VASOMEDICAL INC
Form 10-Q
October 15, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the quarterly period ended August 31, 2009

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

Commission File Number: 0-18105

VASOMEDICAL, INC.

(Exact name of registrant as specified in its charter)

Delaware	11-2871434
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

180 Linden Ave., Westbury, New York 11590

(Address of principal executive offices)

Registrant's Telephone Number (516) 997-4600

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

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

Large Accelerated Filer [ ] Accelerated Filer [ ] Non-Accelerated Filer [ ]
Smaller Reporting Company [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes [ ] No [X]

Number of Shares Outstanding of Common Stock, $.001 Par Value, at October 12, 2009 99,843,004

Vasomedical, Inc. and Subsidiaries

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ITEM 1. FINANCIAL STATEMENTS

Vasomedical, Inc. and Subsidiaries

CONSOLIDATED CONDENSED BALANCE SHEETS

ASSETS	August 31, 2009 (unaudited)
CURRENT ASSETS	
Cash and cash equivalents	$ 682,800
Short-term investments, at fair value	139,651
Accounts receivable, net of an allowance for doubtful accounts of $63,838 at August 31, 2009, and $94,973 at May 31, 2009	874,051
Inventories, net	1,592,889
Other current assets	105,371
Total current assets	3,394,762

PROPERTY AND EQUIPMENT, net of accumulated depreciation of $1,569,222 at August 31, 2009, and $1,562,891 at May 31, 2009	183,665
DEFERRED DISTRIBUTOR COSTS, net of accumulated amortization of $244,629 at August 31, 2009, and $213,234 at May 31, 2009	344,247
OTHER ASSETS	166,606
	$ 4,089,280

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES	
Accounts payable	$ 247,712
Accrued expenses	385,349
Sales tax payable	144,610
Deferred revenue - current portion	865,185
Deferred gain on sale-leaseback of building - current portion	53,245
Accrued professional fees	37,072
Trade payable due to related parties	250,000
Total current liabilities	1,983,173
LONG-TERM LIABILITIES	
Deferred revenue, less current portion	311,576
Accrued rent expense	17,539
Deferred gain on sale-leaseback of building, net of current portion	102,054
Other long-term liabilities	11,900
Total long-term liabilities	443,069
COMMITMENTS AND CONTINGENCIES	
STOCKHOLDERS' EQUITY	
Preferred stock, $.01 par value; 1,000,000 shares authorized; none issued	-
Common stock, $.001 par value; 110,000,000 shares authorized; 99,843,004 shares at August 31, 2009 and May 31, 2009, issued and outstanding	99,843
Additional paid-in capital	48,281,711
Accumulated deficit	(46,642,618)
Non-controlling interest	(75,898)
Total stockholders' equity	1,663,038
	$ 4,089,280

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

Vasomedical, Inc. and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

Three months ended August 31,

	2009	2008
Revenues		
Equipment sales	$ 794,648	$ 656,496
Equipment rentals and services	521,436	655,225
Total revenues	1,316,084	1,311,721
Cost of Sales and Services		
Cost of sales, equipment	325,968	528,281
Cost of equipment rentals and services	252,543	282,878
Total cost of sales and services	578,511	811,159
Gross profit	737,573	500,562
Operating Expenses		
Selling, general and administrative	648,327	943,759
Research and development	102,071	132,347
Total operating expenses	750,398	1,076,106
Loss from operations	(12,825)	(575,544)
Other Income (Expenses)		
Interest and other income, net	83,970	16,012
Amortization of deferred gain on sale-leaseback of building	13,311	13,311
Total other income, net	97,281	29,323
Income/(loss) before income taxes	84,456	(546,221)
Income tax benefit/(expense), net	17,306	(3,750)
Net income/(loss) applicable to common stockholders	$ 101,762	$ (549,971)
Net income/(loss) per common share - basic and diluted	$ 0.00	$ (0.01)
Weighted average common shares outstanding - basic and diluted	99,843,004	93,768,004

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

Vasomedical, Inc. and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three mo
	2009
Cash flows from operating activities	
Net income/(loss)	$ 101,7
Adjustments to reconcile net income/(loss) to net cash used in operating activities	
Depreciation and amortization of property and equipment	25,9
Amortization of deferred gain on sale-leaseback of building	(13,3
Provision for doubtful accounts	(31,1
Amortization of deferred distributor costs	31,3
Stock-based compensation	
Changes in operating assets and liabilities:	
Accounts receivable	(183,3
Inventories, net	(111,4
Other assets	70,1
Accounts payable, accrued expenses and other current liabilities	156,5
Deferred revenue	(110,9
Other liabilities	1,4
Trade payable due to related party	(10,0
Net cash used in operating activities	(72,8
Cash flows from investing activities	
Purchases of property and equipment	(19,2
Purchase of short-term investments	(68,8
Redemption of short-term investments	299,7
Net cash provided by (used in) investing activities	211,6
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	138,7
Cash and cash equivalents - beginning of period	544,0
Cash and cash equivalents - end of period	$ 682,8
Non-cash investing and financing activities were as follows:	
Inventories transferred to property and equipment, attributable to operating leases, net	$ (1,7

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

Vasomedical, Inc. and Subsidiaries

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (unaudited)
August 31, 2009

NOTE A - ORGANIZATION AND PLAN OF OPERATIONS

Vasomedical, Inc. was incorporated in Delaware in July 1987. Unless the context requires otherwise, all references to "we", "our", "us", "Company",

"registrant", "Vasomedical" or "management" refer to Vasomedical, Inc. and its subsidiaries. Since 1995, we have been primarily engaged in designing, manufacturing, marketing and supporting EECP(R) enhanced external counterpulsation systems based on our unique proprietary technology currently indicated for use in cases of stable or unstable angina (i.e., chest pain), congestive heart failure (CHF), acute myocardial infarction (i.e., heart attack, (MI)) and cardiogenic shock.

