VASOMEDICAL INC Form 10-Q January 17, 2012

UNITED STATES SECURITIES AND EXCHANGE COMMISSION Washington, DC 20549

FORM 10-Q

[X] Quarterly Report Pursu For the quarterly period end	ant to Section 13 or 15(d) of the Securities Exchange Act of 1934 led November 30, 2011
	nant to Section 13 or 15(d) of the Securities Exchange Act of 1934 om to
Commission File Number:	0-18105
	VASOMEDICAL, INC. (Exact name of registrant as specified in its charter)
Delaware (State or other jurisdiction of incorporation or organization)	11-2871434 (IRS Employer Identification Number)
	180 Linden Ave., Westbury, New York 11590 (Address of principal executive offices)
Registrant's Telephone Nur	mber (516) 997-4600
the Securities Exchange Ac	ether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of t of 1934 during the preceding 12 months (or for such shorter period that the registrant was), and (2) has been subject to such filing requirements for the past 90 days. Yes [X]
filer.	ether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated er [] Accelerated Filer [] Non-Accelerated Filer [] Smaller Reporting Company [X]
Indicate by check mark who	ether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes
Number of Shares Outstand	ling of Common Stock, \$.001 Par Value, at January 9, 2011 – 153,186,296

Vasomedical, Inc. and Subsidiaries

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ITEM 1 - FINANCIAL STATEMENTS Vasomedical, Inc. and Subsidiaries CONSOLIDATED CONDENSED BALANCE SHEETS

