

CompuMed, Inc.

September 30, 2015 –Annual Report

1) Name of the issuer and its predecessors (if any)

In answering this item, please also provide any names used by predecessor entities in the past five years and the dates of the name changes.

CompuMed, Inc.

2) Address of the issuer's principal executive offices

Company Headquarters

Address 1: **5777 West Century Blvd.**

Address 2: **Suite 360**

Address 3: **Los Angeles, CA, 90045**

Phone: **(310) 258-5000**

Email: icarroll@compumedinc.com

Website(s): www.compumedinc.com

IR Contact: CompuMed, Inc.

Address 1: **5777 West Century Blvd.**

Address 2: **Suite 360**

Address 3: **Los Angeles, CA, 90045**

Phone: **(310) 258-5000**

Email: investorrelations@compumedinc.com

Website(s): <http://www.compumedinc.com>

3) Security Information

Trading Symbol: CMPD

Exact title and class of securities outstanding: Common Stock

CUSIP: 204914 40 2

Par or Stated Value: .01

Total shares authorized: **50,000,000** as of: **7/21/1986**

Additional class of securities (if necessary):

Trading Symbol: _____

Exact title and class of securities outstanding: ____ CUSIP: _____

Par or Stated Value: _____

Total shares authorized: _____ as of: _____ Total shares outstanding: _____ as of: _____

Transfer Agent Name: Computershare

Address 1: 350 Indiana Street

Address 2: Suite 750

Address 3: Golden, CO 80401

Phone: (303) 262-0678

Is the Transfer Agent registered under the Exchange Act? * **YES** ☒ **NO** ☐

*To be included in the OTC Pink Current Information tier, the transfer agent must be registered under the Exchange Act.

List any restrictions on the transfer of security:

Restricted securities may only be sold pursuant to exemptions under the Securities Act of 1933 and accompanying regulation

Describe any trading suspension orders issued by the SEC in the past 12 months.

None

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

None

4) Share Outstanding:

| Common Stock | |
|--------------------------|--------------------|
| Period End Date | September 30, 2015 |
| Authorized | 50,000,000 |
| Issued and Outstanding | 30,471,195 |
| Preferred Stock * | |
| Period End Date | September 30, 2015 |
| Authorized | 1,000,000 |
| Class | A |
| Issued and Outstanding | 8,400 |
| Class* | B |
| Issued and Outstanding | 300 |
| Class | D |
| Issued and Outstanding | 4,167 |

*See Note B - Stockholder's Equity

5) Issuance History

List below any events, in chronological order, that resulted in changes in total shares outstanding by the issuer in the past two fiscal years and any interim period. The list shall include all offerings of securities, whether private or public, and all shares or any other securities or options to acquire such securities issued for services, describing (1) the securities, (2) the persons or entities to whom such securities were issued and (3) the services provided by such persons or entities. The list shall indicate:

- A. The nature of each offering (e.g., Securities Act Rule 504, intrastate, etc.);
Below
- B. Any jurisdictions where the offering was registered or qualified;
Below
- C. The number of shares offered;
Below
- D. The number of shares sold;
Below
- E. The price at which the shares were offered, and the amount actually paid to the issuer;
Below
- F. The trading status of the shares;
Below
- G. Whether the certificates or other documents that evidence the shares contain a legend (1) stating that the shares have not been registered under the Securities Act and (2) setting forth or referring to the restrictions on transferability and sale of the shares under the Securities Act;
Below

List of Relevant Transactions for this Section:

No relevant transactions in Fiscal 2015.

With respect to private offerings of securities, the list shall also indicate the identity of the persons who purchased securities in such private offering; provided, however, that in the event that any such person is an entity, the list shall also indicate (a) the identity of each natural person beneficially owning, directly or indirectly, more than ten percent (10%) of any class of equity securities of such entity and (b) to the extent not otherwise disclosed, the identity of each natural person who controlled or directed, directly or indirectly, the purchase of such securities for such entity.

The financial statements requested pursuant to this item shall be prepared in accordance with US GAAP by persons with sufficient financial skills.

You may either (i) attach/append the financial statements to this disclosure statement or (ii) post such financial statements through the OTC Disclosure & News Service as a separate report using

the appropriate report name for the applicable period end. (“Annual Report”, “Quarterly Report” or “Interim Report”)

If you choose to publish the financial reports separately as described in part (ii) above, you must state in the accompanying disclosure statement that such financial statements are incorporated by reference. You may reference the document(s) containing the required financial statements by indicating the document name, period end date, and the date that it was posted to otcq.com in the field below.

N/A

Information contained in a Financial Report is considered current until the due date for the subsequent Financial Report. To remain in the OTC Pink Current Information tier, a company must post its Annual Report within 90 days from its fiscal year-end date and Quarterly Reports within 45 days of its fiscal quarter-end date.

6) Describe the Issuer’s Business, Products and Services

Describe the issuer’s business so a potential investor can clearly understand the company. In answering this item, please include the following:

A. Description of the issuer’s business operations;

CompuMed, Inc. Enterprise Telemedicine Solutions provide patients with the highest level of clinical care at reduced costs. Our telecardiology and teleradiology offerings provide real-time access to U.S. Board-Certified specialists through cloud-based technology and integrated medical devices to medical facilities anywhere in the world. Our solutions primarily support the diagnosis and treatment of several costly, high incidence diseases, particularly cardiovascular disease and osteoporosis.

B. Date and State (or Jurisdiction) of Incorporation:

The Company was incorporated in the State of Delaware on July 21, 1986

C. The issuer’s primary and secondary SIC Codes: 5045 and 5047

D. The issuer’s fiscal year end date: September 30

E. Principal products or services, and their markets;

Telemedicine Products

CompuMed, Inc. Enterprise Telemedicine Solutions provide patients with the highest level of clinical care at reduced costs. Our telecardiology and teleradiology offerings provide direct access to U.S. Board-Certified specialists through cloud-based technology and integrated medical devices. The company services over 1,000 clinical settings. We have established one of the nation's largest networks for remote electronic processing of electrocardiograms (“ECGs”), echocardiograms (“Echos”), ultrasound studies and X-rays. We provide ECG equipment and cardiology services to our clients and perform tens of thousands of ECG interpretations/overreads annually. CompuMed has created an electronic telemedicine infrastructure to link clinical

diagnostic equipment data collected at the patient's point of care with top specialists through our call center. We also provide real-time access to specialists for consultations. The equipment that we rent and sell consists primarily of 12-lead ECG devices and ultrasound equipment. CompuMed also provides mobile imaging services, including the administration of radiology and cardiology diagnostic exams. We are providing single lead ECG interpretations for the consumer market through a handheld device. One of our innovations is the workflow technology being used to manage the inflow of data to our servers, and the routing of that data to specialists through technology such as Picture Archiving and Communication Systems (PACS).

