for, and completed its purchase of, all of the assets of NetWolves, LLC and its affiliates, including the membership interests in Netwolves Network Services LLC (collectively, the "Netwolves Entities") for \$18,000,000 (the "Purchase Price"). The purchase of the Netwolves Entities (the "Netwolves Transaction") was accomplished pursuant to an Asset Purchase Agreement (the "Purchase Agreement"). As a result, the Company effectively purchased all rights, titles and ownership of all assets held by the Netwolves Entities.

The Netwolves Entities design and deliver efficient and cost-effective multi-network and multi-technology solutions as a managed network provider. The Netwolves Entities provide 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.

One of the Company's directors, Peter Castle, was the Chief Executive Officer and President of NetWolves, LLC. Another of the Company's directors, David Lieberman, was a director of NetWolves Network Services, LLC. Mr. Castle and Mr. Lieberman owned of record approximately 10.4% and 5.7%, respectively of the membership interests of NetWolves LLC. Mr. Lieberman may also be deemed to have owned beneficially up to an additional 13.5% of such membership interests. The Company's board of directors negotiated the Purchase Price on an arm's length basis, and both Mr. Castle and Mr. Lieberman abstained from the vote approving the Purchase Agreement.

The Company obtained an opinion regarding the fairness of the Purchase Price for the NetWolves entities from a reputable, independent third-party investment banking firm. \$14,200,000 of the Purchase Price was paid for by cash on hand, and the remaining \$3,800,000 was raised from the sale of a Subordinated Secured Note sold to MedTechnology Investments, LLC ("MedTech") as disclosed in Item 2.03 below.

The foregoing description of the Netwolves Transaction does not purport to be complete and is qualified in its entirety by reference to the full text of the Purchase Agreement, a copy of which is filed as Exhibit 10.1 to this Current Report on Form 8-K and incorporated herein by reference.

Item 2.03 Creation of a Direct Financial Obligation

On May 29, 2015, the Company entered into a Note Purchase Agreement with MedTech pursuant to which it issued MedTech a secured subordinated promissory note for \$3,800,000 ("Note"). MedTech was formed to acquire the Note, and \$1,950,000 of the aggregate funds used to acquire the Note was provided by six of our directors.

The Note bears interest at an annual rate of 9%, matures on May 29, 2019, may be prepaid without penalty, and is subordinated to any current or future Senior Debt as defined in the Subordinated Security Agreement. The Subordinated Security Agreement secures payment and performance of the Company's obligations under the Note and as a result, Medtech was granted a subordinated security interest in the Company's assets. The proceeds from the sale of the Note were used as partial payment for the Purchase Price.

The Company believes that the terms and conditions of the Note were more favorable than those available from an unaffiliated third party.

Item 9.01 Financial Statements and Exhibits

(a) Financial Statements of Businesses Acquired

The financial information required by this item, if any, with respect to the Netwolves Transaction will be filed as soon as practicable and in any event within the timeframe required by Form 8-K.

(b) Pro Forma Financial Information

The pro forma financial information required by this item, if any, with respect to the Transactions will be filed as soon as practicable and in any event within the timeframe required by Form 8-K.

(d) Exhibits

EXHIBIT INDEX

Exhibit	Description
4.1	Secured Subordinated Note
10.1	Asset Purchase Agreement, dated as of May 29, 2015, by and among the Company and the NetWolves Entities.
10.2	Subordinated Security Agreement

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

VASOMEDICAL, INC.

Date: June 4, 2015

By: /s/ Jun Ma

Name: Jun Ma

Title: President and Chief Executive Officer

THE ISSUANCE AND SALE OF THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE NOTE MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT FOR NOTE UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (II) UNLESS SOLD OR ELIGIBLE TO BE SOLD PURSUANT TO AN EXEMPTION UNDER SAID ACT.

SECURED SUBORDINATED NOTE

THIS NOTE, provided, dated and made effective as of May 29, 2015 (the "Effective Date").

FROM: Vasomedical, Inc., a company incorporated under the laws of the State of Delaware U.S.A., and having an address for notice and delivery located at 180 Linden Street, Westbury N.Y.(the "**Borrower**");

TO: MedTechnology Investments, LLC (the "**Lender**");

(the Borrower and the Lender being hereinafter singularly also referred to as a "**Party**" and collectively referred to as the "**Parties**" as the context so requires).

FOR VALUE RECEIVED the Borrower hereby promises to pay to the Lender the aggregate sum of Three Million, Eight Hundred Thousand (U.S.\$3,800,000) in lawful money of the United States (hereinafter referred to as the "**Principal Sum**" which amount may be reduced or increased as set out herein).

1. **Payments.** The Borrower shall pay the Principal Sum due hereon to the Lender and any accrued but unpaid interest on May 29, 2019 (the "Maturity Date"). The Borrower may prepay all or any portion of the Principal Sum, provided that all accrued but unpaid interest has been paid on or prior to such date. Any payments made with respect to this Note shall first be credited to any interest accrued but unpaid pursuant to Section 2 of this Note with any remaining amount being credited to the Principal Sum.

2. **Interest.** This Note shall bear interest at a fixed rate of nine percent (9.0%) per annum (the "**Interest Rate**"). The Company shall pay all interest that has accrued but not been paid to the Borrower quarterly on the 10th of each July, October, January and April. If the Company fails to make an interest payment when due, such accrued but unpaid interest shall also accrue interest at the Interest Rate for the period of time that such Interest is not paid. In calculating any interest for a period of less than a year, the Interest Rate shall be multiplied by a number the numerator of which is the number of days passed in such period and the denominator of which is 360 days.

3. **Events of Default.** The Borrower shall be in default of this Note and the Principal Sum hereby secured will become immediately due and payable on demand upon the occurrence of any one or more of the events set out in Section 7 of the Subordinated Security Agreement among Lender and Borrower (the "Subordinated Security Agreement"), which is being executed concurrently herewith and is incorporated herein by reference.

The Lender may waive any default by the Borrower in the observance or performance of any covenant, agreement or condition contained in this Note or any other event which without such waiver would cause the Principal Sum hereby to be immediately due and payable but no such waiver or other act or omission of the Lender will extend to or affect any subsequent default or event or the rights resulting therefrom.

4. **Subordination.** This Note is subordinate in interest to the Senior Debt (as defined in the Subordinated Security Agreement).

5. **Assignment.** This Note and all its terms and conditions will enure to the benefit of the Lender and its successors and assigns and will be binding upon the Borrower and the Borrower's successors and assigns.

6. **Governing Law.** This Note shall be construed and enforced in accordance with, and all questions concerning the construction, validity, interpretation and performance of this Note shall be governed by, the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of New York. The Borrower hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in New York County, New York, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law.

IN WITNESS WHEREOF, the Borrower has caused this Note to be duly executed as of the Effective Date set out above.

Vasomedical, Inc.

By: /s/ Jun Ma _____

Name: Jun Ma

Title: President and Chief Executive Officer

ASSET PURCHASE AND SALE AGREEMENT

BETWEEN

VASOMEDICAL, INC.

AND

VASOTECHNOLOGY, INC.

AND

NETWOLVES, LLC

AND

NETWOLVES CORPORATION

May 29, 2015

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ASSET PURCHASE AGREEMENT

THIS AGREEMENT, dated as of May 29, 2015, is made and entered into by and between **NETWOLVES, LLC**, a Florida limited liability company and **NETWOLVES CORPORATION**, a New York corporation, with offices at Suite E-8, 4710 Eisenhower Boulevard, Tampa, FL 33634 (hereinafter collectively referred to as "Seller"), **VASOMEDICAL, INC.**, a Delaware corporation with offices at 180 Linden Avenue, Westbury, New York 11590 and **VASOTECHNOLOGY, INC.** a Delaware corporation with offices at 180 Linden Avenue, Westbury, New York 11590 (hereinafter collectively referred to as the "Purchaser"). Seller and Purchaser shall sometimes be referred to herein individually as the "Party" and collectively, the "Parties".

WITNESSETH:

WHEREAS, Seller is in the business of providing managed network services and Seller desires to sell to Purchaser and Purchaser desires to acquire from Seller the assets of Seller; and

NOW THEREFORE, in consideration of the mutual covenants and promises contained in this Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by all parties, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. Certain defined terms as used in this Agreement shall have the following meanings:

"ADR Provider" shall have the meaning set forth in Section 9.2(a)(i).

"Business" and/or "Businesses" shall mean the business and/or businesses operated by the Seller and/or the Subsidiaries.

"Assumed Liabilities" shall have the meaning set forth in Section 4.4.

"Business Agreements" shall have the meaning set forth in Section 4.2(b).

"Certificate of Amendment" shall have the meaning set forth in Section 4.2(d).

"Closing Accounts Receivables" shall mean the accounts receivable of the Subsidiaries as of the Closing. The accounts receivable of the Subsidiaries as of March 31, 2015 are set forth on Schedule 1.1.1.

"Customer" shall have the meaning set forth in Section 4.2(e).

"Customer List" shall have the meaning set forth in Section 4.2(e).

"Environmental Laws" shall have the meaning set forth in Section 4.2(n)(i).

"Hazardous Material" shall have the meaning set forth in Section 4.2(n).

"Indemnified Party" shall have the meaning set forth in Section 5.2(d).

"Indemnifying Party" shall have the meaning set forth in Section 5.2(d).

"Inspection Period" shall have the meaning set forth in Section 6.1(a).

"Intellectual Property" shall have the meaning set forth in Section 4.2(d).

"Leases" shall have the meaning set forth in Section 4.2(b).

"Party" and/or "Parties" shall have the meaning set forth in the preamble.

"Purchase Price" shall have the meaning set forth in Section 3.1.

"Purchased Assets" shall have the meaning set forth in Section 2.1.

"Purchaser" shall have the meaning set forth in the preamble.

"Seller" shall have the meaning set forth in the preamble.

"Site" shall have the meaning set forth in Section 4.2(a).

"Subsidiary" or "Subsidiaries" shall have the meaning set forth in Section 4.2(a).

"Subsidiary Assets" shall mean all of the assets of the Subsidiaries including, without limitation, the Business Agreements; the Tangible Assets; the Intellectual Property; the Customer Lists; all Closing Accounts Receivables; all customer contracts existing as of Closing for which services have not commenced as of the date of Closing; all rights Seller may have under any insurance policies covering the Subsidiary Assets; the books and records of the Subsidiaries to enable Purchaser to continue the Businesses of the Subsidiaries; and all other assets of the Subsidiaries used in connection with the operation of the Businesses, wherever located, tangible or intangible.

"Tangible Assets" shall have the meaning set forth in Section 4.2(c).

"Tax Liabilities" shall have the meaning set forth in Section 4.2(k).

ARTICLE II

SALE AND PURCHASE OF ASSETS

Section 2.1 Sale and Purchase of Assets. Subject to the terms and conditions hereof, Seller agrees to sell, assign and transfer to Purchaser and Purchaser agrees to purchase and take from Seller as of the Closing Date all of the assets of Seller ("Purchased Assets") including, without limitation: the membership interests of each of the Subsidiaries (as defined herein).

ARTICLE III

PURCHASE PRICE AND ALLOCATION

Section 3.1 Purchase Price. The purchase price payable to Seller for the Purchased Assets (the "Purchase Price") shall be Eighteen Million and No/100 (\$18,000,000.00) Dollars to Seller to be paid as set out in Section 7.3 hereto.

Section 3.2 Taxes. All federal and state sales taxes and all other taxes, duties or other like charges properly payable upon and in connection with the conveyance and transfer of the Purchased Assets by Seller to Purchaser shall be paid in accordance with applicable local law or custom by Seller or Purchaser, as the case may be. Applicable Florida State Sales Tax, if any, shall be remitted by Purchaser to Seller and by Seller to the State of Florida.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

Section 4.1 Purchase and Sale. Subject to the terms and conditions of this Agreement, Seller hereby sells, assigns and transfers to Purchaser and Purchaser hereby purchases and acquires from Seller, all of the right, title and interest of Seller in and to the Purchased Assets for the Purchase Price set forth herein.