NOTE B - BASIS OF PRESENTATION AND CRITICAL ACCOUNTING POLICIES

Basis of Presentation and Use of Estimates

The accompanying consolidated condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and pursuant to the accounting and disclosure rules and regulations of the Securities and Exchange Commission (the "SEC"). Certain information and disclosures normally included in the consolidated condensed financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. Accordingly, these consolidated condensed financial statements should be read in connection with the audited consolidated financial statements and related notes thereto included in the Company's Annual Report for the year ended May 31, 2009, as filed with the SEC on Form 10-K. These consolidated condensed financial statements include the accounts of the Company over which it exercises control. In the opinion of management, the accompanying consolidated condensed financial statements reflect all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of interim results for the Company. The results of operations for any interim period are not necessarily indicative of results to be expected for the full year.

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

Significant Accounting Policies

Note B of the Notes to Consolidated Financial Statements, included in the Annual Report on Form 10-K for the year ended May 31, 2009, includes a summary of the significant accounting policies used in the preparation of financial statements. The following policies are effective as of June 1, 2009 and have been implemented by the company for the three months ended August 31, 2009.

Effective June 1, 2009, the Company adopted Financial Accoutning Standards Board ("FASB") SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements", which changes the way the consolidated income statement is presented. It requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the noncontrolling interest. It also requires disclosure, on the face of the consolidated statement of income, of the amounts of consolidated net income attributable to the parent and to the noncontrolling interest. Previously, net income attributable to the noncontrolling interest generally was reported as an expense or other deduction in arriving at consolidated net income. It also was often presented in combination with other financial statement amounts.

Vasomedical, Inc. and Subsidiaries

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (unaudited)
August 31, 2009

Effective June 1, 2009, the Company adopted FASB Staff Position ("FSP") SFAS No. 107-1 and Accounting Principles Board ("APB") Opinion No. 28-1 ("APB No. 28-1"), "Interim Disclosures about Fair Value of Financial Instruments," which amends SFAS No. 107, "Disclosures about Fair Value of Financial Instruments," and requires disclosures about the fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. FSP SFAS No. 107-1 and APB No. 28-1 also amends APB Opinion No. 28, "Interim Financial Reporting," to require those disclosures in summarized financial information for interim reporting periods.

Effective June 1, 2009, the Company adopted FASB Statement of Financial Accounting Standards ("SFAS") No. 165, "Subsequent Events" ("SFAS 165"). This standard is intended to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Specifically, this standard sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date.

NOTE C - LIQUIDITY

During the last several years, we incurred operating losses. We have attempted to achieve profitability by reducing operating costs and halting the trend of declining revenue, and to reduce cash usage through bringing our cost structure more into alignment with current and projected revenues. The Company has reduced personnel costs by reorganization. The Company has negotiated new terms on professional fees, facility expenses, and shipping and supply costs. The Company is also looking to obtain a revolving line of credit to help stabilize cash flow and to respond to customers requests for flexible payment terms on our EECP(R) therapy systems.

NOTE D - STOCK-BASED COMPENSATION

The Company complies with Statement of Financial Standards No. 123 (revised 2004), Share-Based Payment ("SFAS No. 123 (R)"), SFAS No. 123(R) requires all share-based awards to employees, including grants of employee stock options, to be recognized in the consolidated condensed financial statements based on their estimated fair values.

During the three-month period ended August 31, 2009, the Company's Board of Directors did not grant any non-qualified stock options.

During the three-month period ended August 31, 2009, the Company's Board of Directors did not grant any shares of common stock to employees, outside directors, or outside consultants.

Stock-based compensation expense recognized under SFAS No. 123(R) was $5,314 for the three months ended August 31, 2008. These expenses are included in selling, general, and administrative in the consolidated condensed statements of operations. The stock-based compensation expenses for such period reflect share-based awards outstanding during such period, including awards granted both

prior and during such period. For purposes of estimating the fair value of each option on the date of grant, the Company utilized the Black-Scholes option-pricing model. The Black-Scholes option-pricing model was developed for use in estimating the fair value of share-based awards. The Black-Scholes option pricing model requires the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

Share-based awards issued to non-employees in exchange for goods, fees and services are accounted for under the fair value-based method of SFAS No. 123(R).

NOTE E - INCOME/(LOSS) PER COMMON SHARE

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

Basic and diluted income/(loss) per common share were income of less than $0.01 and a loss of $0.01 for the three months ended August 31, 2009 and August 31, 2008, respectively.

Stock options and warrants, in accordance with the following table, were excluded from the computation of diluted income/(loss) per share for the three months ended August 31, 2009 and August 31, 2008.

	Three months ended August 31, 2009	Three months ended August 31 2008
Stock options	2,983,239	5,460,210
Warrants	6,540,252	6,540,252
	9,523,491	12,000,462

NOTE F - FAIR VALUE MEASUREMENTS

The Company's assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with SFAS No. 157.

The following table presents information about the Company's assets and liabilities measured at fair value as of August 31, 2009:

	Quoted Prices in Active	Significant Other	Significant

	Markets for Identical Assets	Observable Inputs	Unobservable Inputs
Assets			
Cash equivalents invested in money market fund (included in cash and cash equivalents)	$ 166,797	$ -	$ -
Investments in certificates of deposit (included in short term investments)	139,651	-	-
	$ 306,448	$ -	$ -

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

NOTE G - INVENTORIES

Inventories, net of reserves, consist of the following:

	August 31, 2009	May 31, 2009
Raw materials	$ 636,792	$ 646,775
Work in process	545,086	522,823
Finished goods	411,011	310,126
	$ 1,592,889	$ 1,479,724

At August 31, 2009 and May 31, 2009, the Company had reserves for excess and obsolete inventory of $358,972 and $393,972, respectively.