ASSETS (unaudited) (audited) CURRENT ASSETS Cash and cash equivalents Short-term investments (10), 400, 400, 400, 400, 400, 400, 400, 4		November	May 31,
CURRENT ASSETS		30, 2011	2011
Cash and cash equivalents \$3,684,854 \$8,130,031 Short-term investments 110,148 109,709 Accounts and other receivables, net of an allowance for doubtful accounts and commission adjustments of \$1,617,193 at November 30, 2011, and \$1,296,947 at May 31, 2011 12,982,119 4,018,572 Inventories, net 2,683,265 1,786,057 Financing receivables, net 19,225 18,425 Deferred commission expense 2,823,456 2,532,048 Deferred related party consulting expense - current portion 510,000 510,000 Other current assets 176,6009 267,235 Total current assets 22,989,076 17,372,077 PROPERTY AND EQUIPMENT, net of accumulated depreciation of S1,789,204 at November 30, 2011, and \$1,633,290 at May 31, 2011 418,683 366,199 GOODWILL 3,175,152 - DEFERRED DISTRIBUTOR COSTS, net of accumulated amorization of S588,876 at November 30, 2011, and \$464,402 at May 31, 2011 1 12,4474 FINANCING RECEIVABLES, net 17,316 27,133 DEFERRED DISTRIBUTOR COSTS, net of accumulated amorization of S588,876 at November 30, 2011, and \$464,402 at May 31, 2011 \$212,75,202 \$18,554,545 LIABI		(unaudited)	(audited)
Short-term investments			
Accounts and other receivables, net of an allowance for doubtful accounts and commission adjustments of \$1,617,193 at November 30, 2011, and \$1,2982,119	•		
accounts and commission adjustments of \$1,617,193 at November 30, 2011, 12,982,119 4,018,572 Inventories, net 2,683,265 1,786,057 Financing receivables, net 19,225 18,425 Deferred commission expense 2,823,456 2,532,048 Deferred related party consulting expense - current portion 510,000 510,000 Other current assets 176,009 267,235 Total current assets 22,989,076 17,372,077 PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$11,789,204 at November 30, 2011, and \$1,633,290 at May 31, 2011 418,683 366,199 GOODWILL 3,175,152 - DEFERRED DISTRIBUTOR COSTS, net of accumulated amortization of \$588,876 at November 30, 2011, and \$464,402 at May 31, 2011 - 124,474 FINANCING RECEIVABLES, net 17,316 27,133 DEFERRED RELATED PARTY CONSULTING EXPENSE 127,500 382,500 OTHER ASSETS 350,542 282,162 CURRENT LIABILITIES \$24,081 1,963,826 Accrued commissions 2,645,081 1,963,826 Accrued expenses and other liabilities 1,440,094 632,374		110,148	109,709
and \$1,296,947 at May 31, 2011 12,982,119 4,018,572 Inventories, net 2,683,265 1,786,057 Financing receivables, net 19,225 18,425 Deferred commission expense 2,823,456 2,532,048 Deferred related party consulting expense - current portion 510,000 510,000 Other current assets 22,989,076 17,372,077 PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$1,789,204 at November 30, 2011, and \$1,633,290 at May 31, 2011 418,683 366,199 GOODWILL 3,175,152 - DEFERRED DISTRIBUTOR COSTS, net of accumulated amortization of \$588,876 at November 30, 2011, and \$464,402 at May 31, 2011 - 124,474 FINANCING RECEIVABLES, net 17,316 27,133 DEFERRED RELATED PARTY CONSULTING EXPENSE 127,500 382,500 OTHER ASSETS 350,542 282,162 CURRENT LIABILITIES 2,645,081 1,963,826 Accrued commissions 2,645,081 1,963,826 Accrued expenses and other liabilities 374,369 160,321 Deferred quain on sale-l			