Section 4.2 Representations of Seller. The following agreements, representations and warranties are made as of the date hereof and again as of the Closing Date by the Seller to Purchaser.

(a) Corporate Matters; No Conflict. Seller and each Subsidiary is duly formed, validly existing and in good standing under the laws of its state of its formation as set forth in Schedule 4.2(a), maintains offices only at the sites listed on Schedule 4.2(a) and has no other place of operations other than from those sites, is qualified or authorized to transact business and is in good standing in each jurisdiction in which it is doing business, and has the power to enter into this Agreement, to perform its obligations hereunder and to conduct its business as currently conducted. The sites maintained by Seller and each Subsidiary are collectively referred to as "Site". The execution, delivery and performance of this Agreement and the transactions contemplated hereby by Seller will not (i) conflict with or violate the provisions of any applicable law (including, without limitation, any bulk sales laws), rule or order or the Articles of Organization, operating agreement or any other organizational or governing documents of Seller or any Subsidiary, (ii) conflict with or constitute a default under any agreement or contract by which Seller or any Subsidiary is bound including, without limitation, any of the Business Agreements except as set forth on Schedule 4.2(b)(3), or (iii) require the consent, waiver or approval of, or filing with, any governmental body or third party except as set forth on Schedule 4.2(b)(3). The execution, delivery and performance by Seller of this Agreement has been duly authorized and approved by all requisite action on the part of Seller. Set forth on Schedule 4.2(a)(1) is a list of officers and directors of Seller and each Subsidiary, all trade names used by Seller and all jurisdictions in which Seller and each Subsidiary is doing business. This Agreement and the consummation of the transactions contemplated hereby have been approved by the board of directors of Seller, and the authorized officers of Seller are jointly and severally authorized and empowered by the respective Seller to execute and deliver this Agreement in the name of and on behalf of Seller. The name of each entity in which Seller has an equity interest (each a "Subsidiary"), the jurisdiction of incorporation of each such entity, the addresses from which each entity conducts its business and the percentage of the ownership interest held by Seller in such entity on a basic and fully-diluted basis are forth on Schedule 4.2(a).

(b) Business Agreements. All (i) agreements, purchase and sales orders, powers of attorney, undertakings, commitments and other agreements to which Seller is a party and which relate in any manner to the Businesses and/or the relationship between Seller and the Customers (hereinafter defined) and (ii) agreements, purchase and sales orders, powers of attorney, undertakings, commitments and other agreements to which a Subsidiary is a party, whether written or oral, shall be referred to herein collectively as the "Business Agreements". Seller has delivered to Purchaser, true and correct copies of substantially all written Business Agreements and detailed summaries of all material oral agreements. Seller has no oral Business Agreements. Annexed as Schedule 4.2(b)(1) is a list of substantially all service providers with whom Seller or a Subsidiary has entered into Business Agreements. Seller has no Business Agreements relating to any strategic partnerships or joint ventures between Seller and others. Listed on Schedule 4.2(b)(2) is a description of each and every real estate, equipment and personal property lease (collectively, the "Leases") to which Seller is a party and which relates to the Businesses or to which a Subsidiary is a party. The Leases are also included within the definition of Business Agreements as said term is used herein. None of Seller, a Subsidiary or any other party is, in default under any Business Agreement and no other party to any Business Agreement has made any claim or given Seller or a Subsidiary notice of any dispute under any Business Agreement other than (1) disputes between Seller or a Subsidiary and customers in the ordinary course of Seller's business and (2) non-material defaults. Each Business Agreement is in full force and effect. None of Seller or any Subsidiary is the owner or lessee of any motor vehicles which are used in the Businesses. None of Seller or any Subsidiary owns or leases any interest in any real property, or leases any equipment used in the Businesses, except as expressly stated on Schedule 4.2(b)(2). Schedule 4.2(b)(3) sets out those Business Agreements that require consent from the counterparty/ies upon a change of control of the Subsidiary that is party to the applicable agreement. There are no customer contracts for which services have not commenced as of the date hereof for which the failure to perform will have a material adverse effect on any Subsidiary's business.

(c) Tangible Assets. All of the tangible assets of Seller and the Subsidiaries used in the Businesses, including, without limitation, all machinery, office and other equipment, furniture, computers and related equipment, business machines, telephones and telephone systems, parts and accessories, presently utilized by Seller and the Subsidiaries in the Businesses which are being purchased by Purchaser, shall be referred to herein collectively as the "Tangible Assets". Attached hereto as Schedule 4.2(c) is a true and correct list or description of the material Tangible Assets as of March 31, 2015. As of the Closing Date, each of such Tangible Assets is in good and operable condition, reasonable wear and tear excepted.

(d) Intellectual Property. All patents, trademarks, trade names, service marks, service names, logos, designs, formulations, copyrights and other trade rights and all registrations and applications therefor, all know-how, trade secrets, technology or processes, and all computer programs, data bases and software documentation owned or used by Seller or a Subsidiary are being purchased by Purchaser, other than off-the-shelf software licensed by Seller or a Subsidiary, shall be referred to herein collectively as the "Intellectual Property". Attached hereto as Schedule 4.2(d) is a true and correct copy of all of the Intellectual Property. Such Schedule 4.2(d) also indicates which of such items have been patented or registered or are in the process of application for same. Seller has taken all necessary and reasonable actions to protect its rights in Intellectual Property owned by it and to the knowledge of Seller, is not infringing on the rights of any third parties to Intellectual Property used, but not owned by, Seller or a Subsidiary. Included among the Intellectual Property, among other things, are all trade names utilized by Seller or a Subsidiary, including those trade names listed on Schedule 4.2(a)(1). Seller has valid and fully paid licenses for all off-the-shelf software used by Seller in its operation of the Businesses.

(e) Customer List. Seller shall deliver at the Closing a true and complete copy of Seller's and each Subsidiary's customer lists as set forth in Schedule 4.2(e) as of March 31, 2015 (the "Customer List"). All customers of Seller and each Subsidiary relating to the Businesses, including without limitation, those customers included on the Customer List, shall be referred to herein as the "Customers."

(f) Title and Liens. Neither the Purchased Assets nor the Subsidiary Assets are subject to any lien or encumbrance of any character whatsoever or any adverse claims by any third parties except as set forth on Schedule 4.2(f). At the Closing upon consummation of the transactions contemplated by this Agreement, (i) Purchaser will receive good and marketable title to the Purchased Assets, free and clear of all liens and encumbrances of any character whatsoever, and (ii) the Subsidiaries will have good and marketable title to the Subsidiary Assets, free and clear of all liens and encumbrances of any character whatsoever except for the liens and encumbrances set forth on Schedule 4.2(f).

(g) Continuity of Businesses. Seller reasonably expects that the business represented by the Business Agreements will continue after the date hereof. Seller has no knowledge that any customers included on the Customer List, other than those listed on Schedule 4.2(g), intend to terminate or reduce the amount of business they presently do with Seller, and they have no knowledge of any state of facts which would lead them to believe that any of the customers included on the Customer List will terminate their relationship with Seller or significantly reduce the amount of business they presently do with Seller except for those customers listed on Schedule 4.2(g).

(h) Financial Statements. Seller has delivered to Purchaser copies of Seller's unaudited financial statements for the ten-month period ended October 31, 2014 and each of the twelve-month periods ending on December 31, 2014, December 31, 2013 and December 31, 2012. Attached hereto as Schedule 4.2(h) are unaudited balance sheets and profit and loss statements for the nine month period ending March 31, 2015, all of which reflect the assets, liabilities, net worth, profit and loss, and cash flow of Seller with respect to the Businesses. All financial statements referred to herein are complete and correct in all material respects, present fairly the financial condition and results of operations of Seller as at the dates of such statements and have been prepared in accordance with generally accepted accounting principles. The books of account and records of Seller have been maintained in accordance with good business practice and reflect fairly all properties, assets, liabilities and transactions of Seller. None of Seller or any Subsidiary has material liabilities or obligations of any kind (whether accrued, absolute, direct, indirect, contingent or otherwise) which are not fully disclosed, accrued or reserved against in Seller's financial statements or listed on Schedule 4.4 except for liabilities to vendors under vendor contracts and to customers under customer contracts. Since the last day of Seller's last fiscal year, each of Seller and each Subsidiary has conducted the Business only in the ordinary and usual course and has not experienced any material adverse changes in the Business or the financial condition of Seller. Without limiting the foregoing, none of Seller or any Subsidiary has, since the last day of Seller's last fiscal year:

1. sold, transferred, leased, subleased, licensed or otherwise disposed of any properties or assets, real, personal or mixed including, without limitation, leasehold interests and intangible property of or relating to the businesses in excess of Twenty-Five Thousand and No/100 (\$25,000.00) Dollars other than in the ordinary course of business and consistent with past practices;
2. made any material change in its method of accounting other than as required by generally acceptable accounting principles; and
3. entered into any agreement with any of its directors or officers (or any family member thereof) except as has been disclosed in writing to Purchaser.

(i) Existing Employment Arrangements. Seller and each Subsidiary has no employment agreements, labor or collective bargaining agreements or employee benefit or welfare plans except as set forth on Schedule 4.2(i). All vacation pay, if any, due to employees of Seller has been fully paid or accrued by Seller. Seller has no "employees benefit plan" as that term is defined by the Employee Retirement Income Security Act of 1974, as amended. There are no pending or, to the knowledge of Seller, threatened strikes, job actions or other labor disputes affecting Seller or its employees and there have been no such disputes for the past three years. Also set forth on Schedule 4.2(i) is a true and complete list of all employees and independent contractors of Seller and each Subsidiary employed, which list provides, among other things, the name, residence address, job title and salary information concerning each employee and the name and residence address of each independent contractor.

(j) Claims, Litigation, Disclosure. Except as set forth in Schedule 4.2(j), there is no claim, litigation, tax audit, proceeding or investigation pending or threatened against Seller or any Subsidiary, with respect to the Businesses or any of the Purchased Assets (including, without limitation, any claims of infringement or actions of opposition with respect to Intellectual Property), nor is there a basis for any such claim, litigation, audit, proceeding or investigation.

(k) Taxes. Each of Seller and each Subsidiary has correctly prepared in all financially material respects and timely filed all Federal, state and local tax returns, estimates and reports, and paid all such taxes as and when due. For purposes of this paragraph, taxes shall mean all taxes, charges, fees, levies or other assessments of any kind whatsoever (including, without limitation, income, franchise, sales, use and withholding taxes).

(l) No Other Agreements to Sell Assets or Businesses. None of Seller or any Subsidiary is party to any existing agreement which obligates Seller or any Subsidiary to sell to any other person or firm the Purchased Assets or the Subsidiary Assets (other than sales in the ordinary course of business), to issue or sell any capital stock or any security convertible into or exchangeable for capital stock or membership interests of Seller or any Subsidiary or to effect any merger, consolidation or other reorganization of Seller or any Subsidiary or to enter into any agreement with respect thereto.

(m) No Brokers. Seller has retained no broker, leasing agent, finder or similar person or entity in regard to the transactions contemplated herein. As a result, Purchaser is not liable to pay a finder's fee, brokerage commission or similar payment to any party.

(n) Environmental Compliance. (i) To the best of Seller's knowledge, none of Seller or any Subsidiary is in violation, or alleged to be in violation, of any federal, state or local judgment, decree, order, consent agreement, law (including common law), license, rule or regulation pertaining to environmental health or safety matters, including without limitation those arising under the Resource Conservation and Recovery Act, as amended, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986, as amended, Water Act, as amended, the Federal Clean Air Act, as amended, the Toxic Substances Control Act, or any state or local analogue (hereinafter "Environmental Laws").