NOTE H - DEFERRED REVENUE

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

	Three months ended August 31, 2009	Three month ended August 2008
Deferred revenue at the beginning of the period	$ 1,268,834	$ 1,618,0
Additions:		
Deferred extended service contracts	234,677	446,8

Deferred in-service and training	10,000	17,5
Deferred service arrangements	42,500	52,5
Deferred service arrangement obligations	-	6
Recognized as revenue:		
Deferred extended service contracts	(334,455)	(410,1
Deferred in-service and training	(10,000)	(12,5
Deferred service arrangements	(34,795)	(49,5
Deferred service arrangement obligations	-	(6
Deferred revenue at end of period	1,176,761	1,662,6
Less: current portion	865,185	1,151,5
Long-term deferred revenue at end of period	$ 311,576	$ 511,1

NOTE I - RELATED-PARTY TRANSACTIONS

On June 21, 2007, we entered into a Securities Purchase Agreement with Kerns Manufacturing Corp. (Kerns). Concurrently with our entry into the Securities Purchase Agreement, we also entered into a Distribution Agreement and a Supplier Agreement with Living Data Technology Corporation (Living Data), an affiliate of Kerns.

We sold to Kerns, pursuant to the Securities Purchase Agreement, 21,428,572 shares of our common stock at $.07 per share for a total purchase price of $1,500,000, as well as a five-year warrant to purchase 4,285,714 shares of our common stock at an initial exercise price of $.08 per share (the Warrant). The agreement further provided for the appointment to our Board of Directors of two representatives from Kerns. In furtherance thereof, Dr. Jun Ma and Mr. Simon Srybnik, Chairman of both Kerns and Living Data, were appointed members of our Board of Directors. On October 15, 2008, Dr. Jun Ma was appointed Chief

Executive Officer. Pursuant to the Distribution Agreement, we have become the exclusive distributor in the United States of the AngioNew ECP systems manufactured by Living Data. As additional consideration for such agreement, we agreed to issue an additional 6,990,840 shares of our common stock to Living Data. Pursuant to the Supplier Agreement, Living Data now is the exclusive supplier to us of the ECP therapy systems that we market under the registered trademark EECP(R). The Distribution Agreement and the Supplier Agreement each have an initial term extending through May 31, 2012.

On November 20, 2008, the Company entered into an Amendment to the Distribution Agreement with Living Data to expand the territory covered in the Distribution Agreement to provide for exclusive distribution rights worldwide. In consideration for these rights, the Company agreed to issue Living Data 3,000,000 restricted shares of its common stock having a fair market value of $60,000 at time of issue.

Pursuant to a Registration Rights Agreement, we granted to Kerns and Living Data, subject to certain restrictions, "piggyback registration rights" covering the shares sold to Kerns as well as the shares issuable upon exercise of the Warrant and the shares issued to Living Data.

On July 10, 2007, the Board of Directors appointed Mr. Behnam Movaseghi, Treasurer and Chief Financial Officer of Kerns Manufacturing Corporation, to our

Board of Directors.

As affiliates of Living Data and Kerns, Dr. Ma, Mr. Movaseghi and Mr. Srybnik were each directly involved in the transactions between Living Data and Kerns, and the Company, with respect to the Securities Purchase Agreement, the Distribution Agreement and the Supplier Agreement, as well as consulting services to the Company with no compensation.

During Fiscal 2008, the Company purchased ECP therapy systems under the Supplier Agreement for $120,000 from Living Data, which was paid in full by the Company as of June 2008. In addition, Living Data purchased $5,000 worth of ECP therapy system components from the company, which was paid in full by Living Data as of June 2008.

During fiscal 2009, the Company purchased ECP therapy systems under the Supplier Agreement for $595,000 from Living Data. Payment terms on certain purchases leave a balance of $250,000 in Trade payable to related party - current portion on the accompanying consolidated condensed balance sheet as of August 31, 2009.

During fiscal 2009, Living Data assigned to Vasomedical, Inc. all of its rights and interests under its distributorship Agreement with a corporation organized and existing under the laws of the People's Republic of China that manufactures Ambulatory Blood Pressure Monitors, Ambulatory ECG Recorders and Holter & ABPM Combiner Recorders, for $20,000 payable to Living Data based on certain terms and conditions. The Company must also pay to Living Data 5% of the selling price or 5% of the cost of all goods sold (whichever is higher), and 5% of the cost of all goods transferred but not sold under the Assignment Agreement to Living Data based on sales of this equipment. The Company will sell these systems in the United States and other countries now that regulatory clearance had been obtained.

During fiscal 2009, Living Data assigned to Vasomedical, Inc. all of its rights and interests under its Distributorship Agreement with a corporation organized and existing under the laws of the People's Republic of China, that manufactures Ultrasound Scanners, for $20,000 payable to Living Data based on certain terms and conditions. The Company must also pay to Living Data 5% of the selling price or 5% of the cost of all goods sold (whichever is higher), and 5% of the cost of all goods transferred but not sold under the Assignment Agreement to Living Data based on sales of this equipment. The Company intends to sell these systems in the United States and other countries subject to obtaining regulatory clearance.

Further, Kerns provides the Company, free of charge, part-time use of one of its Information Technology (IT) employees as well one of their IT consultants to provide the Company with IT and database support services.