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Deferred commission expense 2,823,456 2,532,048 Deferred related party consulting expense - current portion 510,000 510,000 Other current assets 17,6009 267,235 Total current assets 22,989,076 17,372,077 PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$1,789,204 at November 30, 2011, and \$1,633,290 at May 31, 2011 418,683 366,199 GOODWILL 3,175,152 - DEFERRED DISTRIBUTOR COSTS, net of accumulated amortization of \$588,876 at November 30, 2011, and \$464,402 at May 31, 2011 - 124,474 FINANCING RECEIVABLES, net 17,316 27,133 DEFERRED RELATED PARTY CONSULTING EXPENSE 127,500 382,500 OTHER ASSETS 350,542 282,162 \$27,078,269 \$18,554,545 CURRENT LIABILITIES \$27,078,269 \$18,554,545 Accrued commissions 2,645,081 1,963,826 Accrued expenses and other liabilities 1,440,094 632,374 Accrued expenses and other liabilities 374,369 160,321 Deferred revenue - current portion 12,610,574 10,917,732 Deferred gain on s	·		
Deferred related party consulting expense - current portion 150,000 510,000 Other current assets 176,000 267,235 Total current assets 22,989,076 17,372,077 TOTAL current assets 366,199 3,175,152 -			
Other current assets 176,009 267,235 Total current assets 22,989,076 17,372,077 PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$1,789,204 at November 30, 2011, and \$1,633,290 at May 31, 2011 418,683 366,199 GOODWILL 3,175,152 - DEFERRED DISTRIBUTOR COSTS, net of accumulated amortization of \$5588,876 at November 30, 2011, and \$464,402 at May 31, 2011 - 124,474 FINANCING RECEIVABLES, net 17,316 27,133 DEFERRED RELATED PARTY CONSULTING EXPENSE 127,500 382,500 OTHER ASSETS 350,542 282,162 S27,078,269 \$18,554,545 LIABILITIES AND STOCKHOLDERS' EQUITY CURRENT LIABILITIES Accounts payable \$541,238 \$480,661 Accrued commissions 2,645,081 1,963,826 Accrued expenses and other liabilities 1,440,094 632,374 Sales tax payable 374,369 160,321 Deferred revenue - current portion 12,610,574 10,917,732 Deferred gain on sale-leaseback of building - current portion 35,497 53,245 Accrued professional fees 30,000	*	2,823,456	2,532,048
PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$1,73,20,77	Deferred related party consulting expense - current portion	510,000	510,000
PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$1,789,204 at November 30, 2011, and \$1,633,290 at May 31, 2011	Other current assets	176,009	267,235
\$1,789,204 at November 30, 2011, and \$1,633,290 at May 31, 2011 GOODWILL DEFERRED DISTRIBUTOR COSTS, net of accumulated amortization of \$588,876 at November 30, 2011, and \$464,402 at May 31, 2011 - 124,474 FINANCING RECEIVABLES, net 17,316 27,133 DEFERRED RELATED PARTY CONSULTING EXPENSE 127,500 382,500 OTHER ASSETS 305,542 282,162 \$27,078,269 \$18,554,545 LIABILITIES AND STOCKHOLDERS' EQUITY CURRENT LIABILITIES Accounts payable \$541,238 \$480,661 Accrued commissions 2,645,081 1,963,826 Accrued expenses and other liabilities 1,440,094 632,374 Sales tax payable 374,369 160,321 Deferred revenue - current portion 12,610,574 10,917,732 Deferred gain on sale-leaseback of building - current portion 35,497 53,245 Accrued professional fees 30,000 61,550 Trade payable due to related party 3,359 265,863 Total current liabilities 17,680,212 14,535,572 LONG-TERM LIABILITIES Deferred revenue 2,091,992 1,004,483 Accrued rent expense - 3,001 Deferred gain on sale-leaseback of building - 284,550 - 4 LONG-TERM LIABILITIES Deferred revenue 284,550 - 5 LONG-TERM LIABILITIES Deferred gain on sale-leaseback of building - 284,550 - 5 LONG-TERM LIABILITIES Deferred payense - 3,001 Deferred gain on sale-leaseback of building - 24,835 Total long-term liabilities 76,267 94,835 Total long-term liabilities 2,452,809 1,111,193	Total current assets	22,989,076	17,372,077