(ii) None of Seller or any Subsidiary has received notices, complaints, orders, directives, claims or citations from any third party, including without limitation any federal, state or local governmental authority, indicating or alleging that Seller or any predecessor may have any liability or obligation under any Environmental Law.

(iii) To the best of Seller's knowledge, (A) no portion of the property of Seller or any Subsidiary has been used by any person for the generation, handling, processing, treatment, storage or disposal of Hazardous Materials except in accordance with applicable Environmental Laws; (B) no underground tank or other underground storage receptacle for Hazardous Materials, asbestos-containing materials or polychlorinated biphenyls are located on any portion of any location occupied by Seller or any Subsidiary each of which is listed as a Site on Schedule 4.2(a); (C) in the course of any activities conducted by Seller and each Subsidiary or their invitees, agents, contractors, licensees or employees in connection with the Businesses of Seller, no Hazardous Materials have been generated or are being used except in accordance with applicable Environmental Laws; and (D) there have been no releases (i.e., any past or present releasing, spilling, leaking, leaching, pumping, pouring, emitting, emptying, discharging, injecting, escaping, disposing or dumping) or threatened releases of Hazardous Materials on, upon, into or from the property currently or formerly owned, operated or leased by Seller, which releases would have a material adverse effect on the value of any of the property or adjacent properties or the environment.

(iv) The execution, delivery and performance of this Agreement is not subject to any Environmental Laws which condition, restrict or prohibit the sale, lease or other transfer of property or operations, including, without limitation, any so-called "environmental cleanup responsibility acts" or requirements for the transfer of permits, approvals, or licenses. There have been no environmentally related audits, studies, reports, analyses (including soil and groundwater analyses), or investigations of any kind performed with respect to the currently or previously owned, leased, or operated property of Seller.

For purposes of this Section, "Hazardous Material" shall mean any hazardous waste, as defined by 42 U.S.C. § 6903(5), any hazardous substances or wastes as defined by 42 U.S.C. § 9601(14), any pollutant or contaminant as defined by 42 U.S.C. § 9601(33) or any toxic substances or wastes, oil or hazardous materials or other chemicals or substances regulated by any public or governmental authority.

(o) Licenses and Compliance with Laws. Except as set forth on Schedule 4.2(o), none of Seller or any Subsidiary holds material governmental or regulatory licenses, permits, consents or approvals in connection with the Businesses, and Seller is in compliance with all material laws and regulations applicable to the Businesses.

(p) Lock Boxes, Safe Deposit Box; Power of Attorney. None of Seller or any Subsidiary maintains any lock boxes or safe deposit boxes. None of Seller or any Subsidiary has granted a power of attorney to any other person, firm or corporation, and none has a power of attorney from any person, firm or corporation.

(q) True and Complete. No representation or warranty made by Seller in this Agreement, nor any statement, certificate or Schedule furnished by or on behalf of Seller pursuant to this Agreement, nor any document or certificate delivered to Purchaser pursuant to this Agreement, or in connection with the transactions contemplated hereby, contains or shall contain any untrue statement of a material fact, or omits or shall omit to state a material fact necessary to make the statements contained therein not misleading. Seller has not failed to disclose to Purchaser any pending developments or circumstances of which it is aware which are reasonably likely to have a material adverse effect on Seller, the Businesses or the Purchased Assets.

Section 4.3 Representations of Purchaser.

Purchaser represents and warrants to Seller as follows.

(a) Corporate Matters; No Conflict Each Purchaser is duly incorporated, validly existing and in good standing under the laws of the State of Delaware, is in good standing in each other jurisdiction in which it is doing business, and has the corporate power to enter into this Agreement, to perform its obligations hereunder and to conduct its business as currently conducted. The execution, delivery and performance of this Agreement and the transactions contemplated hereby (and thereby) by Purchaser, will not (a) conflict with or violate the provisions of any applicable law, rule or order or Purchaser's Articles of Incorporation or by-laws, (b) conflict with or constitute a default under any agreement or contract by which Purchaser is bound or (c) require the consent or approval of, or filing with, any governmental body or third party. The execution, delivery and performance by Purchaser of this Agreement has been authorized and approved by all requisite corporate action on the part of Purchaser.

(b) No Brokers. Purchaser has retained no broker, leasing agent, finder or similar person or entity in regard to the transactions contemplated herein. As a result, Seller is not liable to pay a finder's fee, brokerage commission or similar payment to any party.

(c) Claims, Litigation, Disclosure. There is no claim, litigation, tax audit, proceeding or investigation pending or threatened against Purchaser that would affect its ability to complete the transactions contemplated herein.

Section 4.4 Assumed Liabilities. Excluding the liabilities of each Subsidiary, Purchaser shall not be liable for and is not assuming any liabilities of Seller whatsoever, whether related or unrelated to the Purchased Assets, or whether arising under the Business Agreements or otherwise, unless specifically listed on Schedule 4.4 hereto (the "Assumed Liabilities"). Seller understands and agrees that Purchaser is not assuming any liabilities of the Business whatsoever except for the Assumed Liabilities.

ARTICLE V

**CERTAIN COVENANTS OF SELLER
AND PURCHASER**

Section 5.1 Confidentiality. The negotiation of this Agreement and preparation for Closing necessarily requires Seller and Purchaser to disclose confidential information to each other, such as the identities of customers and methods of doing business. Each party will hold such information in strict confidence and under no circumstances use it to the detriment of the other. Further, no public announcements, press release or announcement to Seller's customers concerning the purchase and sale of the Purchased Assets shall be made by Seller or Purchaser without the consent and joint approval of Seller and Purchaser.

Section 5.2 Survival of Representations and Warranties; Indemnification.

(a) The representations and warranties of the parties herein contained shall survive the Closing, provided that any claims for indemnification in accordance with this Article V, Section 5.2 with respect to any representation or warranty must be made (and will be null and void unless made) on or before the date twenty four months following the Closing Date (except in the case of representations contained in Sections 4.2(f) (Titles and Liens), 4.2(k) (Taxes) and 4.2(n) (Environmental Compliance) of this Agreement, which must be made prior to the expiration of the applicable statute of limitations).

(b) Seller hereby agrees to indemnify and hold Purchaser, and its officers, directors, stockholders, affiliates, employees, representatives and other agents harmless from and against any and all claims, liabilities, losses, damages or injuries, together with costs and expenses, including reasonable legal fees, that in the aggregate exceed \$175,000 (the "Indemnification Threshold") and in the aggregate, excluding reasonable legal fees, are less than \$18,000,000 (the "Indemnification Cap") and arising out of or resulting from (i) any material breach, misrepresentation or material omission of the representations and warranties made by Seller in this Agreement or in any Schedule hereto or other documents delivered in connection herewith, (ii) any breach in any material respect by Seller, unless waived in writing by Purchaser, of any covenant or agreement contained in or arising out of this Agreement, or any other agreement delivered in connection herewith on the Closing Date, (iii) any and all liabilities of Seller, other than the Assumed Liabilities, and (iv) any failure by Seller to comply with any provision of the bulk sales or similar laws of any jurisdiction which are applicable to this Agreement or the transactions contemplated hereby. Notwithstanding the foregoing, the Indemnification Threshold and the Indemnification Cap shall not apply to claims, liabilities, losses, damages or injuries, together with costs and expenses, including reasonable legal fees, arising out of any material breach by Seller in the representations contained in Sections 4.2(f) (Titles and Liens), 4.2(k) (Taxes) and 4.2(n) (Environmental Compliance).

(c) Purchaser hereby agrees to indemnify and hold Seller harmless from and against any and all claims, liabilities, losses, damages or injuries, together with costs and expenses, including reasonable legal fees, arising out of or resulting from (i) any breach, misrepresentation or material omission in the representations and warranties made by Purchaser in this Agreement, (ii) any breach in any material respect by Purchaser, unless waived in writing by Seller, of any covenant or agreement of Purchaser contained in or arising out of this Agreement, or (iii) the Businesses as conducted by Purchaser, after the Closing Date.

(d) Any party claiming a right to indemnification hereunder (the "Indemnified Party") shall give the other party from whom indemnification is sought (the "Indemnifying Party") prompt written notice of any claim, demand, action, suit, proceeding or discovery of fact upon which the Indemnified Party intends to base a claim for indemnification under this Section 5.2, provided, however, that no failure to give such notice shall excuse any Indemnifying Party from any obligation hereunder except to the extent the Indemnifying Party is materially prejudiced by such failure. The Indemnified Party shall have full responsibility and authority with respect to the disposition of any action, suit or proceeding brought against it; provided, however, that it will not settle any such action, suit or proceeding without the prior written consent of the Indemnifying Party, which will not be unreasonably withheld or delayed. In the event any action, suit or proceeding is brought against the Indemnified Party with respect to which the Indemnifying Party may have liability under the indemnity agreements contained in Sections 5.2(b) and 5.2(c) hereof, however, the Indemnifying Party shall have the right, without prejudice to the Indemnified Party's rights under this Agreement, at the Indemnifying Party's sole expense, to be represented by counsel of its own choosing and with whom counsel for the Indemnified Party shall confer in connection with the defense of any such action, suit, or proceeding. The Indemnified Party shall make available to the Indemnifying Party and its counsel and accountants, all books and records of the Indemnified Party relating to such action, suit or proceeding and the parties agree to render to each other such assistance as may reasonably be requested in order to insure the proper and adequate defense of any such action, suit or proceeding.

(e) All indemnification obligations of Seller and Purchaser in Sections 5.2(b) and 5.2(c) above shall expire twenty-four months after the Closing Date except (i) any claims for indemnification which have commenced in the applicable forum for resolution prior to such date which shall expire upon a final non-appealable decision of, or the withdrawal of, such claim and (ii) for indemnification obligations arising out of any material breach by Seller in the representations contained in Sections 4.2(f) (Titles and Liens), 4.2(k) (Taxes) and 4.2(n) (Environmental Compliance) which shall expire at the expiration of the applicable statute of limitations.

Section 5.3 Conduct of Business Prior to the Closing.

From March 31, 2015 through the Closing, except as otherwise provided in this Agreement or consented to in writing by Purchaser:

(a) Seller shall, and shall cause each Subsidiary, to conduct the Business of Seller and each Subsidiary in the ordinary course of its Business consistent with past practice and use reasonable efforts to maintain and preserve intact its current organization and Business and to preserve the rights, goodwill and relationships of its employees, customers, lenders, suppliers, regulators and others having business relationships with such entity;

(b) Seller shall not, and shall cause each Subsidiary to not, transfer any of its assets or assume any liabilities other than in the ordinary course of its Business;

(c) Seller shall not transfer its membership interests in any Subsidiary and shall cause each Subsidiary to not amend its operating agreement, add members or issue any security or enter into any agreement that would give any person the right to obtain a membership interest in any Subsidiary;

(d) Seller shall cause each Subsidiary to not increase the compensation, bonus, commissions or fee arrangements payable or to become payable to its employees; and

(e) Seller shall not, and shall cause each Subsidiary to not, enter into, amend, modify or terminate any new or existing contract other than in the ordinary course of business.

ARTICLE VI

PRE-CLOSING CONDITIONS

Section 6.1 Inspection Period.