NOTE J - COMMITMENTS

Leases

On August 15, 2007, we sold our facility under a five-year sale-leaseback agreement. Future rental payments under the operating lease are as follows:

For the years ended:

May 31, 2010	$ 112,447
May 31, 2011	154,427
May 31, 2012	160,604
May 31, 2013	40,541
Total	$ 468,019

NOTE K - RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS NOT YET EFFECTIVE

SFAS No. 168, The FASB Accounting Standards Codification TM and the Hierarchy of Generally Accepted Accounting Principles--a replacement of FASB Statement No. 162 ("SFAS 168"). The statement confirmed that the FASB Accounting Standards Codification (the "Codification") will become the single official source of authoritative U.S. GAAP (other than guidance issued by the SEC), superseding existing FASB, American Institute of Certified Public Accountants, Emerging Issues Task Force ("EITF"), and related literature. After that date, only one level of authoritative U.S. GAAP will exist. All other literature will be considered non-authoritative. The Codification does not change U.S. GAAP; instead, it introduces a new structure that is organized in an easily accessible, user-friendly online research system. The Codification, which changes the referencing of financial standards, becomes effective for interim and annual periods ending on or after September 15, 2009. We will apply the Codification beginning in the second quarter of fiscal 2010. The adoption of SFAS 168 is not expected to have any substantive impact on our condensed consolidated financial statements or related footnotes.

NOTE L - SUBSEQUENT EVENTS

The company has evaluated subsequent events through October 15, 2009, the date of issuance of these financial statements as required by SFAS 165.

On September 30, 2009 the Annual Meeting of Stockholders of Vasomedical, Inc. was held. At this meeting the shareholders voted in favor of amending the Company's certificate of incorporation to increase the number of authorized shares of common stock to 250,000,000.

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

Except for historical information contained in this report, the matters discussed are forward-looking statements that involve risks and uncertainties. When used in this report, words such as "anticipates", "believes", "could", "estimates", "expects", "may", "plans", "potential" and "intends" and similar expressions, as they relate to the Company or its management, identify forward-looking statements. Such forward-looking statements are based on the beliefs of the Company's management, as well as assumptions made by and information currently available to the Company's management. Among the factors that could cause actual results to differ materially are the following: the effect of business and economic conditions; the effect of the dramatic changes taking place in the healthcare environment; the impact of competitive procedures and products and their pricing; medical insurance reimbursement policies; unexpected manufacturing or supplier problems; unforeseen difficulties and delays in the conduct of clinical trials and other product development programs; the actions of regulatory authorities and third-party payers in the United

States and overseas; uncertainties about the acceptance of a novel therapeutic modality by the medical community; and the risk factors reported from time to time in the Company's SEC reports. The Company undertakes no obligation to update forward-looking statements as a result of future events or developments.

General Overview

Vasomedical, Inc. was incorporated in Delaware in July 1987. Unless the context requires otherwise, all references to "we", "our", "us", "Company", "registrant", "Vasomedical" or "management" refer to Vasomedical, Inc. and its subsidiaries. Since 1995, we have been primarily engaged in designing, manufacturing, marketing and supporting EECP(R) Enhanced External Counterpulsation systems based on our unique proprietary technology currently indicated for use in cases of stable or unstable angina, congestive heart failure (CHF), acute myocardial infarction (i.e., heart attack, (MI)) and cardiogenic shock. The EECP(R) therapy is a non-invasive, outpatient treatment of diseases of the cardiovascular system. The therapy serves to increase circulation in areas of the heart with less than adequate blood supply and helps restore systemic vascular function. The therapy also increases blood flow and oxygen supply to the heart muscle and other organs and decreases the heart's workload and reduces oxygen demand, while also improving function of the endothelium, the lining of blood vessels throughout the body, lessening resistance to blood flow. We provide hospitals, clinics and physician private practices with EECP(R) equipment, treatment guidance, and a staff training and equipment maintenance program designed to provide optimal patient outcomes. EECP(R) is a registered trademark for Vasomedical's Enhanced External Counterpulsation therapy and systems. For more information, visit www.vasomedical.com.

Cardiovascular disease (CVD) is the leading cause of death in the world and is among the top three diseases in terms of healthcare spending in nearly every country. CVD claimed approximately 2.4 million lives in the United States in 2005 and was responsible for 1 of every 5 deaths, according to The American Heart Association (AHA) Heart and Stroke Statistical 2009 Update (2009 Update). Approximately 80 million Americans suffer from some form of cardiovascular disease. Among these, 16.8 million have coronary heart disease (CHD).

We have FDA clearance to market our EECP(R) therapy for use in the treatment of stable and unstable angina, congestive heart failure, acute myocardial infarction, and cardiogenic shock; however, our current marketing efforts are limited mostly to the treatment of chronic stable angina and congestive heart failure. Medicare and other third-party payers currently reimburse for the treatment of angina pectoris patients with moderate to severe symptoms who are refractory to medications and not candidates for invasive procedures. Patients with co-morbidities of heart failure, diabetes, peripheral vascular disease, etc., are also reimbursed under the same criteria, provided the primary diagnosis and indication for treatment with EECP(R) therapy is angina symptoms.

During the last several years, the Company has incurred operating losses. We have attempted to achieve profitability by halting the trend of declining revenue and reducing operating costs, and to reduce cash usage through bringing our cost structure more into alignment with current and projected revenues. We have started to see the effect of these efforts as evidenced by the improved results of the current quarter.

Market Overview

Angina

Angina pectoris is the medical term for a recurring pain or discomfort in the chest due to coronary artery disease (CAD). Angina is a symptom of a condition called myocardial ischemia, which occurs when the heart muscle or myocardium doesn't receive sufficient blood, hence as much oxygen, as it needs. This usually happens because one or more of the heart's arteries, the blood vessels that supply blood to the heart muscle, is narrow or blocked. Insufficient blood supply to meet the need of the organ to function is called ischemia.