\$1,789,204 at November 30, 2011, and \$1,633,290 at May 31, 2011 GOODWILL DEFERRED DISTRIBUTOR COSTS, net of accumulated amortization of \$588,876 at November 30, 2011, and \$464,402 at May 31, 2011 - 124,474 FINANCING RECEIVABLES, net 17,316 27,133 DEFERRED RELATED PARTY CONSULTING EXPENSE 127,500 382,500 OTHER ASSETS 305,542 282,162 \$27,078,269 \$18,554,545 LIABILITIES AND STOCKHOLDERS' EQUITY CURRENT LIABILITIES Accounts payable \$541,238 \$480,661 Accrued commissions 2,645,081 1,963,826 Accrued expenses and other liabilities 1,440,094 632,374 Sales tax payable 374,369 160,321 Deferred revenue - current portion 12,610,574 10,917,732 Deferred gain on sale-leaseback of building - current portion 35,497 53,245 Accrued professional fees 30,000 61,550 Trade payable due to related party 3,359 265,863 Total current liabilities 17,680,212 14,535,572 LONG-TERM LIABILITIES Deferred revenue 2,091,992 1,004,483 Accrued rent expense - 3,001 Deferred gain on sale-leaseback of building - 284,550 - 4 LONG-TERM LIABILITIES Deferred revenue 284,550 - 5 LONG-TERM LIABILITIES Deferred gain on sale-leaseback of building - 284,550 - 5 LONG-TERM LIABILITIES Deferred payense - 3,001 Deferred gain on sale-leaseback of building - 24,835 Total long-term liabilities 76,267 94,835 Total long-term liabilities 2,452,809 1,111,193			
SOODWILL STATE S	PROPERTY AND EQUIPMENT, net of accumulated depreciation of		
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FINANCING RECEIVABLES, net 17,316 27,133 DEFERRED RELATED PARTY CONSULTING EXPENSE 127,500 382,500 OTHER ASSETS 350,542 282,162 \$27,078,269 \$18,554,545 ELIABILITIES AND STOCKHOLDERS' EQUITY CURRENT LIABILITIES Accounts payable \$541,238 \$480,661 Accrued commissions 2,645,081 1,963,826 Accrued expenses and other liabilities 1,440,094 632,374 Sales tax payable 374,369 160,321 Deferred revenue - current portion 12,610,574 10,917,732 Deferred gain on sale-leaseback of building - current portion 35,497 53,245 Accrued professional fees 30,000 61,550 Trade payable due to related party 3,359 265,863 Total current liabilities 17,680,212 14,535,572 LONG-TERM LIABILITIES Deferred revenue 2,091,992 1,004,483 Accrued rent expense - 3,001 Deferred gain on sale-leaseback of building - 8,874 Notes payable due to related party 284,550 - (Other long-term liabilities 76,267 94,835 Total long-term liabilities 2,452,809 1,111,193 COMMITMENTS AND CONTINGENCIES (NOTE P) STOCKHOLDERS' EQUITY	DEFERRED DISTRIBUTOR COSTS, net of accumulated amortization of		
DEFERRED RELATED PARTY CONSULTING EXPENSE 127,500 382,500 OTHER ASSETS 350,542 282,162 \$27,078,269 \$18,554,545 LIABILITIES AND STOCKHOLDERS' EQUITY CURRENT LIABILITIES Accounts payable \$541,238 \$480,661 Accrued commissions 2,645,081 1,963,826 Accrued expenses and other liabilities 1,440,094 632,374 Sales tax payable 374,369 160,321 Deferred revenue - current portion 12,610,574 10,917,732 Deferred gain on sale-leaseback of building - current portion 35,497 53,245 Accrued professional fees 30,000 61,550 Trade payable due to related party 3,359 265,863 Total current liabilities 17,680,212 14,535,572 LONG-TERM LIABILITIES Deferred revenue 2,091,992 1,004,483 Accrued rent expense - 3,001 Deferred gain on sale-leaseback of building - 8,874 Notes payable due to related party 284,550 -	\$588,876 at November 30, 2011, and \$464,402 at May 31, 2011	-	124,474
OTHER ASSETS 350,542 282,162 \$27,078,269 \$18,554,545 LIABILITIES AND STOCKHOLDERS' EQUITY CURRENT LIABILITIES Accounts payable \$541,238 \$480,661 Accrued commissions 2,645,081 1,963,826 Accrued expenses and other liabilities 1,440,094 632,374 Sales tax payable 374,369 160,321 Deferred revenue - current portion 12,610,574 10,917,732 Deferred gain on sale-leaseback of building - current portion 35,497 53,245 Accrued professional fees 30,000 61,550 Trade payable due to related party 3,359 265,863 Total current liabilities 17,680,212 14,535,572 LONG-TERM LIABILITIES Deferred revenue 2,091,992 1,004,483 Accrued rent expense - 3,001 Deferred gain on sale-leaseback of building - 8,874 Notes payable due to related party 284,550 - Other long-term liabilities 76,267 94,835	FINANCING RECEIVABLES, net	17,316	27,133