Our services are available twenty-four hours a day, seven days per week. We have expertise in electronic workflow, telemonitoring, imaging and analysis. Additionally, we contract with certain partners to develop diagnostic systems, which support our telemedicine workflow. We provide these solutions to our customers either through sale, rental and lease to own arrangements. The value proposition for our clients is top clinical care at a lower cost, while minimizing risk.

CompuMed continues to actively develop international telemedicine prospects within developing foreign countries. It is our belief that there is demand in certain developing world markets for expert health care provisioned from the U.S. via telemedicine. It is too early to predict the exact size and scope of the Company's international opportunities.

Skeletal Health Products

We have developed certain solutions and related intellectual properties relating to bone density measurement in support of diagnostic applications for diseases such as osteoporosis. Despite significant investments in technology and marketing, these solutions have not been widely adopted in the U.S. We continue to support certain distributors of our skeletal health solutions within international markets.

The OsteoGram is a non-invasive diagnostic software system that has been shown in clinical studies to provide an effective and accurate bone density measurement in connection with screening for osteoporosis and assessing hip fracture risk from digital X-Rays of the hand and wrist. We have a number of issued patents in this area and OsteoGram is FDA cleared for sale in the US.

OsteoGram's limited acceptance in the market may be partially due to the fact that it is based upon Radiographic Absorptiometry (RA) technology. There is a tendency by the physician community to believe that RA is a lesser technology than dual-energy x-ray absorptiometry (DXA), the prevalent competing approach to bone densitometry. While this appears to be a "perception" which is unsupported by clinical studies, it has presented sales challenges. We have had modest success working with partners in international markets, where this issue appears less pronounced.

The Company along with its OEMs worked diligently to clear the product for sale in China. This effort resulted in the China Food and Drug Administration (CFDA) clearing the OsteoGram for sale in China on June 6, 2008. In 2014, the CFDA approved the renewal of CompuMed's license to sell OsteoGram within China and it is valid until August 31, 2019.

F. Describe the Issuer's Facilities

The goal of this section is to provide a potential investor with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer, give the location of the principal plants and other property of the issuer and describe the condition of the properties. If the issuer does not have complete ownership or control of the property (for example, if others also own the property or if there is a mortgage on the property), describe the limitations on the ownership.

If the issuer leases any assets, properties or facilities, clearly describe them as above and the terms of their leases. The Company has capital leases for machinery and equipment that expires between now and 2018. In February 2013, the Company entered into the First Amendment to extend the lease for an additional three years. Under the new lease, the Company occupies 7,855 square feet of space. This is reduced from 10,949 square feet. The lease extension reduces the monthly rent to \$10,644.75 from \$15,404.00 for the first year and increases by 3% in the ensuing lease years. In March of 2015, CompuMed entered into a sublet agreement in which it sublet 2,164 square feet of extra space through the end of its current lease at a rate of \$1,308 per month.

G. Officers, Directors, and Control Persons

The goal of this section is to provide an investor with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant shareholders.

A. Names of Officers, Directors, and Control Persons. In responding to this item, please provide the names of each of the issuer's executive officers, directors, general partners and control persons (control persons are beneficial owners of more than five percent (5%) of any class of the issuer's equity securities), as of the date of this information statement.

| NAME | DIRECTORS AND OFFICERS as of 9/30/2015 |
|-------------------|---|
| David W. Pointer* | Chairman of the Board |
| Dan McCarthy* | Director |
| Lee Keddie* | Director |
| Jeremy Wiener* | Director |
| Benjamin Large | Director |
| W. Scott Rombach* | President and Chief Executive Officer |
| Laura Carroll | Chief Financial Officer and Corporate Secretary |

**See Subsequent Events*

CONTROL PERSONS

David W. Pointer

VI Capital Management, LLC
PO Box 402
Newman Lake, Washington 99025

4,167 Series D Preferred shares (convertible to 8,334,000 common shares) and 1,045,276 common shares

W. Scott Rombach *

5777 W. Century Blvd., Suite 360
Los Angeles, CA 90045 1,750,000 shares

B. Officers and Directors Compensation

The following table shows for the fiscal year ended September 30, 2015 certain compensation information for our executive officers and directors.

SUMMARY COMPENSATION TABLE

| Name and Principal Position | Year | Salary (\$) | All Other Compensation | Total (\$) |
|---|------|-------------|------------------------|------------|
| W. Scott Rombach Chief Executive Officer | 2015 | \$115,000 | \$89,335 (1) (2) | \$204,335 |
| Laura Carroll Chief Financial Officer and Secretary | 2015 | \$82,000 | \$6,000 (1) | \$88,000 |
| David Pointer Chairman | 2015 | - | \$1,000 (3) | \$1,000 |
| Dan McCarthy Director | 2015 | - | \$1,000 (3) | \$1,000 |
| Lee Keddie Director | 2015 | - | \$1,000 (3) | \$1,000 |
| Jeremy Weiner Director | 2015 | - | \$1,000 (3) | \$1,000 |
| Benjamin Large Director | 2015 | - | \$1,000 (3) | \$1,000 |

(1) Performance Bonus.

(2) Restricted Stock Award of 500,000 shares, fully vested on September 30, 2015, share price \$.08.

(3) Board of Director Compensation: \$1,000 cash compensation and Stock Option Grant of 50,000 shares with price of \$.10 per share.

C. Legal/Disciplinary History. Please identify whether any of the foregoing persons have, in the last five years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

None

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;

None

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or

None

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred suspended or otherwise limited such person's involvement in any type of business or securities activities.

None

D. Beneficial Shareholders. Provide a list of the name, address and shareholdings or the percentage of shares owned by all persons beneficially owning more than ten percent (10%) of any class of the issuer's equity securities. If any of the beneficial shareholders are corporate shareholders, provide the name and address of the person(s) owning or controlling such corporate shareholders and the resident agents of the corporate shareholders.

VI Capital Management, LLC

PO Box 402

Newman Lake, Washington 99025

4,167 Series D Preferred shares (convertible to 8,334,000 common shares) and 1,045,276 common shares

David W. Pointer, as the sole manager VI Capital Management LLC (VI Capital" may be deemed to be an indirect beneficial owner of the shares of Common Stock held directly by VI Capital. Mr. Pointer does not own any shares of Common Stock directly and disclaims beneficial ownership of the shares of Common Stock beneficially owned by VI Capital.