(a) Purchaser shall have an inspection period ending on the date immediately prior to the Closing Date (the "Inspection Period") to perform its due diligence investigations with respect to the sale of the Purchased Assets contemplated by this Agreement, which due diligence shall include, without limitation (i) review of Seller's and each Subsidiary's books, records and files related to the operation of the Businesses, (ii) review of all Business Agreements, and (iii) review of all other documents, instruments and written information in Seller's and each Subsidiary's possession relating to its Business. Seller has previously delivered to Purchaser or shall make available to Purchaser at the Site, continuously throughout the Inspection Period the documentation relating to the sale of the Purchased Assets as provided for in this Section 6.1

(b) During the Inspection Period, Seller shall arrange to afford Purchaser, its agents, employees and representatives, reasonable and timely access to the Site during normal business hours and upon reasonable advance notice for the purpose of reviewing and copying the files, books and records and other documents of Seller and each Subsidiary which are maintained at the Site. Purchaser shall conduct its due diligence at its sole cost and expense. Purchaser shall be fully responsible to Seller for all of the acts and/or omissions of Purchaser, its employees, agents and representatives as a result of any such inspections. In connection with its activities under this Agreement, Purchaser (i) shall indemnify, defend and hold Seller and its respective agents and affiliates harmless from and against all costs, expenses, losses, claims, damages and/or liabilities arising from Purchaser's inspection; provided that the foregoing indemnity shall not be deemed to apply to pre-existing conditions at the Site so long as Purchaser shall have complied with the provisions of this Section 6.2; (ii) shall fully comply with all laws, ordinances, rules and regulations in connection with such inspections; (iii) shall conduct its activities in a manner to minimize any disturbance to Seller and its employees and others; (iv) shall permit a representative of Seller (so long as such representative is made available in a timely manner) to accompany Purchaser as desired; and (v) shall, upon written request, return to Seller all materials with respect to the Businesses provided to Purchaser by Seller if Purchaser fails to complete the acquisition of the Purchased Assets for any reason. The provisions of this paragraph shall survive the termination of this Agreement.

(c) On or before the expiration of the Inspection Period, Purchaser, in its sole absolute discretion, will have the right to terminate this Agreement by giving written notice of termination to Seller. In the event Purchaser timely exercises its right to terminate the Agreement pursuant to this Section except for obligations that this Agreement expressly states survive termination, neither party shall have any further rights or claims against or liability towards the other.

ARTICLE VII

CLOSING AND DELIVERIES AT CLOSING

Section 7.1 Closing. The closing of the purchase and sale of the transaction contemplated herein shall take place no later than May 29, 2015 (the "Closing"), at the offices of Purchaser's counsel, Sanders Ortoli Vaughn-Flam Rosenstadt LLP located at 501 Madison Avenue, 14th Floor, New York, New York at 10:00 EST. The execution and deliveries described in Sections 7.2 and 7.3 of this Article VII will take place at the Closing.

Section 7.2 Deliveries by Seller. On the Closing Date, Seller will deliver, or cause to be delivered, to Purchaser the following all in form and substance satisfactory to Purchaser:

(a) Such instruments of transfer or conveyance executed by Seller, where applicable, as Purchaser may reasonably request in order to convey and transfer to Purchaser good and marketable title to all of the Purchased Assets, free and clear of all liens, claims, encumbrances and other charges.

(b) Physical delivery of all Tangible Assets by making them available at the sites listed on Schedule 4.2(a), together with any and all warranties, manuals, instructions, and other literature in the possession of Seller relating to the ownership or operation of the Tangible Assets. In addition, such notices to telephone companies and others required to transfer Seller's telephone and facsimile numbers, e-mail addresses, and domain addresses, used in the Businesses to Purchaser.

(c) Physical delivery of all original or certified copies of documentation concerning the Intellectual Property, including, without limitation, registrations and applications of any patents, trademarks or service marks, original artwork, data bases, computer programs and software.

(d) The following corporate documentation:

- (i) Articles of Organization of the Seller and each Subsidiary certified as of a date within one-hundred days prior to the Closing Date by the Secretary of State of the state of organization of such entity;
- (ii) Good Standing Certificates of the Seller and each Subsidiary as of date within thirty days prior to the Closing Date from the Secretary of State of the state of organization of such entity and each other state in which such entity is qualified to do business;
- (iii) Seller's operating agreement certified as of the Closing Date by the President or Secretary of Seller as being in full force and effect and unmodified; and
- (iv) Resolutions of the Board of Directors of Seller and resolutions of the requisite majority of the Seller's members approving this Agreement and all the transactions contemplated hereby, each certified by the President or Secretary of Seller as being in full force and effect and unmodified.

(e) The legal opinions of counsel to Seller with respect to the matters set forth on Schedule 7.2(e) and such other matters as Purchaser may reasonably require.

(f) Evidence in form satisfactory to Purchaser and its counsel that the Tax Liabilities, if any, have been paid off and satisfied.

(g) Keys to all entrances and possession of the Site(s) listed on Schedule 4.2(a).

(h) Such notice or notices as Purchaser may reasonably request in order to notify the customers included on the Customer List that the Business has been sold to Purchaser.

(i) Books, records and Business Agreements.

(j) Resignation letters from those officers and directors of each Subsidiary which are not continuing in that position post-Closing.

Physical delivery of assets may be effected by causing such assets to remain in the premises of Seller or a Subsidiary, the leases for which are being assigned to Purchaser.

Section 7.3 Deliveries by Purchaser. On the Closing Date, Purchaser will deliver, or cause to be delivered, to Seller the following:

(a) In accordance with Article III of this Agreement: Eighteen Million and No/100 (\$18,000,000.00) Dollars in certified or official bank check payable to the order of Seller, or by wire transfer of federal funds to the account of Seller on or before the Closing Date.

(b) Such instruments of assignment and assumption executed by Purchaser, as the parties hereto reasonably may determine necessary to effectuate the assignment to Purchaser of the Business Agreements and the assumption by Purchaser of the Assumed Liabilities.

(c) Resolution of the Board of Directors of Purchaser, authorizing the execution of this Agreement and the transactions contemplated hereby.

ARTICLE VIII

OBLIGATIONS FOLLOWING CLOSING

Section 8.1 Further Cooperation. Seller will, at any time and from time to time after the Closing Date, execute and deliver such further instruments of conveyance, transfer and license, and take such additional actions as Purchaser, or its successor and/or assigns, may reasonably request, to effect, consummate, confirm or evidence the transfer to Purchaser of the Purchased Assets pursuant to this Agreement.

Section 8.2 Transition Assistance and Adjustments.

(a) Purchaser and its successors and/or assigns shall have the right at any time and from time to time upon reasonable notice and during normal business hours to examine and make copies of all corporate books, records and other documents of Seller relating to the Businesses and generated prior to the Closing Date, which documents will be maintained by Seller for a period of five (5) years after the Closing Date.

(b) Seller shall reasonably cooperate with Purchaser in notifying the customers included on the Customer List that the Businesses have been sold to Purchaser, including, without limitation, executing any additional notices which Purchaser may reasonably request. Seller will not, directly or indirectly, take any action which is designed or intended to have the effect of discouraging customers, suppliers or Seller and other Businesses associates of the Businesses, from maintaining the same business relationships with Purchaser its successors and/or assigns after the Closing Date as were maintained with Seller with respect to the Businesses prior to the Closing Date.

(c) Following the Closing, Seller, or any affiliate of Seller (as defined under Federal securities laws), shall not use the name Netwolves or any confusingly similar name to said trade names in any trade or business, other than as an employee or affiliate of Purchaser.

ARTICLE IX

MISCELLANEOUS

Section 9.1 Notice. Any notice, waiver or other written communication required or permitted to be given by either of the parties hereto to the others hereunder shall be in writing and shall be deemed to have been given, if delivered by hand or sent by certified mail, return receipt requested, postage prepaid, or sent by prepaid express mail, addressed as follows:

If to Seller
Netwolves, LLC and Netwolves Corporation
c/o Myron I. Levy
807 Bent Creek Drive
Lititz, PA 17543

and

Dan A. Blakinger, Esquire
Blakinger, Byler & Thomas, P.C.
28 Penn Square
Lancaster, PA 17603

If to Purchaser
180 Linden Avenue
Westbury, NY 11590

and

William S. Rosenstadt
Sanders Ortolini-Vaughn Flam Rosenstadt LLP
501 Madison Avenue – 14th Floor
New York, NY 10022

Such notice, waiver or communication shall be deemed to have been given on the date when it was received.

Section 9.2 Dispute Resolution. Alternative Dispute Resolution Required.

(a)

- (i) The Parties shall attempt to resolve any dispute that may arise in connection with this Agreement through a process of mediation administered by JAMS (Judicial Arbitration and Mediation Service, Inc.) or its successors. If, at the time such a dispute arises, JAMS does not exist or is unable to administer the mediation of the dispute in accordance with the terms of this Section 9.2, and the Parties cannot agree on the identity of a substitute service provider, then the complaining Party shall petition to a court of competent jurisdiction located in the City of New York, State of New York, to identify a substitute service provider, who will administer the dispute resolution process in accordance with the terms of this Section 9.2. The service provider identified in accordance with the provisions of this Section 9.2(a)(i) shall be referred to as the "ADR Provider."
- (ii) The Parties shall attempt to settle the dispute by participating in at least ten (10) hours of mediation at the offices of the ADR Provider. The complaining Party must notify the other Party that a dispute exists and then contact the ADR Provider to schedule the mediation conference. A designated individual mediator will then be selected in accordance with the rules of the ADR Provider to conduct the mediation; provided that such mediator must have experience in the teleco communications industry and must not have any conflict of interest. The mediation will be a nonbinding conference between the Parties conducted in accordance with the applicable rules and procedures of the ADR Provider. Neither Party may initiate litigation or arbitration proceedings with respect to any dispute until the mediation of such dispute is complete. Any mediation will be considered complete: (i) if the Parties enter into an agreement to resolve the dispute; (ii) with respect to the Party submitting the dispute to mediation, if the other Party fails to appear at or participate in a reasonably scheduled mediation conference; or (iii) if the dispute is not resolved within five (5) days after the mediation is completed.
- (iii) If any dispute remains between the Parties after the mediation is complete and such dispute concerns the obligation to make payment of any amounts of money provided for in this Agreement, then either Party may require that the dispute be submitted to final and binding arbitration (without appeal or review) before a panel of three (3) arbitrators in the Borough of Manhattan, City, County and State of New York, in accordance with the Commercial Arbitration Rules as promulgated by the American Arbitration Association and the decision of a majority of the arbitrators shall be final and conclusive upon the parties hereto. Each Party shall designate one (1) of such arbitrators and the two (2) arbitrators so designated shall select the third arbitrator and upon their failure or inability so to do the third arbitrator shall be selected either by the Parties in accordance with the rules of the American Arbitration Association or by such Association. Each Party shall pay the cost of the arbitrator appointed by it and the other costs of arbitration shall be shared equally between the Parties. The arbitration may not impose upon either Party an obligation not assumed hereunder or deprive either party of any right granted hereunder including any right conferred upon the parties pursuant to Paragraphs (a)(i) and (ii) of this Section.

(iv) Any litigation or arbitration of a dispute must be initiated within one (1) year from the date on which either Party first gave written notice to the other of the existence of the dispute, and any Party who fails to commence litigation or arbitration within such one-year period shall be deemed to have waived any of its affirmative rights and claims in connection with the dispute and shall be barred from asserting such rights and claims at any time thereafter. An arbitration shall be deemed commenced by a Party when the Party sends a notice to the American Arbitration Association, with a copy of the notice to the other Party, identifying the dispute and requesting arbitration. Litigation shall be deemed commenced by a Party when the Party serves a complaint on the other Party with respect to the dispute.

(b) Compensation of Mediator or Arbitrators. Subject to the right of the prevailing Party to seek reimbursement from the other Party pursuant to Section 9.2(c) of this Article IX, the Parties agree to share equally the costs, including fees, of the ADR Provider or arbitrators selected or appointed under this Section 9.2. As soon as practicable after selection of the ADR Provider or arbitrators, the ADR Provider, arbitrators or either of their designated representatives shall determine a reasonable estimate of their anticipated fees and costs, and send a statement to each Party setting forth that Party's equal share of the fees and costs. Within ten (10) days after receipt of the statement, each Party shall deposit the required sum with either the ADR Provider or arbitrators, as appropriate.