\$27,078,269 \$18,554,545 LIABILITIES AND STOCKHOLDERS' EQUITY CURRENT LIABILITIES Accounts payable \$541,238 \$480,661 Accrued commissions 2,645,081 1,963,826 Accrued expenses and other liabilities 1,440,094 632,374 Sales tax payable 374,369 160,321 Deferred revenue - current portion 12,610,574 10,917,732 Deferred gain on sale-leaseback of building - current portion 35,497 53,245 Accrued professional fees 30,000 61,550 Trade payable due to related party 3,359 265,863 Total current liabilities 17,680,212 14,535,572 LONG-TERM LIABILITIES Deferred revenue 2,091,992 1,004,483 Accrued rent expense - 3,001 Deferred gain on sale-leaseback of building - 8,874 Notes payable due to related party 284,550 - Other long-term liabilities 76,267 94,835 Total long-term liabilities 2,452,809 1,111,193	DEFERRED RELATED PARTY CONSULTING EXPENSE	127,500	382,500
LIABILITIES AND STOCKHOLDERS' EQUITY CURRENT LIABILITIES Accounts payable \$541,238 \$480,661 Accrued commissions 2,645,081 1,963,826 Accrued expenses and other liabilities 1,440,094 632,374 Sales tax payable 374,369 160,321 Deferred revenue - current portion 12,610,574 10,917,732 Deferred gain on sale-leaseback of building - current portion 35,497 53,245 Accrued professional fees 30,000 61,550 Trade payable due to related party 3,359 265,863 Total current liabilities 17,680,212 14,535,572 LONG-TERM LIABILITIES 2,091,992 1,004,483 Accrued rent expense - 3,001 Deferred gain on sale-leaseback of building - 8,874 Notes payable due to related party 284,550 - Other long-term liabilities 76,267 94,835 Total long-term liabilities 2,452,809 1,111,193 COMMITMENTS AND CONTINGENCIES (NOTE P) STOCKHOLDERS' EQUITY	OTHER ASSETS	350,542	282,162
CURRENT LIABILITIES \$541,238 \$480,661 Accounts payable \$541,238 \$480,661 Accrued commissions 2,645,081 1,963,826 Accrued expenses and other liabilities 1,440,094 632,374 Sales tax payable 374,369 160,321 Deferred revenue - current portion 12,610,574 10,917,732 Deferred gain on sale-leaseback of building - current portion 35,497 53,245 Accrued professional fees 30,000 61,550 Trade payable due to related party 3,359 265,863 Total current liabilities 17,680,212 14,535,572 LONG-TERM LIABILITIES 2 1,004,483 Accrued rent expense - 3,001 Deferred gain on sale-leaseback of building - 8,874 Notes payable due to related party 284,550 - Other long-term liabilities 76,267 94,835 Total long-term liabilities 2,452,809 1,111,193 COMMITMENTS AND CONTINGENCIES (NOTE P) STOCKHOLDERS' EQUITY		\$27,078,269	\$18,554,545
Accounts payable \$541,238 \$480,661 Accrued commissions 2,645,081 1,963,826 Accrued expenses and other liabilities 1,440,094 632,374 Sales tax payable 374,369 160,321 Deferred revenue - current portion 12,610,574 10,917,732 Deferred gain on sale-leaseback of building - current portion 35,497 53,245 Accrued professional fees 30,000 61,550 Trade payable due to related party 3,359 265,863 Total current liabilities 17,680,212 14,535,572 LONG-TERM LIABILITIES 2 1,004,483 Deferred revenue 2,091,992 1,004,483 Accrued rent expense - 3,001 Deferred gain on sale-leaseback of building - 8,874 Notes payable due to related party 284,550 - Other long-term liabilities 76,267 94,835 Total long-term liabilities 2,452,809 1,111,193 COMMITMENTS AND CONTINGENCIES (NOTE P) STOCKHOLDERS' EQUITY	LIABILITIES AND STOCKHOLDERS' EQUITY		