E. Third Party Providers

Please provide the name, address, telephone number, and email address of each of the following outside providers that advise your company on matters relating to operations, business development and disclosure:

Legal Counsel

Name: John Myer

Firm: Myer Law PLLC

Address 1: 2101 Fourth Avenue Suite 1900

Address 2: Seattle, Washington 98121

Phone: 206-651-5563

Email: john@myercorplaw.com

Accountants

Name: Alan Kazden, CPA

Firm: Rose, Snyder & Jacobs

Address 1: 15821 Ventura Blvd., Suite 490

Address 2: Encino, CA 91436

Phone: (818) 461-0600

Email: akazden@rsjcpa.com

Investor Relations

Name: CompuMed, Inc.

Firm: CompuMed, Inc.

Address 1: 5777 W. Century Blvd., Suite 360

Address 2: Los Angeles, CA 90045

Phone: (310) 258-5000 x117**Email:** investorrelations@compumedinc.com

Other Advisor: Any other advisor(s) that assisted, advised, prepared or provided information with respect to this disclosure statement.

Name: N/A

F. Issuer Certification

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles, but having the same responsibilities). The certifications shall follow the format below:

I, Lee Keddie, Co-CEO certify that:

1. I have reviewed this quarterly report of CompuMed, Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

September 30, 2015

/s/ Lee Keddie [Signature]
Co - Chief Executive Officer

I, Laura Carroll, Chief Financial Officer certify that:

1. I have reviewed this quarterly report of CompuMed, Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

September 30, 2015

/s/ Laura Carroll [Signature]

Chief Financial Officer

COMPUMED, INC.
FINANCIAL STATEMENTS

Item 3. Interim Financial Statements

CONDENSED BALANCE SHEETS COMPUMED, INC.

| | September 30, 2015 | September 30, 2014 |
|---|-----------------------|-----------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | 117,782 | 117,442 |
| Accounts receivable, net of allowance of \$32,364 (September 2015) and \$27,642 (September 2014) | 307,043 | 264,738 |
| Inventory | 62,064 | 33,864 |
| Prepaid expenses and other current assets | 24,235 | 13,748 |
| TOTAL CURRENT ASSETS | 511,124 | 429,792 |
| PROPERTY AND EQUIPMENT, AT COST | | |
| Machinery and equipment | 1,809,255 | 1,676,720 |
| Furniture, fixtures and leasehold improvements | 56,532 | 44,332 |
| Equipment under capital leases | 371,332 | 372,199 |
| | 2,237,119 | 2,093,251 |
| Accumulated depreciation and amortization | (1,953,720) | (1,840,363) |
| TOTAL PROPERTY AND EQUIPMENT | 283,399 | 252,888 |
| OTHER ASSETS | | |
| Patents, net of accumulated amortization of \$107,727 (September 2015) and \$93,363 (September 2014) | 90,181 | 101,268 |
| Other assets | 25,488 | 14,784 |
| TOTAL OTHER ASSETS | 115,669 | 116,052 |
| TOTAL ASSETS | 910,192 | 798,732 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable | 223,811 | 230,205 |
| Notes Payable | - | - |
| Accrued Liabilities | 126,758 | 61,049 |
| Current portion of capital lease obligations | 115,302 | 102,617 |
| TOTAL CURRENT LIABILITIES | 465,871 | 393,871 |
| Capital lease obligations | 38,192 | 128,078 |
| Revolving line of credit - non current | 100,000 | 100,000 |
| TOTAL LIABILITIES | 604,063 | 621,949 |
| STOCKHOLDERS' EQUITY | | |
| Preferred Stock, \$0.10 par value - authorized 1,000,000 shares | | |
| Preferred Stock- Class A \$3.50 cumulative convertible voting - issued and outstanding - 8,400 shares | 1,287 | 1,287 |

| | | |
|---|--------------|--------------|
| Preferred Stock- Class B \$3.50 cumulative convertible voting - issued and outstanding - 300 shares | - | - |
| Preferred Stock- Class D 2% convertible - issued and outstanding - 4,167 shares | - | - |
| Common Stock, \$0.01 par value - authorized 50,000,000 shares, issued and outstanding – 30,471,195 and 29,971,195 (September 2015 and September 2014) | 304,032 | 304, 032 |
| Additional paid-in capital | 37,066,511 | 37,010,992 |
| Accumulated deficit | (37,065,701) | (37,139,528) |
| TOTAL STOCKHOLDERS' EQUITY | 306,129 | 176,783 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | 910,192 | 798,732 |

See notes to financial statements

CONDENSED STATEMENTS OF OPERATIONS
(UNAUDITED)

COMPUMED, INC.

| | Three months ended September 30, | | Twelve months ended September 30, | |
|--|----------------------------------|--------------------|-----------------------------------|---------------------|
| | 2015 | 2014 | 2015 | 2014 |
| <u>Revenue From Operations</u> | | | | |
| Telecardiology Services | \$ 518,332 | \$ 412,520 | \$ 1,929,664 | \$ 1,493,680 |
| Teleradiology Services | 14,617 | 8,230 | 57,687 | 23,771 |
| ECG Products and Supplies Sales | 42,771 | 75,523 | 228,606 | 274,945 |
| OsteoGram and Osteometer sales and services | 125 | 9,000 | 48,125 | 37,065 |
| TOTAL REVENUE | \$ 575,845 | \$ 505,273 | \$ 2,264,082 | \$ 1,829,461 |
| <u>OPERATING EXPENSES</u> | | | | |
| Costs of Services | 273,543 | 223,872 | 1,031,808 | 771,377 |
| Cost of Goods Sold ECG Products | 18,267 | 36,445 | 106,597 | 110,949 |
| Cost of Goods Sold OsteoGram and OsteoMeter | - | - | - | - |
| Selling Expenses | 30,458 | 55,563 | 165,967 | 280,410 |
| General and Administrative | 214,728 | 173,074 | 731,687 | 617,655 |
| Depreciation and amortization | 37,562 | 27,318 | 127,721 | 108,937 |
| TOTAL OPERATING EXPENSES | 574,558 | 516,272 | 2,163,780 | 1,889,328 |
| <u>OPERATING PROFIT/(LOSS)</u> | \$ 1,287 | \$ (10,999) | \$ 100,302 | \$ (59,867) |
| Other Income | 4,047 | 2,616 | 8,470 | 2,616 |
| Taxes | - | 2,879 | 800 | 4,672 |
| Interest Expense | 7,087 | 12,338 | 34,145 | 46,268 |
| <u>NET PROFIT/(LOSS)</u> | (1,753) | (23,600) | 73,827 | (108,191) |
| NET LOSS PER SHARE (Basic and diluted) | \$ (0.00) | \$ (0.00) | \$ (0.00) | \$ (0.00) |
| Weighted average number of common shares outstanding | 30,471,195 | 29,971,195 | 30,471,195 | 29,971,195 |