(c) Expenses. The prevailing Party in any arbitration, suit or other action arising out of or related to this Agreement shall be entitled to recover from the other Party all reasonable fees, costs and expenses incurred by the prevailing Party in connection with the arbitration, suit or other action, including reasonable judicial and extra-judicial attorneys' fees, expenses and disbursements and fees, costs and expenses relating to any mediation, arbitration or appeal. If any Party secures a judgment in any proceeding brought to enforce or interpret this Agreement, then any costs or expenses (including reasonable attorneys' fees) incurred in enforcing, or in appealing from, such judgment shall be payable by the Party against whom such judgment or determination on appeal has been rendered and shall be recoverable separately from and in addition to any other amount included in such judgment.

(d) Survival and Severance. The provisions of this Section 9.2 are severable from the other provisions of this Agreement and shall survive and not be merged into any termination or expiration of this Agreement or any judgment entered in connection with any dispute, regardless of whether such dispute arises before or after termination or expiration of this Agreement, and regardless of whether the related mediation, arbitration or litigation proceedings occur before or after termination or expiration of this Agreement. If any part of this Section 9.2 is held to be unenforceable, it shall be severed and shall not affect either the duties to mediate or arbitrate or any other part of this Section 9.2.

Section 9.3 Venue, Jurisdiction and Jury Waiver . The venue of any mediation, arbitration or judicial proceedings shall be in New York, New York, unless otherwise mutually agreed by the Parties. Each Party irrevocably submits to the exclusive jurisdiction of the federal and state courts located in New York, New York, unless otherwise mutually agreed by the Parties. Each Party waives to the fullest extent permitted by law, trial by jury of all disputes arising out of or relating to this Agreement.

Section 9.4 Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which together shall constitute one and the same instrument.

Section 9.5 Amendments. This Agreement supersedes any prior contracts relating to the subject matter hereof between Purchaser and Seller. This Agreement cannot be changed, modified or amended and no provision or requirement hereof may be waived without the consent in writing of the parties hereto.

Section 9.6 Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect. Each provision of this Agreement shall be deemed to be the agreement of the parties hereto to the full extent that the power to enter into such provisions shall have been conferred on the parties by law.

Section 9.7 Benefit; Assignment. This Agreement is binding upon and inures to the benefit of the parties, their successors and permitted assigns. This Agreement may not be assigned or the duties of the parties hereunder delegated to others without the prior written consent of all parties hereto, except that Purchaser may assign its rights, duties and obligations hereunder to an affiliate of Purchaser without Seller's consent provided that Purchaser shall remain obligated under this Agreement and shall not be released from its duties and obligations hereunder.

Section 9.8 Construction. All Schedules annexed hereto are hereby incorporated herein by reference and made a part of this Agreement. Whenever used in this Agreement and the context so requires, the singular shall include the plural and the plural shall include the singular.

[SIGNATURES APPEAR ON THE FOLLOWING PAGES]

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the date first above written.

VASOMEDICAL, INC

By: /s/ Jun Ma
Jun Ma, President and CEO

VASOTECHNOLOGY, INC.

By: /s/ Jun Ma
Jun Ma, President and CEO

NETWOLVES, LLC

By: /s/ Myron I. Levy
Myron I. Levy, Director

NETWOLVES CORPORATION

By: /s/ Myron I. Levy
Myron I. Levy, Director

SUBORDINATED SECURITY AGREEMENT

THIS AGREEMENT (the "Agreement"), dated as of May 29, 2015, is entered into by and between (i) **VASOMEDICAL, INC.**, a Delaware corporation ("**Borrower**" or "**Parent**") and (ii) **MEDTECHNOLOGY INVESTMENTS LLC**, a Florida limited liability company, (the "**Lender**"). In consideration of the mutual agreements contained herein, the parties hereto agree as follows:

RECITALS

WHEREAS, Parent has issued a Secured Subordinated Note, dated the date hereof, to Lender in exchange for the principal amount of THREE MILLION, EIGHT HUNDRED THOUSAND DOLLARS (\$3,800,000) (as the same may from time to time be amended, modified, supplemented or restated, individually or collectively referred to as the "Note") pursuant to a Note Purchase Agreement dated the date hereof between Parent and Lender (the "Note Purchase Agreement");

WHEREAS, Parent reserves the right to issue a note or notes (the "Follow-On Notes") on terms materially the same as the Note, to be issued on or prior to December 31, 2015 and to be issued in a principal amount not to exceed in the aggregate TWO MILLION, TWO HUNDRED THOUSAND DOLLARS (\$2,200,000); and

WHEREAS, Lender is acquiring the Note in reliance of the terms and conditions set forth in this Agreement; and

WHEREAS, Lender and Borrower agree the Note shall be subordinate to Senior Debt (as defined herein) and to the extent that any terms and conditions of this Agreement conflict with the Subordination and Intercreditor Agreement (as defined herein) the terms and the conditions of the Subordination and Intercreditor Agreement shall govern;

AGREEMENT

NOW, THEREFORE, in consideration of the premises and the mutual agreements contained herein, Borrower and Lender hereby agree as follows:

SECTION 1. DEFINITIONS

Unless otherwise defined herein, the following capitalized terms shall have the following meanings (such meanings being equally applicable to both the singular and plural form of the terms defined);

"ACCOUNT" means any "account" as such term is defined in Section 9-106 of the UCC, now owned or hereafter acquired by Borrower or in which Borrower now holds or hereafter acquires any interest and, in any event, shall include, without limitation, all accounts receivable, book debts and other forms of obligations (other than forms of obligations evidenced by Chattel Paper, Documents or Instruments) now owned or hereafter received or acquired by or belonging or owing to Borrower (including, without limitation, under any trade name, style or division thereof) whether arising out of goods sold or services rendered by Borrower or from any other transaction, whether or not the same involves the sale of goods or services by Borrower (including, without limitation, any such obligation which may be characterized as an account or contract right under the UCC) and all of such Borrower's rights in, to and under all purchase orders or receipts now owned or hereafter acquired by it for goods or services, and all of a Borrower's rights to any goods represented by any of the foregoing (including, without limitation, unpaid seller's rights of rescission, replevin, reclamation and stoppage in transit and rights to returned, reclaimed or repossessed goods), and all monies due or to become due to a Borrower under all purchase orders and contracts for the sale of goods or the performance of services or both by a Borrower (whether or not yet earned by performance on the part of a Borrower or in connection with any other transaction), now in existence or hereafter occurring, including, without limitation, the right to receive the proceeds of said purchase orders and contracts, and all collateral security and guarantees of any kind given by any Person with respect to any of the foregoing.

"ACCOUNT DEBTOR" means any "account debtor," as such term is defined in Section 9-105(1)(a) of the UCC.

"CHANGE OF CONTROL" means (a) the occurrence of any event (whether in one or more transactions) which results in any Person or affiliated Persons (other than a director or officer of Parent as of the date hereof) owning and controlling, beneficially and/or of record, more than 30% of the Equity Interests of Parent, (b) Parent ceases to own and control, beneficially and of record, 100% of the Equity Interests of all of its wholly-owned subsidiaries, or (c) any merger or consolidation of or with Borrower or sale of all or substantially all of the property of Borrower; provided that if the majority of the Parent's board of directors approves such transfer, sale or other action set out in (a) to (c) above, such action shall not be deemed a Change in Control.

"CHATTEL PAPER" means any "chattel paper," as such term is defined in Section 9-105(1)(b) of the UCC, now owned or hereafter acquired by Borrower or in which Borrower now holds or hereafter acquires any interest.

"CLOSING DATE" means the date hereof.

"COLLATERAL" shall have the meaning assigned to such term in Section 3 of this Agreement.

"CONTRACTS" means all contracts, undertakings, franchise agreements or other agreements (other than rights evidenced by Chattel Paper, Documents or Instruments) in or under which Borrower may now or hereafter have any right, title or interest, including, without limitation, with respect to an Account, any agreement relating to the terms of payment or the terms of performance thereof.

"COPYRIGHTS" means all of the following now owned or hereafter acquired by Borrower or in which Borrower now holds or hereafter acquires any interest: (i) all copyrights, whether registered or unregistered, held pursuant to the laws of the United States, any State thereof or of any other country; (ii) registrations, applications and recordings in the United States Copyright Office or in any similar office or agency of the United States, any state thereof or any other country; (iii) any continuations, renewals or extensions thereof; and (iv) any registrations to be issued in any pending applications.

"COPYRIGHT LICENSE" means any written agreement granting any right to use any Copyright or Copyright registration now owned or hereafter acquired by Borrower or in which Borrower now holds or hereafter acquires any interest.

"DOCUMENTS" means any "documents," as such term is defined in Section 9-105(1)(f) of the UCC, now owned or hereafter acquired by Borrower or in which Borrower now holds or hereafter acquires any interest.

"EQUIPMENT" means any "equipment," as such term is defined in Section 9-109(2) of the UCC, now or hereafter owned or acquired by Borrower or in which Borrower now holds or hereafter acquires any interest and any and all additions, substitutions and replacements of any of the foregoing, wherever located, together with all attachments, components, parts, equipment and accessories installed thereon or affixed thereto.

"EQUITY INTEREST" means the interest of (a) a shareholder in a corporation, (b) a partner (whether general or limited) in a partnership (whether general, limited or limited liability), (c) a member in a limited liability company, or (d) any other Person having any other form of equity security or ownership interest.

"FIXTURES" means any "fixtures," as such term is defined in Section 9-313(1)(a) of the UCC, now or hereafter owned or acquired by Borrower or in which Borrower now holds or hereafter acquires any interest and, now or hereafter attached or affixed to or constituting a part of, or located in or upon, real property wherever located, together with all right, title and interest of Borrower in and to all extensions, improvements, betterments, renewals, substitutes, and replacements of, and all additions and appurtenances to any of the foregoing property, and all purchases of the security constituted thereby, immediately upon any acquisition or release thereof or any such purchase, as the case may be.

"GENERAL INTANGIBLES" means any "general intangibles," as such term is defined in Section 9-106 of the UCC, now owned or hereafter acquired by Borrower or in which Borrower now holds or hereafter acquires any interest and, in any event, shall include, without limitation, all right, title and interest which Borrower may now or hereafter have in or under any contract, all customer lists, Copyrights, Trademarks, Patents, rights to Intellectual Property, interests in partnerships, joint ventures and other business associations, Licenses, permits, trade secrets, proprietary or confidential information, inventions (whether or not patented or patentable), technical information, procedures, designs, knowledge, know-how, software, data bases, data, skill, expertise, recipes, experience, processes, models, drawings, materials and records, goodwill (including, without limitation, the goodwill associated with any Trademark, Trademark registration or Trademark licensed under any Trademark License), claims in or under insurance policies, including unearned premiums, uncertificated securities, cash and other forms of money or currency, deposit accounts (including as defined in Section 9-105(e) of the UCC), rights to sue for past, present and future infringement of Copyrights, Trademarks and Patents, rights to receive tax refunds and other payments and rights of indemnification.

"INSTRUMENTS" means any "instrument," as such term is defined in Section 9-105(1)(i) of the UCC, now owned or hereafter acquired by Borrower or in which Borrower now holds or hereafter acquires any interest.

"INTELLECTUAL PROPERTY" means all Copyrights, Trademarks, Patents, trade secrets, source codes, customer lists, proprietary or confidential information, inventions (whether or not patented or patentable), technical information, procedures, designs, knowledge, know-how, software, data bases, skill, expertise, experience, processes, models, drawings, materials and records.