The cardinal symptom of stable CAD is anginal chest pain or equivalent symptoms, such as exertional dyspnea or fatigue. Angina is uncomfortable pressure, fullness, squeezing or pain, usually occurring in the center of the chest under the breastbone. The discomfort also may be felt in the neck, jaw, shoulder, back or arm, and shortness of breath and fatigue. Often the patient suffers not only from the discomfort of the symptom itself but also from the accompanying limitations on activities and the associated anxiety that the symptoms may produce. Uncertainty about prognosis may be an additional source of anxiety. For some patients, the predominant symptoms may be palpitations or syncope that is caused by arrhythmias or fatigue, edema, or orthopnea caused by heart failure. Episodes of angina occur when the heart's need for oxygen increases beyond the oxygen available from the blood nourishing the heart. Physical exertion is the most common trigger, but not the only one for angina. For example, running to catch a bus could trigger an attack of angina while walking might not. Angina may happen during exercise, periods of emotional stress, exposure to extreme cold or heat, heavy meals, alcohol consumption or cigarette smoking. Some people, such as those with a coronary artery spasm, may have angina when they are resting.

There are approximately 6.4 million angina patients in the United States and our EECP(R) therapy currently competes with other technologies in the market for approximately 100,000 to 150,000 new refractory angina patients annually who do not adequately respond to or are not amenable to medical and surgical therapy and have the potential to meet the guidelines for reimbursement of EECP(R) therapy. Most angina patients are treated with medications, including beta blockers to slow and protect the heart, and vasodilators which are often prescribed to increase blood flow to the coronary arteries. When drugs fail or inadequately correct the problem, the patients are considered unresponsive to medical therapy. Most angina patients are readily amenable to invasive revascularization procedures such as angioplasty and coronary stent placement, as well as coronary artery bypass grafting (CABG). However, there are approximately 100,000 to 150,000 angina patients each year whose angina cannot be stopped by medication and they are no longer readily amenable to palliative invasive procedures.

In February 1999, the Centers for Medicare and Medicaid Services (CMS), the federal agency that administers the Medicare program for more than 44 million beneficiaries now, issued a national coverage policy for the use of external counterpulsation therapy in the treatment of refractory angina. Medicare reimbursement guidelines have a significant impact in determining the available market for EECP(R) therapy. We believe that over 65% of the patients that receive EECP(R) therapy are Medicare patient, and many of the balance are covered by third-party payers. Medicare guidelines, limit reimbursement for EECP(R) therapy to patients who do not adequately respond to medical therapy and are not readily amenable to invasive therapy. As a result, an important element of our strategy is to grow the market for EECP(R) therapy by expanding reimbursement coverage to include a broader range of angina patients than the current coverage policy provides and enable EECP(R) therapy to compete more with

other therapies for ischemic heart disease. Please see the heading "Reimbursement" in the "Item-1 Business" section of this Form 10-K for a more detailed discussion of reimbursement issues.

Congestive Heart Failure (CHF)

CHF is a condition in which the heart loses its pumping capacity to supply the metabolic needs of all other organs. The condition affects both sexes and is most common in people over age 50. Symptoms include angina, shortness of breath,

weakness, fatigue, swelling of the abdomen, legs and ankles, rapid or irregular heartbeat and low blood pressure. Causes range from chronic high blood pressure, heart-valve disease, heart attack, coronary artery disease, heartbeat irregularities, severe lung disease such as emphysema, congenital disease, cardiomyopathy, hyperthyroidism, severe anemia and others.

CHF is treated with medication and, sometimes, surgery on heart valves or the coronary arteries and, in certain severe cases, heart transplants. Left ventricular assist devices (LVADs) and the use of cardiac resynchronization and implantable defibrillators are useful in selected patients with heart failure. Still, no consensus therapy currently exists for CHF and patients must currently suffer their symptoms chronically and have a reduced life expectancy.

According to the 2009 Update, in 2005 approximately 3.2 million men and 2.5 million women in the United States had CHF and about 670,000 new cases of the disease occur each year. The prevalence of the disease is growing as a result of the aging of the population and the improved survival rate of people after heart attacks. Because the condition frequently entails visits to the emergency room and in-patient treatment centers, two-thirds of all hospitalizations for people over age 65 are due to CHF. The economic burden of congestive heart failure is enormous with an estimated cost to the health care system in 2005 in the United States of $37.2 billion. Congestive heart failure offers a good strategic fit with our current angina business and offers an expanded market opportunity for EECP(R) therapy. Unmet clinical needs in CHF are greater than those for angina, as there are few consensus therapies, invasive or otherwise, beyond medical management for the condition. It is noteworthy that data collected from the International EECP(R) Patient Registry(TM) (IEPR) at the University of Pittsburgh Graduate School of Public Health shows that approximately one-third of angina patients treated with EECP(R) also have a history of CHF and 70% to 80% have demonstrated positive outcomes from EECP(R) therapy.

We sponsored a pivotal, randomized clinical trial to demonstrate the efficacy of EECP(R) therapy in the most prevalent types of heart failure patients. This trial, known as PEECH(TM) (Prospective Evaluation of EECP(R) in Congestive Heart Failure), was intended to provide additional evidence of the safety and efficacy of EECP(R) therapy in the treatment of mild-to-moderate heart failure and to support our application for expansion of the Medicare national reimbursement coverage policy to include mild-to-moderate heart failure as a primary indication. The PEECH(TM) trial was a positive clinical trial, having met the statistical requirement of meeting at least one of its co-primary endpoints, a significant difference in the proportion of patients satisfying a prespecified threshold of improvement in exercise duration. The trial also demonstrated significant improvements in favor of EECP(R) therapy on several important secondary endpoints, including exercise duration and improvement in symptom status and quality of life. Measures of change in peak oxygen

consumption were not statistically significant in the overall study population, though a trend favoring EECP(R) therapy was present in early follow-up. Patients in the trial who had an ischemic etiology (i.e. pre-existing coronary artery disease), demonstrated a greater response to EECP(R) therapy than those who had an idiopathic (non-ischemic) etiology.