COMPUMED, INC.
STATEMENTS OF STOCKHOLDER'S EQUITY

| | Series A Stock | | Series D Stock | | Common Stock | | Additional | Accumulated | Total |
|--------------------------------|----------------|--------|----------------|----------|--------------|--------------|-----------------|-------------------|--------------|
| | Shares | Amount | Shares | Amount | Shares | Amount | Paid In Capital | Deficit | |
| Balances at September 30, 2014 | 8,400 | \$870 | 4,167 | \$416.70 | 29,971,195 | \$304,032.44 | \$37,010,992.51 | (\$37,139,528.26) | \$176,783.39 |
| Stock Based compensation | | | | | | | \$5,076.00 | | \$5,076.00 |
| Net Profit | | | | | | | | \$39,069.95 | \$39,069.95 |
| Balances at December 31, 2014 | 8,400 | \$870 | 4,167 | \$416.70 | 29,971,195 | \$304,032.44 | \$37,016,068.51 | (\$37,100,458.31) | \$220,929.34 |
| Stock Based compensation | | | | | | | \$16,677.00 | | \$16,677.00 |
| Net Profit | | | | | | | | \$5,461.82 | \$5,461.82 |
| Balances at March 31, 2015 | 8,400 | \$870 | 4,167 | \$416.70 | 29,971,195 | \$304,032.44 | \$37,032,745.51 | (\$37,094,996.49) | \$243,068.16 |
| Stock Based compensation | | | | | | | \$16,891.00 | | \$16,891.00 |
| Net Profit | | | | | | | | \$31,048.06 | \$31,048.06 |
| Balances at June 30, 2015 | 8,400 | \$870 | 4,167 | \$416.70 | 29,971,195 | \$304,032.44 | \$37,049,636.51 | (\$37,063,948.43) | \$291,007.22 |
| Shares Issued | | | | | 500,000 | | | | |
| Stock Based compensation | | | | | | | \$16,875.00 | | \$16,875.00 |
| Net Profit | | | | | | | | (\$1,752.94) | (\$1,752.94) |
| Balances at September 30, 2015 | 8,400 | \$870 | 4,167 | \$416.70 | 30,471,195 | \$304,032.44 | \$37,066,511.51 | (\$37,065,701.37) | \$306,129.28 |

A- CONDENSED STATEMENTS OF CASH FLOWS

| | Twelve Months Ending September 30, | |
|---|---------------------------------------|------------|
| | 2015 | 2014 |
| CASH FLOW FROM OPERATING ACTIVITIES: Net Profit/(Loss) | 73,827 | (71,874) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Stock Based Compensation | 55,519 | 15,906 |
| Bad Debts | - | - |
| Depreciation and amortization | 127,721 | 108,938 |
| (Increase)/Decrease in accounts receivable | (42,305) | (11,618) |
| (Increase)/Decrease in inventories, prepaid expenses and other assets | (49,391) | \$5,491 |
| Increase/(Decrease) in accounts payable and other liabilities | 59,315 | (63,219) |
| NET CASH USED IN OPERATING ACTIVITIES | 224,686 | (16,376) |
| (Purchase)/ Sale of Patents | (3,277) | (11,200) |
| (Purchase)/ Sale of property and Equipment | (143,868) | (67,845) |
| NET CASH USED IN INVESTING ACTIVITIES | (147,145) | (79,045) |
| CASH FLOW FROM FINANCING ACTIVITIES: | | |
| Payment on capital lease obligation | (77,201) | (25,936) |
| Equity proceeds | - | 117,615 |
| NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES | (77,201) | 91,679 |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | 340 | (3,742) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 117,442 | 121,184 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | \$ 117,782 | \$ 117,442 |

See notes to financial statements

COMPUMED, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS

Note A- Basis of Presentation and Accounting Policies

CompuMed, Inc. Enterprise Telemedicine Solutions provide patients with the highest level of clinical care at reduced costs. Our telecardiology and teleradiology offerings provide real-time access to U.S. Board-Certified specialists through cloud-based technology and integrated medical devices to medical facilities anywhere in the world. Our solutions primarily support the diagnosis and treatment of several costly, high incidence diseases, particularly cardiovascular disease and osteoporosis.

The accompanying unaudited condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States for financial information. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. For further information, refer to the financial statements for the year ended September 30, 2013 and the notes thereto included in the Company's Annual Report posted at www.otcm Markets.com.

On March 25, 2011, the Company filed a Form-15 with the SEC to deregister its common stock and suspend its reporting obligations under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Company believes that the deregistering its common stock will reduce significant expenses associated with regulatory compliance and that will be able to reallocate our resources towards improving growth and profitability. Our stock is currently traded on the OTC Pink operated by OTCMarkets.

Note B: Stockholder's Equity

CLASS A \$3.50 CUMULATIVE CONVERTIBLE VOTING PREFERRED STOCK:

The holders of Class A Preferred Stock are entitled to receive, when and as declared by the Board of Directors, dividends at an annual rate of \$0.35 per share, payable quarterly. Dividends are cumulative from the date of issuance. Every two (2) shares of the Class A Preferred Stock are presently convertible, subject to adjustment, into one (1) share of Common Stock. In the event of any liquidation, the holders of the Class A Preferred Stock are entitled to receive \$2.00 in cash per share plus accumulated and unpaid dividends out of assets available for distribution to stockholders, prior to any distribution to holders of Common Stock or any other stock ranking junior to the Class A Preferred Stock. The Class A Preferred Stock may be redeemed by the Company, upon 30-days' written notice, at a redemption price of \$3.85 per share. Class A Preferred Stock stockholders have the right to convert their shares into Common Stock during such 30-day period. Shares of Class A Preferred Stock have one vote each. Shares of Class A Preferred Stock vote along with shares of Common Stock and shares of Class B Preferred Stock as a single class on all matters presented to the stockholders for action except as follows: Without the affirmative vote of the holder of a majority of the Class A Preferred Stock then outstanding, voting as a separate class, the Company may not (i) amend, alter or repeal any of the preferences or rights of the Class A Preferred Stock, (ii) authorize any reclassification of the Class A Preferred Stock, (iii) increase the authorized number of shares of Class A Preferred Stock or (iv) create any class or series of shares ranking prior to the Class A

Preferred Stock as to dividends or upon liquidation. A total of 4,200 shares of Common Stock are currently issuable upon conversion of the remaining 8,400 shares of the Class A Preferred Stock.