Accrued commissions 2,645,081 1,963,826 Accrued expenses and other liabilities 1,440,094 632,374 Sales tax payable 374,369 160,321 Deferred revenue - current portion 12,610,574 10,917,732 Deferred gain on sale-leaseback of building - current portion 35,497 53,245 Accrued professional fees 30,000 61,550 Trade payable due to related party 3,359 265,863 Total current liabilities 17,680,212 14,535,572 LONG-TERM LIABILITIES 2,091,992 1,004,483 Accrued rent expense - 3,001 Deferred gain on sale-leaseback of building - 8,874 Notes payable due to related party 284,550 - Other long-term liabilities 76,267 94,835 Total long-term liabilities 2,452,809 1,111,193 COMMITMENTS AND CONTINGENCIES (NOTE P) STOCKHOLDERS' EQUITY	CURRENT LIABILITIES		
Accrued expenses and other liabilities 1,440,094 632,374 Sales tax payable 374,369 160,321 Deferred revenue - current portion 12,610,574 10,917,732 Deferred gain on sale-leaseback of building - current portion 35,497 53,245 Accrued professional fees 30,000 61,550 Trade payable due to related party 3,359 265,863 Total current liabilities 17,680,212 14,535,572 LONG-TERM LIABILITIES 2,091,992 1,004,483 Accrued revenue 2,091,992 1,004,483 Accrued rent expense - 3,001 Deferred gain on sale-leaseback of building - 8,874 Notes payable due to related party 284,550 - Other long-term liabilities 76,267 94,835 Total long-term liabilities 2,452,809 1,111,193 COMMITMENTS AND CONTINGENCIES (NOTE P) STOCKHOLDERS' EQUITY	Accounts payable	\$541,238	\$480,661
Sales tax payable 374,369 160,321 Deferred revenue - current portion 12,610,574 10,917,732 Deferred gain on sale-leaseback of building - current portion 35,497 53,245 Accrued professional fees 30,000 61,550 Trade payable due to related party 3,359 265,863 Total current liabilities 17,680,212 14,535,572 LONG-TERM LIABILITIES 2,091,992 1,004,483 Accrued revenue 2,091,992 1,004,483 Accrued rent expense - 3,001 Deferred gain on sale-leaseback of building - 8,874 Notes payable due to related party 284,550 - Other long-term liabilities 76,267 94,835 Total long-term liabilities 2,452,809 1,111,193 COMMITMENTS AND CONTINGENCIES (NOTE P) STOCKHOLDERS' EQUITY	Accrued commissions	2,645,081	1,963,826
Deferred revenue - current portion 12,610,574 10,917,732 Deferred gain on sale-leaseback of building - current portion 35,497 53,245 Accrued professional fees 30,000 61,550 Trade payable due to related party 3,359 265,863 Total current liabilities 17,680,212 14,535,572 LONG-TERM LIABILITIES 2,091,992 1,004,483 Accrued rent expense - 3,001 Deferred gain on sale-leaseback of building - 8,874 Notes payable due to related party 284,550 - Other long-term liabilities 76,267 94,835 Total long-term liabilities 2,452,809 1,111,193 COMMITMENTS AND CONTINGENCIES (NOTE P) STOCKHOLDERS' EQUITY	Accrued expenses and other liabilities	1,440,094	632,374
Deferred gain on sale-leaseback of building - current portion 35,497 53,245 Accrued professional fees 30,000 61,550 Trade payable due to related party 3,359 265,863 Total current liabilities 17,680,212 14,535,572 LONG-TERM LIABILITIES 2,091,992 1,004,483 Accrued rent expense - 3,001 Deferred gain on sale-leaseback of building - 8,874 Notes payable due to related party 284,550 - Other long-term liabilities 76,267 94,835 Total long-term liabilities 2,452,809 1,111,193 COMMITMENTS AND CONTINGENCIES (NOTE P) STOCKHOLDERS' EQUITY	Sales tax payable	374,369	160,321
Accrued professional fees 30,000 61,550 Trade payable due to related party 3,359 265,863 Total current liabilities 17,680,212 14,535,572 LONG-TERM LIABILITIES Deferred revenue 2,091,992 1,004,483 Accrued rent expense - 3,001 Deferred gain on sale-leaseback of building - 8,874 Notes payable due to related party 284,550 - Other long-term liabilities 76,267 94,835 Total long-term liabilities 2,452,809 1,111,193 COMMITMENTS AND CONTINGENCIES (NOTE P) STOCKHOLDERS' EQUITY	Deferred revenue - current portion	12,610,574	10,917,732