"INVENTORY" means any "inventory," as such term is defined in Section 9-109(4) of the UCC, wherever located, now or hereafter owned or acquired by Borrower or in which Borrower now holds or hereafter acquires any interest, and, in any event, shall include, without limitation, all inventory, goods and other personal property which are held by or on behalf of Borrower for sale or lease or are furnished or are to be furnished under a contract of service or which constitute raw materials, work in process or materials used or consumed or to be used or consumed in Borrower's business, or the processing, packaging, promotion, delivery or shipping of the same, and all furnished goods whether or not such inventory is listed on any schedules, assignments or reports furnished to Lender from time to time and whether or not the same is in transit or in the constructive, actual or exclusive occupancy or possession of Borrower or is held by Borrower or by others for Borrower's account, including, without limitation, all goods covered by purchase orders and contracts with suppliers and all goods billed and held by suppliers and all inventory which may be located on premises of Borrower or of any carriers, forwarding agents, truckers, warehousemen, vendors, selling agents or other persons.

"LICENSE" means any Copyright License, Patent License, Trademark License or other license of rights or interests now held or hereafter acquired by Borrower or in which Borrower now holds or hereafter acquires any interest and any renewals or extensions thereof.

"LIEN" means any mortgage, deed of trust, pledge, hypothecation, assignment for security, security interest, encumbrance, levy, lien or charge of any kind, whether voluntarily incurred or arising by operation of law or otherwise, against any property, any conditional sale or other title retention agreement, any lease in the nature of a security interest, and the filing of any financing statement (other than a precautionary financing statement with respect to a lease that is not in the nature of a security interest) under the UCC or comparable law of any jurisdiction.

"MATERIAL ADVERSE EFFECT" means a material adverse effect upon the business, operations, properties, prospects, assets or conditions (financial or otherwise) of Borrower.

"MATURITY DATE" shall have the definition as set out in the Note.

"MERGER EVENT" means a (i) capital reorganization of the shares of Borrower's stock (other than a stock split, reverse stock split, combination, reclassification, exchange, subdivision of shares or change of state of incorporation), or (ii) a merger or consolidation (excluding with any wholly-owned subsidiary, entity that owns 100% of the outstanding equity of Borrower or any entity that is under 100% common control with Borrower), of the Borrower with or into another corporation (whether or not the Borrower is the surviving corporation) in which the shareholders of the Borrower immediately before such merger or consolidation own less than a majority of the surviving or resulting entity's outstanding voting stock immediately thereafter, or (iii) the sale of all or substantially all of the Borrower's properties and assets to any other person (excluding with any wholly-owned subsidiary, entity that owns 100% of the outstanding equity of Borrower or any entity that is under 100% common control with Borrower).

"NOTE DOCUMENTS" shall mean and include this Agreement, the Note, and any other documents executed in connection with the Secured Obligations or the transactions contemplated hereby, as the same may from time to time be amended, modified, supplemented or restated.

"PATENT LICENSE" means any written agreement granting any right with respect to any invention on which a Patent is in existence now owned or hereafter acquired by Borrower or in which Borrower now holds or hereafter acquires any interest.

"PATENTS" means all of the following now owned or hereafter acquired by Borrower or in which Borrower now holds or hereafter acquires any interest: (a) letters patent of, or rights corresponding thereto in, the United States or any other country, all registrations and recordings thereof, and all applications for letters patent of, or rights corresponding thereto in the United States or any other country, including, without limitation, registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country; (b) all reissues, continuations, continuations-in-part or extensions thereof; (c) all petty patents, divisionals, and patents of addition; and (d) all patents to issue in any such applications.

"PERMITTED LIENS" means any and all of the following:

- (i) liens in favor of Lender;
- (ii) liens related to, or arising in connection with, Senior Debt;
- (iii) liens for taxes, assessments or governmental charges or claims, the payment of which are not, at the time, delinquent or are being contested in good faith, if such reserve or other appropriate provision, if any, as shall be required by generally accepted accounting principles shall have been made therefor;
- (iv) statutory liens of landlords and liens of carriers, warehousemen, mechanics and materialmen and other liens imposed by law incurred in the ordinary course of business for sums not yet delinquent or that are being contested in good faith, if such reserve or other appropriate provision, if any, as shall be required by generally accepted accounting principles shall have been made therefor;
- (v) liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government contracts, trade contracts, performance and return-of-money bonds and similar obligations (exclusive of obligations for the payment of borrowed money);
- (vi) liens securing purchase money debt if the only collateral for such purchase money debt is the assets acquired therewith;
- (vii) leases or subleases granted to others not interfering in any material respect with the ordinary conduct of business;
- (viii) any interest or title of a lessor or sublessor under any lease;
- (ix) liens arising from filing Uniform Commercial Code financing statements relating solely to leases;
- (x) liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods; and
- (xi) liens existing on the date of this Agreement, as disclosed to Lender.

"PROCEEDS" means "proceeds," as such term is defined in Section 9-306(1) of the UCC and, in any event, shall include, without limitation, (a) any and all Accounts, Chattel Paper, Instruments, cash or other forms of money or currency or other proceeds payable to Borrower from time to time in respect of the Collateral, (b) any and all proceeds of any insurance, indemnity, warranty or guaranty payable to Borrower from time to time with respect to any of the Collateral, (c) any and all payments (in any form whatsoever) made or due and payable to Borrower from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral by any governmental authority (or any Person acting under color of governmental authority), (d) any claim of Borrower against third parties (i) for past, present or future infringement of any Copyright, Patent or Patent License or (ii) for past, present or future infringement or dilution of any Trademark or Trademark License or for injury to the goodwill associated with any Trademark, Trademark registration or Trademark licensed under any Trademark License and (e) any and all other amounts from time to time paid or payable under or in connection with any of the Collateral.

"RECEIVABLES" shall mean and include all of the Borrower's accounts, instruments, documents, chattel paper and general intangibles whether secured or unsecured, whether now existing or hereafter created or arising, and whether or not specifically sold or assigned to Lender hereunder.

"SECURED OBLIGATIONS" shall mean and include all principal, interest, fees, costs, or other liabilities or obligations for monetary amounts owed by Borrower to Lender, whether due or to become due, matured or unmatured, liquidated or unliquidated, contingent or non-contingent, and all covenants and duties regarding such amounts, of any kind of nature, present or future, arising under this Agreement, the Note(s), or any of the other Note Documents, whether or not evidenced by any Note(s), Agreement or other instrument, as the same may from time to time be amended, modified, supplemented or restated.

"SENIOR CREDITOR" means (i) PNC Bank (or any affiliate thereof) that as of the date hereof has provided debt financing to Borrower or an affiliate or (ii) at any time that PNC Bank (or any affiliate thereof) is not a Senior Creditor, any creditor identified (in Borrower's sole discretion) by Borrower to Lender on any date hereafter (including any such Senior Creditor's successors and assigns), that provides Senior Debt financing to Borrower.

"SENIOR DEBT" means (a) any and all indebtedness and obligations for borrowed money (including, without limitation, principal, premium (if any), interest, fees, charges, expenses, costs, professional fees and expenses, and reimbursement obligations) at any time owing by Borrower to a Senior Creditor under Senior Loan Documents, including, but not limited to, such amounts as may accrue or be incurred before or after default or workout or the commencement of any liquidation, dissolution, bankruptcy, receivership or reorganization by or against Borrower.

"SENIOR LOAN DOCUMENTS" means loan or other agreements, including, without limitation a loan and security agreement, a security agreement, a Note Purchase Agreement or other documents and agreements with similar purpose or effect, between Borrower and a Senior Creditor and any other agreement, security agreement, document, promissory note, UCC financing statement, or instrument executed by Borrower in favor of a Senior Creditor pursuant to or in connection with the Senior Debt or such loan or other agreement, as the same may from time to time be amended, modified, supplemented, extended, renewed, restated or replaced.

"SUBORDINATION AND INTERCREDITOR AGREEMENT" means a subordination and intercreditor agreement (or other documents and agreements with similar purpose or effect), which may be entered into between Borrower and Lender for the benefit of a Senior Creditor, as the same may from time to time be amended, modified, supplemented, extended, renewed, restated or replaced.

"TRADEMARK LICENSE" means any written agreement granting any right to use any Trademark or Trademark registration now owned or hereafter acquired by Borrower or in which Borrower now holds or hereafter acquires any interest.

"TRADEMARKS" means any of the following now owned or hereafter acquired by Borrower or in which Borrower now holds or hereafter acquires any interest: (a) any and all trademarks, tradenames, corporate names, business names, trade styles, service marks, logos, other source or business identifiers, prints and labels on which any of the foregoing have appeared or appear, designs and general intangibles of like nature, now existing or hereafter adopted or acquired, all registrations and recordings thereof, and any applications in connection therewith, including, without limitation, registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof and (b) any reissues, extensions or renewals thereof.

"UCC" shall mean the Uniform Commercial Code as the same may, from time to time, be in effect in the State of Florida. Unless otherwise defined herein, terms that are defined in the UCC and used herein shall have the meanings given to them in the UCC.

SECTION 2. THE NOTE

2.1 On the date hereof, Lender purchased the Note from the Parent, and the Parent received the Principal Sum (as defined in the Note), less any wire and/or escrow fees. Lender or other parties may purchase the Follow-On Notes provided that such persons agree to be bound by the terms of this Agreement.

SECTION 3. SECURITY INTEREST

As security for the prompt, complete and indefeasible payment when due (whether at stated payment dates or otherwise) of all the Secured Obligations and in order to induce Lender to purchase the Note upon its terms and subject to its conditions, Borrower hereby conveys, mortgages, pledges, hypothecates and transfers to Lender for security purposes only, and hereby grants to Lender a security interest in all of its right, title and interest in, to and under each of the following (all of which being hereinafter collectively called the "Collateral"):

(a) All Receivables;

(b) All Equipment;

(c) All Fixtures;

(d) All General Intangibles;

(e) All Inventory;

(f) All other goods and personal property of Borrower whether tangible or intangible and whether now or hereafter owned or existing, leased, consigned by or to, or acquired by, Borrower and wherever located; and

(g) To the extent not otherwise included, all Proceeds of each of the foregoing and all accessions to, substitutions and replacements for, and rents, profits and products of each of the foregoing.

SECTION 4. REPRESENTATIONS AND WARRANTIES OF BORROWER

Borrower represents, warrants and agrees that as applies to Borrower:

4.1 It owns all right, title and interest in and to its Collateral, free of all liens, security interests, encumbrances and claims whatsoever, except for Permitted Liens.

4.2 It has the full power and authority to, and does hereby grant and convey to the Lender, (and when the appropriate UCC Financing Statements are properly filed) a perfected security interest in its Collateral as security for the Secured Obligations, free of all liens, security interests, encumbrances and claims, other than Permitted Liens and shall execute such Uniform Commercial Code financing statements in connection herewith as the Lender may reasonably request. Except for Permitted Liens, no other lien, security interest, adverse claim or encumbrance has been created by Borrower or is known by Borrower to exist with respect to any of its Collateral.

4.3 It is a corporation duly organized, legally existing and in good standing under the laws of the State of its incorporation (as set out on the title page), and is duly qualified as a foreign corporation in all jurisdictions in which the nature of its business or location of its properties require such qualifications and where the failure to be qualified would have a Material Adverse Effect.

4.4 its execution, delivery and performance of the Note(s), this Agreement, all financing statements, all other Note Documents, required to be delivered or executed in connection herewith, have been duly authorized by all necessary corporate action, the individual or individuals executing the Note Documents were duly authorized to do so; and the Note Documents constitute its legal, valid and binding obligations, enforceable in accordance with their respective terms, subject to applicable bankruptcy, insolvency, reorganization or other similar laws generally affecting the enforcement of the rights of creditors (and rules of law concerning equitable remedies).