CLASS B \$3.50 CONVERTIBLE VOTING PREFERRED STOCK:

In August 1994, the Company issued 52,333 shares of Class B \$3.50 Convertible Preferred Stock ("Class B Preferred Stock") in connection with the acquisition of certain property. The holders of Class B Preferred Stock are entitled to receive dividends only, when and as declared by the Board of Directors. Each share of Class B Preferred Stock is convertible, subject to adjustment, into ten (10) shares of Common Stock. In the event of any liquidation, the holders of the Class B Preferred Stock are entitled to receive \$3.50 in cash per share plus accumulated and unpaid dividends out of assets available for distribution to stockholders, prior to any distribution to holders of Common Stock or any other stock ranking junior to the Class B Preferred Stock. Each share of Class B Preferred Stock may be redeemed by the Company, upon 30-days' written notice, at a redemption price of \$3.85 per share. Class B Preferred Stock stockholders have the right to convert their shares into Common Stock during this 30-day period.

Shares of Class B Preferred Stock are entitled to one vote each. Shares of Class B Preferred Stock vote as a single class on all matters presented to the stockholders for action except as follows: Without the affirmative vote of the holder of a majority of the Class B Preferred Stock then outstanding, voting as a separate class, the Company may not (i) amend, alter or repeal any of the preferences or rights of the Class B Preferred Stock, (ii) authorize any reclassification of the Class B Preferred Stock, (iii) increase the authorized number of shares of Class B Preferred Stock or (iv) create any class or series of shares ranking prior to the Class B Preferred Stock as to dividends or upon liquidation. A total of 3,000 shares of Common Stock are currently issuable upon conversion of the remaining 300 shares of Class B Preferred Stock.

CLASS D VOTING PREFERRED STOCK:

On March 14, 2007, the Company closed a private placement of its securities to an institutional investor pursuant to the Securities Purchase Agreement. The Company sold to the investor 4,167 Units at a price of \$480 per Unit resulting in total proceeds of \$2,000,000. Each Unit consisted of one (1) share of the Company's Class D Preferred Stock as well as 1,000 Common Stock Purchase Warrants with an exercise price of \$0.30 per share. Pursuant to the Agreement, the Company issued all 4,167 shares of the authorized Class D Preferred Stock. Each share of Class D Preferred Stock is convertible at any time into 2,000 shares of the Company's common stock. The holder of each issued and outstanding share of Class D Preferred Stock will be entitled to receive a dividend in respect of each such share at the rate per share of \$9.60 per annum, payable on each of the first, second, third, and fourth anniversaries of March 12, 2007, commencing March 12, 2008. Dividend payments to each holder will be made in shares of the Company's common stock valued at the average Market Price over 20 trading days, as defined in the Certificate of Designation. In the event the dividends may not lawfully be paid by the issuance of the Company's common stock and may be lawfully paid in cash, the dividends will be paid in cash. In the event of any liquidation, dissolution or winding-up, either voluntarily or involuntarily, the holders of shares of the Class D Preferred Stock then issued and outstanding will be entitled to be paid out of the Company's assets available for distribution to its stockholders, whether from capital, surplus or earnings, before any payment shall be made to the holders of shares of the Company's common stock or upon any other series of the Company's Preferred Stock with a liquidation preference subordinate to the liquidation preference of Class D Preferred Stock, an amount per share equal to \$480 plus the dollar amount equal to all unpaid and accrued dividends and interest thereon. In addition, a merger or consolidation with or into any other corporation, or a sale, lease, exchange, or transfer of all or any part of the Company's

assets will be deemed a liquidation event unless no assets are distributed in respect of any class of the Company's capital stock in connection with, or as a result of, such merger or consolidation. The Class D Preferred Stock has the same voting rights as the Company's common stock except that each share of Class D Preferred Stock is entitled to 2,000 votes for vote allowed a share of the Company's common stock, however such amount will be proportionally adjusted in the event of a reverse or forward split of the Company's common stock.

Note C- Stock-Based Compensation

The Company accounts for stock options in accordance with FASB ASC Topic 718 using the modified prospective method. Under this method, compensation cost recognized includes: (a) compensation cost for all share-based payments granted prior to, but not yet vested as of October 1, 2006, based on the grant-date fair value estimated in accordance with guidance issued by the FASB amortized over the options' vesting period, and (b) compensation cost for all share-based payments granted subsequent to October 1, 2006, based on the grant-date fair value estimated in accordance with guidance issued by the FASB amortized over the options' vesting period.

| | September 30, 2015 | |
|---|--------------------|-------------------------------------|
| | Shares | Weighted- Average Exercise Price |
| Options outstanding, beginning of period | 6,435,000 | 0.24 |
| Options exercised | - | - |
| Options granted | - | - |
| Options forfeited/canceled | - | - |
| Options outstanding, end of period | 6,435,000 | 0.24 |
| Options exercisable, end of period | 6,435,000 | 0.24 |

Note D- Earnings Per Share

The Company reports its earnings (loss) per share in accordance with FASB ASC Topic 260. Basic loss per share is calculated using the net loss divided by the weighted average common shares outstanding. Shares from the assumed conversion of outstanding warrants, options and the effect of the conversion of the Class A Preferred Stock and Class B Preferred Stock are omitted from the computations of diluted loss per share because the effect would be anti-dilutive.

Fiscal year ended September 30, 2015

| | |
|---|------------------|
| Net Profit/(Loss) | \$ 73,827 |
| Less: preferred stock dividends | |
| Net Profit/(Loss) available to common stockholders | \$ 73,827 |

Note E- Fair Value

The Company measures its financial assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., exit price) in an orderly transaction between market participants at the measurement date. Additionally, the Company is required to provide disclosure and categorize assets and liabilities measured at fair value into one of three different levels depending on the assumptions (i.e., inputs) used in the valuation. Level I provides the most reliable measure of fair value while Level III generally requires significant management judgment. Financial assets and liabilities are classified in their entirety based on the lowest level of input significant to the fair value measurement. The fair value hierarchy is defined as follows:

| Level Input | Input Definition: |
|--------------------|--|
| Level I | Inputs are adjusted, quoted prices for identical assets or liabilities in active markets at the measurement date |
| Level II | Inputs, other than quoted prices included in Level 1, that are observable for the asset or liability through collaboration with market data or measurement |
| Level III | Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. |

The following table summarizes fair value measurements by level at September 30, 2015 for assets and liabilities measured at fair value on a recurring basis:

| | Level I | Level II | Level III | Total |
|---------------------------|----------------|-----------------|------------------|--------------|
| Cash and cash equivalents | \$117,782 | \$ - | \$ - | \$117,782 |
| Total assets | \$117,782 | \$ - | \$ - | \$117,782 |

For certain of the Company's financial instruments, including accounts receivable, accounts payable and accrued liabilities, the carrying amounts approximate fair value due to their short maturities.