Trade payable due to related party Total current liabilities LONG-TERM LIABILITIES Deferred revenue 2,091,992 1,004,483 Accrued rent expense - 3,001 Deferred gain on sale-leaseback of building Notes payable due to related party Other long-term liabilities Total long-term liabilities COMMITMENTS AND CONTINGENCIES (NOTE P) STOCKHOLDERS' EQUITY	Deferred gain on sale-leaseback of building - current portion	35,497	53,245
Total current liabilities 17,680,212 14,535,572 LONG-TERM LIABILITIES Deferred revenue 2,091,992 1,004,483 Accrued rent expense - 3,001 Deferred gain on sale-leaseback of building - 8,874 Notes payable due to related party 284,550 - Other long-term liabilities 76,267 94,835 Total long-term liabilities 2,452,809 1,111,193 COMMITMENTS AND CONTINGENCIES (NOTE P) STOCKHOLDERS' EQUITY	Accrued professional fees	30,000	61,550
LONG-TERM LIABILITIES Deferred revenue 2,091,992 1,004,483 Accrued rent expense - 3,001 Deferred gain on sale-leaseback of building - 8,874 Notes payable due to related party 284,550 - Other long-term liabilities 76,267 94,835 Total long-term liabilities 2,452,809 1,111,193 COMMITMENTS AND CONTINGENCIES (NOTE P) STOCKHOLDERS' EQUITY	Trade payable due to related party	3,359	265,863
Deferred revenue 2,091,992 1,004,483 Accrued rent expense - 3,001 Deferred gain on sale-leaseback of building - 8,874 Notes payable due to related party 284,550 - Other long-term liabilities 76,267 94,835 Total long-term liabilities 2,452,809 1,111,193 COMMITMENTS AND CONTINGENCIES (NOTE P) STOCKHOLDERS' EQUITY	Total current liabilities	17,680,212	14,535,572
Deferred revenue 2,091,992 1,004,483 Accrued rent expense - 3,001 Deferred gain on sale-leaseback of building - 8,874 Notes payable due to related party 284,550 - Other long-term liabilities 76,267 94,835 Total long-term liabilities 2,452,809 1,111,193 COMMITMENTS AND CONTINGENCIES (NOTE P) STOCKHOLDERS' EQUITY			
Accrued rent expense - 3,001 Deferred gain on sale-leaseback of building - 8,874 Notes payable due to related party 284,550 - Other long-term liabilities 76,267 94,835 Total long-term liabilities 2,452,809 1,111,193 COMMITMENTS AND CONTINGENCIES (NOTE P) STOCKHOLDERS' EQUITY	LONG-TERM LIABILITIES		
Deferred gain on sale-leaseback of building Notes payable due to related party Other long-term liabilities 76,267 Other long-term liabilities 76,267 2,452,809 1,111,193 COMMITMENTS AND CONTINGENCIES (NOTE P) STOCKHOLDERS' EQUITY	Deferred revenue	2,091,992	1,004,483
Notes payable due to related party Other long-term liabilities 76,267 94,835 Total long-term liabilities 2,452,809 1,111,193 COMMITMENTS AND CONTINGENCIES (NOTE P) STOCKHOLDERS' EQUITY	Accrued rent expense	-	3,001
Other long-term liabilities 76,267 94,835 Total long-term liabilities 2,452,809 1,111,193 COMMITMENTS AND CONTINGENCIES (NOTE P) STOCKHOLDERS' EQUITY	Deferred gain on sale-leaseback of building	-	8,874
Total long-term liabilities 2,452,809 1,111,193 COMMITMENTS AND CONTINGENCIES (NOTE P) STOCKHOLDERS' EQUITY	Notes payable due to related party	284,550	-
COMMITMENTS AND CONTINGENCIES (NOTE P) STOCKHOLDERS' EQUITY	Other long-term liabilities	76,267	94,835
STOCKHOLDERS' EQUITY	Total long-term liabilities	2,452,809	1,111,193
,	COMMITMENTS AND CONTINGENCIES (NOTE P)		
Preferred stock, \$.01 par value; 1,000,000 shares authorized;	STOCKHOLDERS' EQUITY		
	Preferred stock, \$.01 par value; 1,000,000 shares authorized;		