The preliminary results of the PEECH(TM) trial were presented at the American College of Cardiology scientific sessions in March 2005. On June 20, 2005, CMS accepted our application for expansion of reimbursement coverage of EECP(R) therapy to include patients with New York Heart Association (NYHA) Class II/III stable heart failure symptoms with an ejection fraction of less than or equal to 35% (i.e. chronic, stable, mild-to-moderate systolic heart failure as a primary indication), as well as patients with Canadian Cardiovascular Society Classification (CCSC) II (i.e. chronic, stable mild angina).

On March 20, 2006, CMS issued their Decision Memorandum regarding this reconsideration with the opinion that the evidence was not adequate to support an extension of coverage.

They did, however, reiterate in the decision memorandum that "Current coverage as described in Section 20.20 of the Medicare National Coverage Determination (NCD) manual will remain in effect" for refractory angina patients.

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

On August 25, 2006 the results of the PEECH(TM) trial were initially published online by the Journal of the American College of Cardiology (JACC) and in print in its September 19, 2006 issue. JACC is the official journal of the American College of Cardiology.

In the November-December 2006 issue of the journal Congestive Heart Failure, a second report of results from the PEECH(TM) trial was published, focusing on the results of a prespecified subgroup analysis in trial patients age 65 and over. This analysis demonstrated a statistically positive response on both co-primary endpoints of the trial in patients receiving EECP(R) therapy versus those who did not, i.e. a significantly larger proportion of patients undergoing EECP(R) therapy met or exceeded prespecified thresholds of improvement in exercise duration and peak oxygen consumption. Moreover, the patients age 65 and older who received EECP(R) therapy demonstrated the greatest differences in exercise duration, peak oxygen consumption and functional class (symptom status) compared with those who did not receive EECP(R) therapy.

These papers were submitted to CMS and we were advised to continue to gather more clinical evidence for future submission.

We will continue to educate the marketplace that EECP(R) therapy is a therapy for ischemic cardiovascular disease and that patients with a primary diagnosis of heart failure, diabetes, peripheral vascular disease, etc. are also eligible for reimbursement under the current coverage policy, provided the primary indication for treatment with EECP(R) therapy is angina or angina equivalent symptoms and the patient satisfies other listed criteria. Additionally, we will continue to pursue expansion of coverage for EECP(R) therapy with Medicare and other third-party payers as evidence of its clinical utility develops.

The EECP(R) Therapy Systems

The EECP(R) therapy systems are noninvasive treatment systems utilizing fundamental hemodynamic principles to augment coronary blood flow and, at the same time, reduce the workload of the heart while improving the overall vascular function. The treatment is completely noninvasive and is administered to patients on an outpatient basis, usually in daily one-hour sessions, five days per week over seven weeks for a total of 35 treatments. The procedure is well tolerated and most patients begin to experience relief of chest pain due to their coronary artery disease after 15 to 20 hours of therapy. As demonstrated in our clinical studies, positive effects have been shown in most patients to continue for years following a full course of therapy.

During EECP(R) therapy, the patient lies on a contoured treatment table while three sets of inflatable pressure cuffs, resembling oversized blood pressure cuffs, are wrapped around the calves, and the lower and upper thighs, including the buttocks. The system is synchronized to the individual patient's cardiac cycle triggering the system to inflate the cuffs rapidly and sequentially -- via computer-interpreted ECG signals -- starting from the calves and proceeding upward to the buttocks during the relaxation phase of each heartbeat (diastole). This has the effect of creating a strong retrograde arterial wave in the arterial system, forcing freshly oxygenated blood towards the heart and coronary arteries at a time when resistance to coronary blood flow is at its lowest level. The inflation of cuffs also simultaneously increases the volume of venous blood that is returned to the heart when the heart is filling up for ejection in the contracting phase. Just prior to the next heartbeat when the heart begins to eject blood by contracting (systole), all three cuffs simultaneously deflate, leaving an empty vascular space to receive blood ejecting from the heart, thereby significantly reducing the workload of the heart. This is achieved because the vascular beds in the lower extremities are relatively empty when the cuffs are deflated, significantly lowering the resistance, and provide vascular space to receive the blood ejected by the heart, reducing the amount of work the heart must do to pump oxygenated blood to the rest of the body. The inflation/deflation activity is monitored constantly and coordinated by a computerized console that interprets electrocardiogram signals from the patient's heart, monitors heart rhythm and rate information, and actuates the inflation and deflation in synchronization with the cardiac cycles. The end result of this sequential "squeezing" of the legs is to create a pressure wave that significantly increases peak diastolic pressure benefiting circulation to the heart muscle and other organs, increases venous return so

that the heart has more blood volume to eject out, and increases cardiac output. The release of external pressure produces reduction of systolic pressure, thereby reducing the workload of the heart. This reduction of vascular resistance insures that the heart does not have to work as hard to pump large amounts of blood through the body to help supply its metabolic needs.

While scientific and clinical studies are continued to be published to explain the precise scientific means by which EECP(R) therapy achieves its long-term beneficial effects, there is evidence to suggest that the EECP(R) therapy triggers a neurohormonal response that induces the production of growth and vasodilatation factors that promotes recruitment of new arteries and dilates existing blood vessels. The recruitment of new arteries known as "collateral blood vessels" bypass blocked or narrowed vessels and increase blood flow to ischemic areas of the heart muscle that are receiving an inadequate supply of blood. There is also evidence to support a mechanism related to improved

function of the endothelium (the inner lining of the blood vessels), which regulates the luminal size of the arteries and controls the dilation of the arteries to insure adequate blood flow to all organs, thus reducing constriction of blood vessels that supply oxygenated blood to the body's organs and tissues and as a result the required workload of the heart.