Note F- Recently Issued Accounting Standards

In June 2010, the FASB issued ASU No. 2010-17, *Revenue Recognition—Milestone Method (Topic 605): Milestone Method of Revenue Recognition*. This ASU codifies the consensus reached in EITF Issue No. 08-9, "Milestone Method of Revenue Recognition." The amendments to the Codification provide guidance on defining a milestone and determining when it may be appropriate to apply the milestone method of revenue recognition for research or development transactions. Consideration that is contingent on achievement of a milestone in its entirety may be recognized as revenue in the period in which the milestone is achieved only if the milestone is judged to meet certain criteria to be considered substantive. Milestones should be considered substantive in their entirety and may not be bifurcated. An arrangement may contain both substantive and non-substantive milestones, and each milestone should be evaluated individually to determine if it is substantive. This guidance was adopted effective

October 1, 2010. The adoption of this guidance did not have a material impact on our financial statements.

In January 2010, the FASB issued Accounting Standards Update ASU No. 2010-06, “Fair Value Measurements and Disclosures (Topic 820) – Improving Disclosures about Fair Value Measurements”. This guidance requires new disclosures related to recurring and nonrecurring fair value measurements. The guidance requires disclosure of transfers of assets and liabilities between Level 1 and Level 2 of the fair value measurement hierarchy, including the reasons and the timing of the transfers and information on purchases, sales, issuance, and settlements on a gross basis in the reconciliation of the assets and liabilities measured under Level 3 of the fair value measurement hierarchy. The adoption of this guidance is effective for interim and annual reporting periods beginning after December 15, 2009. We have adopted this guidance in the financial statements presented herein, which did not have a material impact on our financial position or results of operations.

In October 2009, the FASB issued ASU 2009-13, which amends ASC Topic 605, *Revenue Recognition*. This new accounting guidance relates to the revenue recognition of multiple element arrangements. The new guidance states that, if vendor specific objective evidence or third party evidence for deliverables in an arrangement cannot be determined, companies will be required to develop a best estimate of the selling price for separate deliverables and allocate arrangement consideration using the relative selling price method. We adopted this guidance as of January 1, 2010 on a prospective basis. The adoption of this guidance did not have a material impact on our financial statements.

In October 2009, the FASB issued authoritative guidance on multiple-deliverable revenue arrangements, ASC 605-25. This guidance amends the existing criteria for separating consideration received in multiple-deliverable arrangements and requires that arrangement consideration be allocated at the inception of the arrangement to all deliverables based on their relative selling price. The guidance establishes a hierarchy for determining the selling price of a deliverable, which is based on vendor-specific objective evidence, third-party evidence, or management estimates. Expanded disclosures related to multiple-deliverable revenue arrangements are also required. This guidance is effective for the Company beginning fiscal year 2013. We have adopted this guidance in the financial statements presented herein, which did not impact our financial position or results of operations.

Note G- Commitments and Contingencies

The Company has entered into a new capital leases for machinery and equipment that expires in 2018.

In February 2013, the Company entered into the First Amendment to extend the lease facility for an additional three years. Under the new lease, the Company occupies 7,855 square foot of a reduction from 10,949 square foot, which reduce the monthly rent to \$10,644.75 from \$15,404.00 for the first year and increase by 3% in the ensuing lease years.

| <u>Fiscal Year Ending</u> | <u>Capital Lease</u> | <u>Operating Leases</u> |
|--|----------------------|-------------------------|
| 2015 | 134,081 | 71,412 |
| 2016 | 32,884 | 3,623 |
| 2017 | 11,402 | - |
| 2018 | - | - |
| | <u>178,367</u> | <u>75,035</u> |
| Less amount representing interest | <u>24,873</u> | |
| Net minimum lease payment | <u>153,494</u> | |
| Less current portion | <u>115,302</u> | |
| Present value of net minimum payment, less current portion | <u>38,192</u> | |

The range of interest rates on capital lease outstanding as of September 30, 2015 was 11.91% to 24.57%.

Rental expenses under operating leases for the twelve months ended September 30, 2015 and 2014 were \$75,035 and \$135,341 respectively.

Management's Discussion and Analysis or Plan of Operation

Safe Harbor for Forward -Looking Statements

This report contains forward-looking statements, including, without limitation, statements concerning our possible or assumed future results of operations. These statements are preceded by, followed by or include the words "believes," "could," "expects," "intends," "anticipates," or similar expressions. Our actual results could differ materially from those anticipated in the forward-looking statements for many reasons including, but not limited to, product and service demand and acceptance, changes in technology, ability to raise capital, the availability of appropriate acquisition candidates and/or business partnerships, economic conditions, the impact of competition and pricing, capacity and supply constraints or difficulties, government regulation and other risks described in our annual report files with the OTC Pink operated by OTCMarkets. Although we believe the expectations reflected in the forward-looking statements are reasonable, they relate only to events as of the date on which the statements are made, and our future results, levels of activity, performance or achievements may not meet these expectations. We do not intend to update any of the forward-looking statements after the date of this document to conform these statements to actual results or to changes in our expectations, except as required by law.

Statements contained in this report, such as statements about revenue, operations, and earnings growth and other financial results are forward-looking statements pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. All such forward-looking statements including statements concerning the Company's plans, objectives, expectations and intentions are based largely on management's expectations and are subject to and qualified by risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. These statements are subject to uncertainties and risks including, without limitation, product and service demand and acceptance, changes in technology, ability to raise capital, the availability of appropriate acquisition candidates and/or business partnerships, economic conditions, the impact of competition and pricing, capacity and supply constraints or difficulties, government regulation and other risks identified in the Company's filings with the Securities and Exchange Commission and OTCPink operated by OTCMarkets. These cautionary statements expressly qualify all such forward-looking statements. The Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements to reflect events, conditions or circumstances on which any such statement is based after the date hereof, except as required by law.

Results of Operations For Fiscal Year Ended September 30, 2014 Compared To Fiscal Year Ended September 30, 2013

CompuMed finished the fourth quarter of 2015 with \$1,753 in net loss compared to a net loss of \$23,600 for the same quarter a year ago. The Company had an operating profit of \$1,287 for the fourth quarter of 2015 compared to an operating loss of \$10,999 for the same quarter of 2014. The Earnings Before Interest Taxes Depreciation and Amortization (EBITDA) for the fourth quarter of 2015 was \$38,849 compared to \$16,319 for the same quarter in 2014. For the fiscal

year ended September 30, 2015, EBTIDA was \$228,023 compared to \$49,070 for the fiscal year ended September 30, 2014. The improvement in EBTIDA for the quarter is due to a 14% increase in revenue as compared to the prior quarter. The improvement in EBITDA for the fiscal year is due to a 24% increase in revenue for the fiscal year as compared to the prior fiscal year and continued focus on decreasing certain costs while maintaining previous quarters decreased costs. The company continues to invest in technology to support the future growth of the business.