0 shares at November 30, 2011 and 299,024 shares at			
May 31, 2011 issued and outstanding	-	2,990	
Common stock, \$.001 par value; 250,000,000 shares authorized;			
153,103,796 shares at November 30, 2011 and 117,078,704 at			
May 31, 2011 issued and outstanding	153,103	117,079	
Additional paid-in capital	60,152,117	55,743,295	
Accumulated deficit	(53,363,971)	(52,955,584)	
Accumulated other comprehensive income	3,999	-	
Total stockholders' equity	6,945,248	2,907,780	
	\$27,078,269	\$18,554,545	
The accompanying notes are an integral part of these consolidated condensed financial statements. Page 3			

Vasomedical, Inc. and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS (Unaudited)

	Si	x Months End	ded N	ovember 30, 2010	T	hree Months	Endec	November 30 2010	0,
Revenues		2011		2010		2011		2010	
Equipment sales	\$	1,151,711	\$	1,913,275	\$	876,751	\$	1,188,756	
Equipment rentals and services	φ	943,198	Ψ	1,144,690	φ	456,210	ψ	600,798	
Commissions		12,186,855		2,018,624		8,620,367		2,011,188	
Total revenues		14,281,764		5,076,589		9,953,328		3,800,742	
Total Tevenues		14,261,704		3,070,389		9,933,326		3,000,742	
Cost of revenues									
Cost of sales, equipment		700,251		1,191,184		539,297		791,855	
Cost of equipment rentals and services		460,878		461,709		222,031		225,016	
Cost of commissions		2,902,041		423,913		1,799,933		421,963	
Total cost of revenues		4,063,170		2,076,806		2,561,261		1,438,834	
Gross profit		10,218,594		2,999,783		7,392,067		2,361,908	
•									
Operating expenses									
Selling, general and administrative		9,165,913		6,513,547		4,791,028		3,408,868	
Research and development		273,555		216,468		138,426		106,079	
Total operating expenses		9,439,468		6,730,015		4,929,454		3,514,947	
Operating income (loss)		779,126		(3,730,232)	2,462,613		(1,153,039)
		,		, ,					
Other income (expenses)									
Interest and financing costs		(6,872)	(6,496)	(4,612)	(2,853)
Interest and other income, net		42,851		16,144		21,666	,	12,612	
Amortization of deferred gain on									
sale-leaseback of building		26,623		26,623		13,312		13,312	
Total other income, net		62,602		36,271		30,366		23,071	
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Income (loss) before income taxes		841,728		(3,693,961)	2,492,979		(1,129,968)
Income tax expense, net		(26,129)	(7,330)	(24,329)	(1,500)
Net income (loss)		815,599		(3,701,291)	2,468,650		(1,131,468)
		,							
Preferred stock dividends	\$	(1,221,362)	(152,111) \$	(1,135,869)	(124,403)
Net (loss) income applicable to common		•	,				,	•	
stockholders	\$	(405,763) \$	(3,853,402) \$	1,332,781	\$	(1,255,871)
Other comprehensive (loss) income									
Foreign currency adjustments		3,999		-		3,999		-	
Comprehensive (loss) income	\$	(401,764) \$	(3,853,402) \$	1,336,780	\$	(1,255,871)
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Earnings (loss) per common share									
- basic	\$	(0.00)) \$	(0.03) \$	0.01	\$	(0.01)
- diluted	\$	(0.00)) \$	(0.03) \$	0.01	\$	(0.01)

Weighted average common shares

outstanding

- basic	145,387,954	110,775,966	153,310,322	111,123,353
- diluted	145,387,954	110,775,966	160,078,677	111,123,353

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

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Vasomedical, Inc. and Subsidiaries CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (Unaudited)

	Six months ended November 30,	
	2011	2010
Cash flows from operating activities		
Net income (loss)	\$815,599	\$(3,701,291)
Adjustments to reconcile net income (loss) to net cash used in operating activities		
Depreciation and amortization of property and equipment	83,949	72,707
Amortization of deferred gain on sale-leaseback of building	(26,623) (26,623)
(Gain) on disposal of fixed assets	(3,673) -
Provision for doubtful accounts	320,426	623,535
Amortization of deferred distributor costs	124,474	62,792
Share-based compensation		