Critical Accounting Policies and Estimates

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

Certain of our accounting policies are deemed "critical", as they are both most important to the financial statement presentation and require management's most difficult, subjective or complex judgments as a result of the need to make estimates about the effect of matters that are inherently uncertain. For a discussion of our critical accounting policies, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended May 31, 2009. The following accounting policies are effective for the current interim reporting period.

Since June 1, 2009 the Company adopted Financial Accounting Standards Board ("FASB") SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements", which changes the way the consolidated income statement is presented. It requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the noncontrolling interest. It also requires disclosure, on the face of the consolidated statement of income, of the amounts of consolidated net income attributable to the parent and to the noncontrolling interest. Previously, net income attributable to the noncontrolling interest generally was reported as an expense or other deduction in arriving at consolidated net income. It also was often presented in combination with other financial statement amounts.

Since June 1, 2009 the Company adopted FASB Staff Position ("FSP") SFAS No. 107-1 and Accounting Principles Board ("APB") Opinion No. 28-1 ("APB No. 28-1"), "Interim Disclosures about Fair Value of Financial Instruments," which amends SFAS No. 107, "Disclosures about Fair Value of Financial Instruments," and requires disclosures about the fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. FSP SFAS No. 107-1 and APB No. 28-1 also amends APB Opinion No. 28, "Interim Financial Reporting," to require those disclosures in summarized financial information for interim reporting periods. FSP SFAS No. 107-1 and APB No. 28-1 is effective for interim reporting periods ending after June 15, 2009.

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

The Company adopted FASB Statement of Financial Accounting Standards

("SFAS") No. 165, "Subsequent Events" ("SFAS 165"). This standard is intended to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Specifically, this standard sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date.

New Accounting Pronouncements

See Footnote K, "Recently Issued Accounting Pronouncements Not Yet Effective" to our unaudited consolidated condensed financial statements for a full description of recently issued accounting pronouncements including the date of adoption and effects on our results of operations and financial position, where applicable.

Consolidated Results of Operations

Three Months Ended August 31, 2009 and August 31, 2008

Net revenue from sales, leases and service of our EECP(R) systems for the three months ended August 31, 2009 and August 31, 2008, was $1,316,084 and $1,311,721, respectively, which represented an increase of $4,363, or less than 1%. We reported net income attributable to common stockholders of $101,762 for the first quarter of fiscal year 2010 compared to a net loss attributable to common stockholders of $549,971 for the first quarter of fiscal 2009. The change from a net loss to net income was primarily attributed to the increase in equipment revenues, decrease in operating expenses, and an increase in other income.

Revenues

Revenue from equipment sales increased approximately 21% to $794,648 for the three-month period ended August 31, 2009 as compared to $656,496 for the same period in the prior year. The increase in equipment sales is due primarily to an increase in the average blended per unit sale price.

The increase in the sales price per unit reflects a shift in the product mix towards newer models in the domestic and international markets. We anticipate that demand for EECP(R) systems will remain soft unless there is greater clinical acceptance for the use of EECP(R) therapy in treating patients with angina or angina equivalent symptoms who meet the current reimbursement guidelines or an expansion of the current CMS national reimbursement policy to include some or all Class II & III heart failure patients. Patients with angina or angina equivalent symptoms eligible for reimbursement under current policies include many with serious comorbidities, such as heart failure, diabetes, peripheral vascular disease and/or others.

Our revenue from the sale of EECP(R) systems and related products to international distributors in the first quarter of fiscal 2010 decreased approximately $43,063 compared to the same three-month period in the prior year reflecting decreased sales volume.

Our revenue from equipment rental and services decreased 20% to $521,436 in the first quarter of fiscal 2010 from $655,225 in the first quarter of fiscal year 2009. Revenue from equipment rental and services represented 40% of total revenue in the first quarter of fiscal 2010 and 50% in the same quarter of fiscal 2009. The decrease in revenue generated from equipment rentals and

services is due to a decrease in the service business, with respect to service

contract sale, and service related income generated from units not under contract, as well as, a decrease in accessories and service parts shipped compared to the same quarter of the prior fiscal year.

Gross Profit

Gross profit increased to $737,573, or 56% of revenues, for the first quarter of fiscal 2010 compared to $500,562, or 38% of revenues, for the same quarter of fiscal 2009. Gross profits are dependent on a number of factors, particularly the mix of new and used EECP(R) systems and the mix of models sold, their respective average selling prices, the mix of EECP(R) units sold, rented or placed during the period, the ongoing costs of servicing EECP(R) systems, and certain fixed period costs, including facilities, payroll and insurance.

Selling, General and Administrative

Selling, general and administrative ("SG&A") expenses for the first quarter of fiscal 2010 and 2009 were $648,327, or 49% of revenues, and $943,759, or 72% of revenues, respectively, reflecting a decrease of $295,432 or approximately 31%. The decrease in SG&A expenditures in the first quarter of fiscal 2010 resulted primarily from decreased administrative expenses in wages and benefits, professional fees, and insurance expenses.

During the first quarter of fiscal 2010 the Company's provision for doubtful accounts was reduced by $31,000 as compared to the first quarter of fiscal year 2009 when there was no change in the Company's provision for doubtful accounts.

Research and Development

Research and development ("R&D") expenses of $102,071, or 8% of revenues, for the first quarter of fiscal 2010 decreased by $30,276, or 23%, from $132,347, or 10% of revenues, for the first quarter of fiscal 2009. The decrease is primarily attributable to a decrease in regulatory affairs expenses.

Interest and Other Income, Net

Interest and other income for the first quarter of 2010 and 2009, were $83,970 and $16,012, respectively. In the first quarter of fiscal year 2010 other income primarily consisted of a cash settlement of a lawsuit against one of the Company's competitors. Interest income reflects interest earned on the Company's cash balances.

Amortization of Deferred Gain on Sale-leaseback of Building

The amortization of deferred gain on sale-leaseback of building for the first quarter of fiscal years 2010 and 2009, were $13,311 and $13,311, respectively. The gain resulted from the Company's sale-leaseback of its facility.