Total Revenue for the fourth quarter of 2015 increased by 14% to \$575,845 from \$505,273 for the same quarter of fiscal 2014 and for the fiscal year ended September 30, 2015 it increased by 24% to \$2,264,082 from \$1,829,461 for the same period of 2014. The increase is primarily due to a 27% increase in telecardiology and teleradiology services over the same quarter in the previous year and 31% increase as compared to the prior fiscal year. The services revenue stream is especially strategic to the Company because it is residual in nature.

Telecardiology Services Revenue consists of ECG processing/overreads, equipment rentals, and ultrasound interpretations. During the fourth quarter of 2015 telecardiology services increased by 26% to \$518,332 from \$412,520 for the same quarter of fiscal 2014 and for the fiscal year ended September 30, 2015 it increased by 29% to \$1,929,664 from \$1,493,680 for the same period of 2014.

The ultrasound interpretation services business continues to be a high growth category. During the fourth quarter of 2015, ultrasound revenue increased by 125% to \$146,924 from \$65,331 for the same quarter in 2014 and for the fiscal year ended September 30, 2015 it increased by 150% to \$465,984 from \$186,179 for the same period of 2014. The increase is the result of adding new customers as well as increased volume from existing clients.

Teleradiology Revenue for the fourth quarter of 2015 increased by 78% to \$14,617 from \$8,230 for the same period in 2014 and for the fiscal year ended September 30, 2015 it increased by 143% to \$57,687 from \$23,771 for the same period of 2014.

ECG Product and Supplies Revenue for the fourth quarter of 2015 decreased by 43% to \$42,771 from \$75,523 for the same period of 2014. The decrease is due to in the prior year quarter reflects revenue for a higher dollar per unit ultrasound machine and timing of sales of EKG units. For the fiscal year ended September 30, 2015 it decreased by 17% to \$228,606 from \$274,945 for the same period of 2014. The decrease is primarily due to the sale of higher dollar per unit ultrasound machine in the prior year and more units of ECG machines sold than in the current year. Sales of ECG machines historically is not predictable.

Skeletal Health Products & Services Revenue consists primarily of OsteoGram software sales. During the fourth quarter of 2015 revenue decreased by 99% to \$125 from \$9,000 for the same period of 2014. For the fiscal year ended September 30, 2015, OsteoGram revenue increased by 30% to \$48,125 from \$37,065 for the same period of 2014.

Cost of Telecardiology Services for the fourth quarter ended 2015 increased by 22% to \$273,543 from \$223,872 for the same quarter of 2014 and for the fiscal year ended September 30, 2015 it increased by 34% to \$1,031,808 from \$771,377 for the same period of 2014. The

increase for the three months and fiscal year ended September 30, 2015 is primarily related to the increase in physician interpretation variable costs, directly related to the increase in ECG services and ultrasound diagnostic study interpretations revenue.

Cost of Goods Sold of ECG Product & Supplies for the fourth quarter of 2015 decreased by 50% to \$18,267 from \$36,445 for the same period of 2014. The decrease is the result of a decrease in ultrasound equipment sales and fewer ECG machines sold as compared to prior year. Ultrasound equipment sells for higher dollar amounts but has lower margins. For the fiscal year ended September 30, 2015 cost of goods sold decreased by 4% to \$106,597 from \$110,949 for the same period of 2014.

Selling Expenses for the fourth quarter ended 2015 decreased by 45% to \$30,458 from \$55,563 for the same period of 2014 and for the fiscal year ended September 30, 2015 it decreased by 41% to \$165,967 from \$280,410 for the same period of 2014. The decrease in the three months and fiscal year ended September 30, 2015 is primarily due to the elimination of sales related consulting services. The decrease is also related to lower commissions as the commission policy was restructured to compensate primarily for new revenue versus residual revenue from legacy contracts. The commission expense related to Osteogram sales is directly proportionate with the revenue for the respective period's revenue.

General & Administrative Expenses for the fourth quarter ended 2015 increased by 24% to \$214,728 from \$173,074 for the same period of 2014 and for the fiscal year ended September 30, 2015 it increased by 18% to \$731,687 from \$617,655 for the same period of 2014. The increases reflect the cost in non-cash expense associated with stock based compensation for issuance of warrants and options. The increases in expenses also include performance based bonus as part of the CEO's compensation package, non-executive board member compensation and merit based salary increases for key staff. All other ongoing operating expenses are relatively stable or decreased from prior periods.

Interest Expense for the fourth quarter ended 2015 decreased by 43% to \$7,087 from \$12,338 for the same period of 2014 and for the fiscal year ended September 30, 2015 it decreased by 26% to \$34,145 from \$46,268 for the same period of 2014. The decrease in interest expense is due to leases ending; with a slight increase due to a newly acquired lease, as indicated in the footnote G. The medical device rental business provides an ongoing revenue stream that improves free cash flow, especially as the leases are retired.

Financial Condition, Liquidity and Capital Resources

Operations

At September 30, 2015, we had \$117,782 in cash compared to a balance of \$117,442 at September 30, 2014, a net increase of \$340.

Cash used by operating activities was \$224,686 for the quarter ended September 30, 2015. This amount is attributable to an increase in Accounts Receivable due to increased revenues primarily due to new customers or new services and locations at existing customers. New customers initially take slightly longer to pay until the company is set up as an established vendor in the

customers accounting system. This is also attributable to increase in inventory related to purchases of medical devices for sales and rentals to customers.

Cash used in investing activities was \$147,145 for the quarter ended September 30, 2015.

Cash used in financing activities was \$77,201 for the quarter ended September 30, 2015. This was related to payments on capital lease obligations.

The Company anticipates that its cash flow from operations and available cash will be sufficient to meet its anticipated financial needs for at least the next 12 months assuming that no significant downturn in its business occurs. There can be no guarantee that the Company will achieve this result, however, resulting in the Company needing to raise additional capital in the future or draw down on its available credit line. Such sources of financing might not be available on reasonable terms or at all. Failure to raise capital when needed could adversely impact the Company's business, operating results and liquidity. Additionally, the Company may find it desirable to raise additional equity capital to accelerate its strategic objectives. However there can be no guarantees that the Company will be able to do so or that such capital will be available. If additional funds were raised through the issuance of equity securities, the percentage of ownership of existing stockholders would be reduced. Furthermore, these equity securities might have rights, preferences or privileges senior to the Company's Common Stock. The Company's Common stock is currently quoted on OTC Pink operated by OTC Markets, which may make it more difficult to raise funds through the issuance of equity securities. These additional sources of financing may not be available on acceptable terms, if at all. Additionally we are exploring joint ventures, acquisitions and other forms of strategic transactions, which might cause us to require additional capital. The Company plans to make use of its existing credit facility for such transactions. However there is no guarantee that the Company will be able to enter in such a transaction or that it would be at terms consistent with the available credit facility.