4.5 This Agreement and the other Note Documents do not and will not violate any provisions of its Articles of Incorporation, bylaws or any material contract, material agreement, law, regulation, order, injunction, judgment, decree or writ to which it is subject, or result in the creation or imposition of any lien, security interest or other encumbrance upon the Collateral, other than those created by this Agreement.

4.6 The execution, delivery and performance of this Agreement and the other Note Documents do not require the consent or approval of any other person or entity including, without limitation, any regulatory authority or governmental body of the United States or any state thereof or any political subdivision of the United States or any state thereof.

4.7 No event which has had a Material Adverse Effect has occurred and is continuing.

4.8 No fact or condition exists that would (or would, with the passage of time, the giving of notice, or both) constitute a material default under the Senior Loan Documents.

4.9 (a) There are no actions, suits or proceedings at law or in equity or by or before any governmental authority now pending or, to its knowledge, threatened against or affecting it or any of its business, property or rights (i) which involve any Note Document or (ii) as to which there is a reasonable possibility of an adverse determination and which, if adversely determined, could, individually or in the aggregate, result in a Material Adverse Effect.

(b) it is not in violation of any law, rule or regulation, or in default with respect to any judgment, writ, injunction or decree of any governmental authority, where such violation or default could result in a Material Adverse Effect.

4.10 (a) it is not a party to any agreement or instrument or subject to any corporate restriction that has resulted in a Material Adverse Effect.

(b) it is not in default in any manner under any provision of any indenture or other agreement or instrument evidencing indebtedness, or any other material agreement or instrument to which it is a party or by which it or any of its properties or assets are or may be bound, where such default could result in a Material Adverse Effect.

4.11 No information, report, financial statement, exhibit or schedule furnished by it or on its behalf to the Lender in connection with the negotiation of any Note Document or included therein or delivered pursuant thereto contained or contains any material misstatement of fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were or are made, not misleading.

4.12 All issued and outstanding shares of Common Stock or any other securities of the Company have been duly authorized and validly issued and are fully paid and nonassessable. All outstanding shares of Common Stock and any other securities were issued in full compliance with all Federal and state securities laws.

4.13 it has filed and will file all tax returns, federal, state and local, which it is required to file and has duly paid or fully reserved for all taxes or installments thereof (including any interest or penalties) as and when due, which have or may become due pursuant to such returns or pursuant to any assessment received by it for the three (3) years preceding the Closing Date, if any (including any taxes being contested in good faith and by appropriate proceedings).

SECTION 5. INSURANCE

5.1 Borrower shall maintain and pay for insurance upon all Collateral (including personal property and marine cargo coverage), wherever located, covering casualty, hazard, public liability, theft, malicious mischief, and such other risks in such amounts and with such insurance companies as are reasonably satisfactory to (i) the Senior Creditor so long as any Senior Debt is outstanding and (ii) thereafter, the Lender. Subject to a Subordination and Intercreditor Agreement, all proceeds payable under each such policy shall be payable to Lender for application to the Obligations.

5.2 Upon the termination of the Senior Debt and a Subordination and Intercreditor Agreement, Borrower shall deliver the originals or certified copies of such policies to Lender with satisfactory lender's loss payable endorsements reasonably satisfactory to Lender naming Lender as sole loss payee, assignee or additional insured, as appropriate. Each policy of insurance or endorsement shall contain a clause requiring the insurer to give not less than 30 days prior written notice to Lender in the event of cancellation of the policy for any reason whatsoever and a clause specifying that the interest of Lender shall not be impaired or invalidated by any act or neglect of Borrower or the owner of the property or by the occupation of the premises for purposes more hazardous than are permitted by said policy. If Borrower fails to provide and pay for such insurance, Lender may, at its option, but shall not be required to, procure the same and charge Borrower therefor. Borrower agrees to deliver to Lender, promptly as rendered, true copies of all reports made in any reporting forms to insurance companies.

5.3 For so long as no Event of Default exists, Borrower shall have the right to settle, adjust and compromise any claim with respect to any insurance maintained by Borrower, provided that all proceeds thereof are applied in the manner specified in this Agreement, and Lender agrees promptly to provide any necessary endorsement to any checks or drafts issued in payment of any such claim. At any time that an Event of Default exists and Senior Debt is not outstanding, Lender shall be authorized to settle, adjust and compromise such claims and Lender shall have all rights and remedies with respect to such policies of insurance as are provided for in this Agreement and the other Loan Documents.

5.4 Borrower shall and does hereby indemnify and hold Lender, its agents and shareholders harmless from and against any and all claims, costs, expenses, damages and liabilities (including, without limitation, such claims, costs, expenses, damages and liabilities based on liability in tort, including without limitation, strict liability in tort), including reasonable attorneys' fees, arising out of the disposition or utilization of the Collateral by Borrower, other than claims arising out of or caused by Lender's gross negligence or willful misconduct.

SECTION 6. COVENANTS OF BORROWER

Borrower covenants and agrees as follows at all times while any of the Secured Obligations remain outstanding:

6.1 [reserved]

6.2 Parent shall permit any authorized representative of Lender and its attorneys and accountants on reasonable notice to inspect, examine and make copies and abstracts of the books of account and records of Borrower reasonably related to Lender's security interest in the Collateral at reasonable times during normal business hours. In addition, such representative of Lender and its attorneys and accountants shall have the right to meet with management and officers of the Borrower at reasonable times during normal business hours to discuss such books of account and records.

6.3 It will from time to time execute, deliver and file, alone or with Lender, any financing statements, security agreements or other documents reasonably requested by Lender; procure any instruments or documents as may be reasonably requested by Lender; and take all further action that may be necessary or desirable that Lender may reasonably request, to confirm, perfect, preserve and protect the security interests intended to be granted hereby, and in addition, and for such purposes only, it hereby authorizes Lender to execute and deliver on behalf of it and to file such financing statements, security agreement and other documents without the signature of it either in Lender's name or in its name as its agent and attorney-in-fact. The parties agree that a carbon, photographic or other reproduction of this Agreement shall be sufficient as a financing statement and may be filed in any appropriate office in lieu thereof.

6.4 It shall protect and defend its title as well as the interest of the Lender against all persons claiming any interest adverse to it or Lender and shall at all times keep the Collateral free and clear from any legal process, liens or encumbrances whatsoever (except any placed thereon by Lender and Permitted Liens) and shall give Lender immediate written notice thereof.

6.5 It shall maintain and protect its properties, assets and facilities, including without limitation, its Equipment and Fixtures, in good order and working repair and condition (taking into consideration ordinary wear and tear) and from time to time make or cause to be made all necessary and proper repairs, renewals and replacements thereto and shall competently manage and care for its property in accordance with prudent industry practices.

6.6 It shall notify Lender a minimum of thirty (30) days prior to the closing date of a Merger Event and request Lender's consent to the assignment of all of its Secured Obligations hereunder to the successor entity in form and substance satisfactory to Lender. In the event Lender does not consent to such assignment, which consent shall not be unreasonably withheld, and a Merger Event as described in the preceding sentence is closed and consummated, the parties agree it shall prepay the Note in accordance with Section 2.2 hereof; provided that such consent by the Lender shall not be required in any transaction in which the surviving entity or its parent corporation has a Moody's Bond rating of BA3 or better or a commercially acceptable equivalent measure of creditworthiness as reasonably determined by Lender.

6.7 Other than distributions or dividends from a subsidiary to Borrower, it shall not, without the prior written consent of Lender, such consent not to be unreasonably withheld, declare or pay any cash dividend or make a distribution of cash or property on any class of stock, other than pursuant to employee repurchase plans upon an employee's death or termination of employment or transfer, sell, lease, lend or in any other manner convey any equitable, beneficial or legal interest in any material portion of its assets (except inventory sold in the normal course of business).

6.8 Upon the request of Lender, it shall, during business hours, make the Inventory and Equipment available to Lender for inspection at the place where it is normally located and shall make its log and maintenance records pertaining to the Inventory and Equipment available to Lender for inspection. It shall take all action necessary to maintain such logs and maintenance records in a correct and complete fashion.

6.9 It covenants and agrees to pay when due, all taxes, fees or similar charges of any nature whatsoever (together with any related interest or penalties) now or hereafter imposed or assessed against it or Lender with respect to or the Collateral or upon its ownership, possession, use, operation or disposition thereof or upon its rents, receipts or earnings rising therefrom. It shall file on or before the due date therefor all personal property tax returns in respect of the Collateral. Notwithstanding the foregoing, it may contest, in good faith and by appropriate proceedings, taxes for which it maintains adequate reserves therefor.

SECTION 7. DEFAULT

The occurrence of any one or more of the following events (herein called "Events of Default") shall constitute a default hereunder and under the Note(s) and other Note Documents:

7.1 It defaults in the payment of any principal, interest or other Secured Obligation involving the payment of money under this Agreement, the Note(s) or any of the other Note Documents, and such default continues for more than five (5) days after the due date thereof; or

7.2 It defaults in the performance of any other covenant or its Secured Obligation hereunder or under the Note(s) or any of the other Note Documents, and such default continues for more than thirty (30) days after Lender has given notice of such default to it.

7.3 Any representation or warranty made herein by it shall prove to have been false or misleading in any material respect; or

7.4 It shall make an assignment for the benefit of creditors, or shall file a voluntary petition in bankruptcy, or shall file any petition or answer seeking for itself any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation pertinent to such circumstances, or shall seek or consent to or acquiesce in the appointment of any trustee, receiver, or liquidator of such Borrower or of all or any substantial part (33-1/3% or more) of the properties of such Borrower; or it or its directors or majority shareholders shall take any action initiating its dissolution or liquidation; or

7.5 Sixty (60) days shall have expired after the commencement of an action by or against it seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation, without such action being dismissed or all orders or proceedings thereunder affecting the operations or its business being stayed; or a stay of any such order or proceedings shall thereafter be set aside and the action setting it aside shall not be timely appealed; or it shall file any answer admitting or not contesting the material allegations of a petition filed against it in any such proceedings; or the court in which such proceedings are pending shall enter a decree or order granting the relief sought in any such proceedings; or

7.6 Sixty (60) days shall have expired after the appointment, without its consent or acquiescence, of any trustee, receiver or liquidator of such Borrower or of all or any substantial part of its properties without such appointment being vacated; or

7.7 The occurrence of any material default under any Material Agreement ; or the entry of any judgment against such Borrower involving an award in excess of \$200,000 that would have a Material Adverse Effect, that has not been bonded or stayed on appeal within thirty (30) days. "Material Agreement" shall mean (a) each of (i) the General Electric Health Care Sales Representative Agreement dated July 1, 2010 and amended January 1, 2015, and (ii) the General Electric Health Non-Exclusive VAR Agreement dated June 28, 2014, in each case as amended, modified, restated, supplemented and replaced from time to time; and (b) any other agreement, instrument or arrangement to which Borrower or any Subsidiary is a party for which default in the performance, observance or fulfillment of any of the material obligations, covenants or conditions contained therein could reasonably be expected to have a Material Adverse Effect; or

7.8 The occurrence of a Change of Control.

SECTION 8. REMEDIES

Subject to the limitations imposed under a Subordination and Intercreditor Agreement, upon the occurrence of any one or more Events of Default, Lender, at its option, may declare the Note and all of the other Secured Obligations to be accelerated and immediately due and payable (provided, that upon the occurrence of an Event of Default of the type described in Sections 7.4, 7.5 or 7.9, the Note(s) and all of the other Secured Obligations shall automatically be accelerated and made due and payable without any further act), whereupon the unpaid principal of and accrued interest on such Note(s) and all other outstanding Secured Obligations shall become immediately due and payable, and shall thereafter bear interest at the Default Rate set forth in, and calculated according to, Section 2.4 (c) of this Agreement. Lender may pursue all rights and remedies with respect to the Collateral under the Note Documents or otherwise available to it under applicable law, including the right to release, hold or otherwise dispose of all or any part of the Collateral and the right to occupy, utilize, process and commingle the Collateral.