Income Tax Expense

During the first quarter of fiscal year 2010 we reversed the provision for

income taxes by $17,335 and the Company incurred an expense of $29. During the first quarter of fiscal year 2009, we recorded a provision for income taxes of $3,750.

Liquidity and Capital Resources

Cash and Cash Flow

We have financed our operations primarily from working capital. At August 31, 2009, we had cash and cash equivalents of $682,800, short-term investments of $139,651 and working capital of $1,411,589 compared to cash and cash

equivalents of $544,057, short-term investments of $370,523 and working capital of $1,300,645 at May 31, 2009.

Cash used in operating activities was $72,866 during the first three months of fiscal year 2010, which consisted of a net gain after non-cash adjustments of $114,688 and cash used by operating assets and liabilities of $187,554. The changes in the accounts balances primarily reflect increases in accounts receivable of $183,365, inventories of $111,408, including $1,758 of inventories transferred from property and equipment, decreases in deferred revenue of $110,947, and trade payable due to related party of $10,000 partially offset by a decrease in other assets of $70,140, an increase in accounts payable, accrued expenses and other current liabilities of $156,527, and an increase in other liabilities of $1,499. Net accounts receivable were 66% of revenues for the three-month period ended August 31, 2009, as compared to 67% for the three-month period ended August 31, 2008, and accounts receivable turnover was 5.8 times for the three months ended August 31, 2009 as compared to 6.5 times for the three months ended August 31, 2008.

Investing activities during the three-month period ended August 31, 2009 provided cash of $211,609 and consisted of the redemption of six-month certificates of deposit in the amount of $299,722 offset by the purchase of a twelve-month certificate of deposit for $68,850, and purchases of property and equipment of $19,263.

The Company had no financing activities during the three-month period ended August 31, 2009.

The following table presents the Company's expected cash requirements for contractual obligations outstanding as of August 31, 2009.

	Total	Due thru 9/1/2009 and 8/31/2010	Due thru 9/1/2010 and 8/31/2012	Due thru 9/1/2012 and 8/31/2014
Operating Leases	$ 468,019	$ 149,929	$ 318,090	$ -
Total Contractual Cash Obligations	$ 468,019	$ 149,929	$ 318,090	$ -

Liquidity

During the last several years, the Company has incurred operating losses. We have attempted to achieve profitability by halting the trend of declining revenue and reducing operating costs, and to reduce cash usage through bringing our cost structure more into alignment with current revenues. We have started to see the effect of these efforts as evidenced by the improved results of the current quarter.

Based on our current operations, we believe that we have sufficient working capital to continue our operations through at least May 31, 2010.

Effects of Current Economic Conditions

We do not believe that the current lack of credit available in the market will have a significant impact on our revenue or on our results of operations.

ITEM 3. - QUANITATIVE AND QUALATATIVE DISCLOSURES ABOUT MARKET RISKS

See Item 7A in the Company's 2009 Annual Report on Form 10-K for information regarding quantitative and qualitative disclosures about market risk. No material change regarding this information has occurred since that filing.

ITEM 4T. - CONTROLS AND PROCEDURES

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of August 31, 2009, our disclosure controls and procedures are effective to provide reasonable assurances that such disclosure controls and procedures satisfy their objectives and that the information required to be disclosed by us in the reports we file under the Exchange Act is recorded, processed, summarized and reported within the required time periods. There were no changes during the fiscal quarter ended August 31, 2009 in our internal controls or in other factors that could have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1A - RISK FACTORS

There have been no material changes in the most significant risk factors in the three months ended August 31, 2009 from those risk factor set forth in Item 1A., "Risk Factors," to the Company's Annual Report on Form 10-K for the year ended May 31, 2009.

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

(a) The Registrant held its Annual Meeting of Stockholders on September 30, 2009.

(b) Eight directors were elected at the Annual Meeting to serve for a term of

one year. The names of these directors and votes cast in favor of their election and shares withheld are as follows:

Name	Votes For	Votes Withheld
Abraham E. Cohen	80,798,427	3,235,728
Derek Enlander	81,173,101	2,861,054
John C. K. Hui	79,807,243	4,226,912
Jun Ma	80,350,036	3,684,119
Behnam Movaseghi	80,282,700	3,751,455
Photios T. Paulson	46,553,391	37,480,764
Simon Srybnik	80,431,574	3,602,581
Martin Zeiger	80,502,231	3,531,924

There were no broker non-votes as to the election of directors.

(c) (i) An amendment to the Company's Certificate of Incorporation to increase the number of authorized shares of common stock from 110,000,000 to 250,000,000 was approved at the Annual Meeting by the following vote:

Votes For	Votes Against	Abstained
72,781,064	10,668,400	584,691

There were no broker non-votes as to this matter.

(ii) Ratification of the appointment of Rothstein, Kass & Company as the Company's independent registered public accountants for the year ending May 31, 2010 was approved at the Annual Meeting by the following vote:

Votes For	Votes Against	Abstained
80,944,270	1,242,910	1,846,975

There were no broker non-votes as to this matter.

(d) Not applicable.

ITEM 6 - EXHIBITS:

Exhibits

3 Certificate of Amendment of the Certificate of Incorporation as filed with the Secretary of State of Delaware on October 2, 2009.

31 Certifications of the Chief Executive Officer and the Chief Financial Officer pursuant to Rules 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32 Certifications of the Chief Executive Officer and the Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Vasomedical, Inc. and Subsidiaries

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

VASOMEDICAL, INC.

By: /s/ Jun Ma

Jun Ma
President & Chief Executive Officer
(Principal Executive Officer)

/s/ Tarachand Singh

Tarachand Singh
Chief Financial Officer

Date: October 15, 2009