Capital Commitments

Our primary capital resource commitments at September 30, 2015 consist of capital and operating lease commitments, primarily for ECG equipment and our corporate office facility.

Financing Activities

On January 14, 2011, the Company entered into an amended revolving line of credit agreement (the "Second Amended Credit Agreement") with Boston Avenue Capital, LLC. The Second Amended Credit Agreement amends the original credit agreement entered into between Borrower and Lender dated February 15, 2008 and amended December 16, 2008 (the "Original Credit Agreement").

The Second Amended Credit Agreement provides a credit facility in an aggregate principal amount of up to \$300,000. Advances under the revolving line of credit shall bear interest at four percent (4%) payable quarterly in arrears for the prior fiscal quarter on the fifth business day of each January, April, July and October commencing after the first advance. The Second Amended Credit Agreement matured on December 31, 2012.

On February 8, 2013, the Company entered into an amended revolving line of credit agreement (the "Third Amended Credit Agreement") with Boston Avenue Capital, LLC. The Third Amended Credit Agreement amends the original credit agreement entered into between

Borrower and Lender dated February 15, 2008, which was amended December 16, 2008 (the “Original Credit Agreement”), and January 14, 2011 (the “Second Amendment”). The Third Amended Credit Agreement matured in December 31, 2014.

December 20, 2014 the VI Capital Fund, LP purchased all of the CompuMed, Inc. shareholdings of Boston Avenue Capital and Yorktown Avenue Capital. In addition to purchasing the common stock owned by Yorktown Avenue Capital and Boston Avenue Capital, VI Capital Fund, LP purchased the Series D Preferred shares formerly held by Boston Avenue Capital as well as the line-of-credit held by Boston Avenue Capital.

A total of \$100,000 of the line of credit was drawn down during the first quarter of fiscal 2011. No additional amounts have been drawn down. The term of this note with VI Capital Fund, LP has been extended through December 31, 2015.

Material Trends and Uncertainties

The marketplace acceptance of peripheral densitometry equipment is still limited, and subject to complex scientific, clinical, reimbursement and policy-making factors which are constantly evolving. It is difficult to predict if any of these factors will create material barriers to our ability to expand the Skeletal Health business. Additionally, these factors are different in various foreign markets. The overall business is also competitive and a number of competitive technologies are emerging that may hinder the acceptance of our product in the marketplace. We have invested heavily to help our channel partners develop the expertise to position and sell our products effectively, however, we have not yet seen material results from that effort and there are no guarantees that we will be successful.

The telemedicine business is very competitive and we rely significantly on certain contracts with individual state governments. While we have a good track record of renewing contracts, many customers reserve the rights to cancel such contracts under a broad base of options. We experience some declines of customer usage of our services at various times for a variety of reasons. A loss of some of these contracts could be material for the Company. Additionally, it is possible that competitive pressures may force us to lower our prices, which could adversely affect our overall revenues as well as our gross profits.

We are also vulnerable to potential state government budget constraints. The Company receives significant revenues from state correctional contracts and any significant decreases in the amounts allocated to the annual healthcare budgets in various state governments could adversely affect us.

Many policies relating to telemedicine regulatory and licensing oversight are evolving often on a state-by-state basis. We might be forced to change or cease offering certain services if some of the regulatory or licensing landscape changes. This could have a material effect on our business.

If our revenues should be impacted materially by some of these negative trends, we might have to draw on our credit line or seek equity capital to meet short-term liquidity needs. Both of those events might be dilutive to our shareholders. Additionally, we might not meet all of the conditions and criteria to affect a drawdown on the credit facility or to be able to secure suitable equity funding from an investor. In such an event, the Company might be forced to

significantly reduce its operations or abandon some or all of its activities.

Off-Balance Sheet Arrangements

None.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations, including the discussion on liquidity and capital resources, are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we re-evaluate our estimates and judgments, particularly those related to the determination of the estimated recoverable amounts of trade accounts receivable, impairment of long-lived assets and deferred tax valuation allowance. We believe the following critical accounting policies require our more significant judgment and estimates used in the preparation of the financial statements:

We maintain an allowance for doubtful accounts for estimated losses that may arise if any of our customers are unable to make required payments. Management specifically analyzes the age of customer balances, historical bad debt experience, customer credit-worthiness, and changes in customer payment terms when making estimates of the collectability of our trade accounts receivable balances. If we determine that the financial conditions of any of our customers deteriorated, whether due to customer specific or general economic issues, increases in the allowance may be made. Accounts receivable are written off when all collection attempts have failed.

We have a significant amount of property, equipment and intangible assets, including patents. We review our long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. Recoverability of long-lived and amortizable intangible assets to be held and used is measured by a comparison of the carrying amount of an asset to the future operating cash flows expected to be generated by the asset. If these assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying value of the assets exceeds their fair value.

ECG sales and services revenue is recognized as the following criteria have been met: (1) persuasive evidence of an arrangement exists, (2) the product has been delivered or the services have been rendered, (3) the fee is fixed or determinable, and (4) collectability of the fee is reasonably assured.

Cardiology Services are comprised of primarily ECG processing/overreads, Echo/ultrasound interpretations, and rental fees. ECG processing and overread revenue is recognized monthly on a per-usage basis after the services are performed. Equipment rental revenue is recognized monthly over the terms of the customer's agreement.

ECG product and supplies sales revenue is recognized upon shipment of the products and passage of title to the customer.

OsteoGram software revenue is recognized as the following criteria have been met: (1) persuasive evidence of an arrangement exists, (2) the software has been delivered, (3) the fee is fixed or determinable, and (4) collectability of the fee is probable. OsteoGram PCS revenue is recognized as the following criteria have been met: (1) the PCS is part of the initial license (software) fee, (2) the PCS period is for one year, (3) the estimated cost of providing the PCS is immaterial, (4) we do not offer upgrades and enhancements during the PCS arrangement. Our policy is to accrue all estimated costs of providing the PCS services.

Income taxes are accounted for under the asset and liability method. Under this method, to the extent that we believe that the deferred tax asset is not likely to be recovered, a valuation allowance is provided. In making this determination, we consider estimated future taxable income and taxable timing differences expected to reverse in the future. Actual results may differ from those estimates.

Subsequent Events

On November 3, 2015, the company announced William Scott Rombach resignation as President, CEO and Director with an effective date of November 13, 2015.

On November 3, 2015, Jeremy Weiner and Dan McCarthy resigned from the Board of Directors.

On November 3, 2015, David Pointer, Chairman of the Board, was appointed interim Co-CEO.

On November 3, 2015, Lee Keddie, Director, was appointed interim Co-CEO.