Subject to the limitations imposed under a Subordination and Intercreditor Agreement, upon the happening and during the continuance of any Event of Default, Lender may then, or at any time thereafter and from time to time, apply, collect, sell in one or more sales, lease or otherwise dispose of, any or all of the Collateral, in its then condition or following any commercially reasonable preparation or processing, in such order as Lender may elect, and any such sale may be made either at public or private sale at its place of business or elsewhere. Borrower agrees that any such public or private sale may occur upon ten (10) calendar days' prior written notice to Borrower. Lender may require Borrower to assemble the Collateral and make it available to Lender at a place designated by Lender which is reasonably convenient to Lender and Borrower. Subject to the terms of a Subordination and Intercreditor Agreement, the proceeds of any sale, disposition or other realization upon all or any part of the Collateral shall be distributed by Lender in the following order of priorities:

First, to Lender in an amount sufficient to pay in full Lender's costs and professionals' and advisors' fees and expenses;

Second, to Lender in an amount equal to the then unpaid amount of the Secured Obligations in such order and priority as Lender may choose in its sole discretion; and

Finally, upon payment in full of all of the Secured Obligations, to Borrower or their representatives or as a court of competent jurisdiction may direct.

Lender shall be deemed to have acted reasonably in the custody, preservation and disposition of any of the Collateral if it complies with the obligations of a secured party under Section 9-207 of the UCC.

Lender's rights and remedies hereunder are subject to the terms of a Subordination and Intercreditor Agreement.

SECTION 9. MISCELLANEOUS

9.1 CONTINUATION AND TERMINATION OF SECURITY INTEREST. This is a continuing Agreement and the grant of a security interest hereunder shall remain in full force and effect and all the rights, powers and remedies of Lender hereunder shall continue to exist until the Secured Obligations are paid in full as the same become due and payable and until Lender has executed a written termination statement (which Lender shall execute within thirty (30) days after full payment of the Secured Obligations hereunder or within 10 days upon request of Parent), reassigning to Borrower, without recourse, the Collateral and all rights conveyed hereby and returning possession of the Collateral to Borrower. The rights, powers and remedies of Lender hereunder shall be in addition to all rights, powers and remedies given by statute or rule of law and are cumulative. The pursuit of any one or more of the rights, powers and remedies provided herein shall not be construed as a waiver of or election of remedies with respect to any other rights, powers and remedies of Lender. When all Secured Obligations have been paid in full and discharged, all security interests and other Liens granted to Lender under this Agreement will terminate. Upon the full and final discharge of all of the Secured Obligations, Lender will execute and deliver such documents as may be reasonably necessary and requested by Parent to release the Collateral from the security interest and Lien granted to Lender in this Agreement, and return (or cause to be returned) to Borrower any Collateral in the possession of Lender or its agents.

9.2 SEVERABILITY. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under such law, such provision shall be ineffective only to the extent and duration of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

9.3 NOTICE. Except as otherwise provided herein, all notices and service of process required, contemplated, or permitted hereunder or with respect to the subject matter hereof shall be in writing, and shall be deemed to have been validly served, given or delivered upon the earlier of: (i) the first business day after transmission by facsimile or hand delivery or deposit with an overnight express service or overnight mail delivery service; or (ii) the third calendar day after deposit in the United States mails, with proper first class postage prepaid, and shall be addressed to the party to be notified as follows:

(a) IF TO LENDER:

MedTechnology Investments LLC
5921 Bahia Way
St. Pete Beach, Florida 33706
Attention: Myron Levy

(b) IF TO BORROWER:

Vasomedical, Inc.
180 Linden Avenue
Westbury, NY 11590
Attention: Michael Beecher

or to such other address as each party may designate for itself by like notice.

9.4 ENTIRE AGREEMENT; AMENDMENTS. This Agreement, the Note(s), and the other Note Documents constitute the entire agreement and understanding of the parties hereto in respect of the subject matter hereof and thereof, and supersede and replace in their entirety any prior proposals, term sheets, letters, negotiations or other documents or agreements, whether written or oral, with respect to the subject matter hereof or thereof (including, without limitation, Lender's proposal letter dated April 22, 1999), all of which are merged herein and therein. None of the terms of this Agreement, the Note(s) or any of the other Note Documents may be amended except by an instrument executed by each of the parties hereto.

9.5 HEADINGS. The various headings in this Agreement are inserted for convenience only and shall not affect the meaning or interpretation of this Agreement or any provisions hereof.

9.6 NO WAIVER. The powers conferred upon Lender by this Agreement are solely to protect its interest in the Collateral and shall not impose any duty upon Lender to exercise any such powers. No omission, or delay, by Lender at any time to enforce any right or remedy reserved to it, or to require performance of any of the terms, covenants or provisions hereof by any Borrower at any time designated, shall be a waiver of any such right or remedy to which Lender is entitled, nor shall it in any way affect the right of Lender to enforce such provisions thereafter.

9.7 SURVIVAL. All agreements, representations and warranties contained in this Agreement, the Note(s) and the other Note Documents or in any document delivered pursuant hereto or thereto shall be for the benefit of Lender and shall survive the execution and delivery of this Agreement and the expiration or other termination of this Agreement.

9.8 SUCCESSOR AND ASSIGNS. The provisions of this Agreement and the other Note Documents shall inure to the benefit of and be binding on Borrowers and their permitted assigns (if any). No Borrower shall not assign its obligations under this Agreement, the Note(s) or any of the other Note Documents without Lender's express written consent, and any such attempted assignment shall be void and of no effect. Subject to a Subordination and Intercreditor Agreement, Lender may assign, transfer, or endorse its rights hereunder and under the other Note Documents without prior notice to Borrowers, and all of such rights shall inure to the benefit of Lender's successors and assigns; provided, however, that any such successors or assigns shall be bound by and expressly assume all obligations under the Subordination and Intercreditor Agreement.

9.9 FURTHER INDEMNIFICATION. Borrower agrees to pay, and to save Lender harmless from any and all liabilities with respect to, or resulting from any delay in paying, any and all excise, sales or other similar taxes which may be payable or determined to be payable with respect to any of the Collateral or in connection with any of the transactions contemplated by this Agreement.

9.10 GOVERNING LAW. This Agreement, the Note(s) and the other Note Documents have been negotiated and delivered to Lender in the State of New York, and shall not become effective until accepted by Lender in the State of New York. This Agreement, the Note and the other Note Documents shall be governed by, and construed and enforced in accordance with, the laws of the State of New York, excluding conflict of laws principles that would cause the application of laws of any other jurisdiction.

9.11 CONSENT TO JURISDICTION AND VENUE. All judicial proceedings arising in or under or related to this Agreement, the Note(s) or any of the other Note Documents may be brought in any state or federal court of competent jurisdiction located in New York County in the State of New York. By execution and delivery of this Agreement, each party hereto generally and unconditionally: (a) consents to personal jurisdiction in New York County, State of New York; (b) waives any objection as to jurisdiction or venue in New York County, State of New York; (c) agrees not to assert any defense based on lack of jurisdiction or venue in the aforesaid courts; and (d) irrevocably agrees to be bound by any judgment rendered thereby in connection with this Agreement, the Note(s) or the other Note Documents. Service of process on any party hereto in any action arising out of or relating to this agreement shall be effective if given in accordance with the requirements for notice set forth in Section 11.3, above and shall be deemed effective and received as set forth in Section 11.3, above. Nothing herein shall affect the right to serve process in any other manner permitted by law or shall limit the right of either party to bring proceedings in the courts of any other jurisdiction.

9.12 MUTUAL WAIVER OF JURY TRIAL. Because disputes arising in connection with complex financial transactions are most quickly and economically resolved by an experienced and expert person and the parties wish applicable state and federal laws to apply (rather than arbitration rules), the parties desire that their disputes be resolved by a judge applying such applicable laws.

BORROWER AND LENDER SPECIFICALLY WAIVES ANY RIGHT IT MAY HAVE TO TRIAL BY JURY OF ANY CAUSE OF ACTION, CLAIM, CROSS-CLAIM, COUNTERCLAIM, THIRD PARTY CLAIM OR ANY OTHER CLAIM (COLLECTIVELY, "CLAIMS") ASSERTED BY A BORROWER AGAINST LENDER OR ITS ASSIGNEE AND/OR BY LENDER OR ITS ASSIGNEE AGAINST A BORROWER. This waiver extends to all such Claims, including any other Claims which involve Borrower and Lender and additional persons or entities; Claims which arise out of or are in any way related to the relationship between Borrower and Lender and other persons or creditors under the Note Documents; and any Claims for damages, breach of contract arising out of this Agreement, any other Note Document, specific performance, or any equitable or legal relief of any kind.

9.13 CONFIDENTIALITY. Lender acknowledges that certain items of Collateral, including, but not limited to trade secrets, source codes, customer lists and certain other items of Intellectual Property, and any Financial Statements provided hereunder, constitute proprietary and confidential information of the Borrower (the "Confidential Information"). Accordingly, Lender agrees that any Confidential Information it may obtain in the course of acquiring, perfecting or foreclosing on the Collateral or otherwise provided under this Agreement, provided such Confidential Information is marked as confidential by Borrower at the time of disclosure, shall be received in the strictest confidence and will not be disclosed to any other person or entity in any manner whatsoever, in whole or in part, without the prior written consent of such Borrower, unless and until Lender has acquired indefeasible title thereto.

9.14 COUNTERPARTS. This Agreement and any amendments, waivers, consents or supplements hereto may be executed in any number of counterparts, and by different parties hereto in separate counterparts, each of which when so delivered shall be deemed an original, but all of which counterparts shall constitute but one and the same instrument.

9.15 FOLLOW-ON NOTES. The parties hereto agree that the Parent may issue the Follow-On Notes prior to December 31, 2015 in an amount not to exceed in the aggregate TWO MILLION, TWO HUNDRED THOUSAND DOLLARS (\$2,200,000) provided that the purchaser/s of such Follow-On Notes (the "Follow-On Purchaser/s") agree to the terms of this Agreement. In such instance, the Follow-On Notes will rank pari passu with the Note and the Follow-On Purchaser/s will have all the rights granted to the Lender hereunder (without need for amendment) with the exception that, as long as the Note is outstanding, it shall be in the Lender's sole discretion to declare an Event of Default hereunder or to exercise any rights hereunder. By purchasing the Follow-On Notes, the Follow-On Purchaser/s irrevocably grant the Lender, so long as the Note is outstanding, a power-of-attorney to take all actions on its behalf under this Agreement and will refrain from taking any actions under this Agreement without being instructed to do so by the Lender.

9.16 GOOD FAITH NEGOTIATIONS. The Borrower and Lender agree that in the event that the Borrower identifies a party that will become, or has identified, a Senior Creditor and Senior Debt to Lender, Borrower and Lender will use commercially reasonable efforts to enter into a Subordination and Intercreditor Agreement with such Senior Creditor.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, Borrower has caused this Subordinated Security Agreement to be executed under seal and delivered by its duly authorized officers on the date first above written.

VASOMEDICAL, INC.

By: /s/ Jun Ma

Name: Jun Ma

Title: President and Chief Executive Officer

IN WITNESS WHEREOF, the Lender has caused this Subordinated Security Agreement to be executed under seal and delivered by its duly authorized officers on the date first above written.

LENDER:

MEDTECHNOLOGY INVESTMENTS LLC

By: /s/ Myron Levy
Name: Myron Levy
Title: Manager

