CompuMed, Inc

September 30, 2014 – Annual Report Filing

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: lcarroll@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, 2014
Authorized	50,000,000
Issued and Outstanding	29,971,195
Preferred Stock *	
Period End Date	September 30, 2014
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:

2/12/13: 1,000,000 common shares sold to W. Scott Rombach, CompuMed's President, CEO and Director, at a market price of $0.09 per share for total proceeds of $90,000. These shares carry restricted legends.

5/13/13: 750,000 common shares sold to W. Scott Rombach, CompuMed's President, CEO and Director, at a market price of $0.08 per share for total proceeds of $60,000. These shares carry restricted legends.

6/25/14: 133,333 common shares sold to Dr. John Romm, a former Director, exercised stock option grants, at a grant price of $0.16 per share for total proceeds of $21,333.28. These shares carry no restrictive legends.

6/26/14: 250,000 common shares sold to Robert Stuckelman, former Director, exercised stock option grants, at a grant price of $0.16 per share for total proceeds of $40,000. These shares carry no restrictive legends.

6/27/14: 200,000 common shares sold to Dr. Stuart Silverman, a former Director, exercised stock option grants, at a grant price of $0.16 per share for total proceeds of $32,000. These shares carry no restrictive legends.

07/03/14: 151,761 common shares sold to John Minnick, a former Director, exercised stock option grants, at a grant price of $0.16 per share for total proceeds of $24,281.76. These shares carry no restrictive legends.

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 otciq.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. provides enterprise telemedicine solutions. It specializes in the diagnosis, monitoring and management of several costly, high incidence diseases, particularly cardiovascular disease and osteoporosis. The Company's primary business is the provisioning of specialized cardiology services to medical facilities that do not have access to cardio-vascular disease specialists. We use telemedicine to link specialists to clinical settings that treat primary care patients and provide a number of diagnostic and disease management services, principally relating to certain chronic diseases, including the centralized interpretation of electrocardiograms ("ECGs") and echocardiograms ("Echos") ultrasounds and X-rays. We have also developed and marketed diagnostic technologies for skeletal health and bone disease, including the diagnoses of osteo-arthritis and osteoporosis, and principally market these technologies in international markets.

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. CompuMed 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 medical devices and specialist diagnostic exam interpretation services to our clients and perform tens of thousands of diagnostic interpretations and overreads annually. CompuMed has created an electronic telemedicine infrastructure to link clinical cardiovascular diagnostic equipment data collected at the patient's point of care with top cardiologists. The equipment that we rent and sell consists primarily of 12-lead ECG devices. CompuMed provides computerized interpretation of the data and has the ability to transmit that data to specialists for diagnostic exam interpretations. One of our innovations in this area is the workflow technology being used to manage the inflow of data to our servers, and the routing of that data to a network of cardiologists and Board-Certified specialists who provide medical interpretations.

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 vendors to source medical devices which support our telemedicine workflow. We provide these solutions to our customers either through sale and lease arrangements. The value proposition for our clients is top clinical care at a lower cost, while minimizing risk.

In Fiscal 2013, we licensed a cloud-based Picture Archiving and Communication System (PACS) from Core Sound Imaging that is now part of our telemedicine technology platform. The Studycast system from Core Sound Imaging provides a scalable platform for the receipt, interpretation, and transmission of Echo and other ultrasound exams. The benefits of the system are increased operational efficiencies for our call center and physicians, as well as an improved customer experience.

CompuMed has expanded its solution suite within the fiscal year. We are providing single lead

ECG interpretations for the consumer market through a handheld device. CompuMed also has the ability to deliver end-to-end radiology interpretation services. In addition, our specialists are providing critical care consulting services within the organ procurement market.

CompuMed continues to actively develop international telemedicine prospects and contacts 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 commercially accepted or adopted. As a result, we have shifted our focus from skeletal health to our telemedicine business. However, we are pursuing a licensing strategy for these solutions and intellectual properties, which we believe could prove to be valuable to third parties. We continue to support certain distributors of our skeletal health solutions.

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 duel-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 plans to continue supporting its partners and their marketing activities.

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 September 2014, the CFDA approved the renewal of CompuMed's license to sell OsteoGram within China. The Company is currently waiting for the final letter from the CFDA, which will complete the process. The license renewal required every four years.

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 in 2017. 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.

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 09/30/2014
Mark Stolper*	Chairman of the Board
Dan McCarthy	Director
Maurizio Vecchione*	Director
David W. Pointer*	Director
W. Scott Rombach	President, Chief Executive Officer and Director
Laura Carroll	Chief Financial Officer and Secretary

*See subsequent events

CONTROL PERSONS

Boston Avenue Capital, LLC
15 East 5th Street, Suite 3200
Tulsa, Oklahoma 74103
9,401,178 shares

Yorktown Avenue Capital, LLC
15 East 5th Street, Suite 3200
Tulsa, Oklahoma 74103
63,500 shares

Stephen J. Heyman
15 East 5th Street, Suite 3200
Tulsa, Oklahoma 74103
9,464,678 shares

James F. Adelson
15 East 5th Street, Suite 3200
Tulsa, Oklahoma 74103
9,464,678 shares

Charles M. Gillman
15 East 5th Street, Suite 3200
Tulsa, Oklahoma 74103
9,464,678 shares

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

Stephen J. Heyman and James F. Adelson, as the sole managers of Boston Avenue Capital LLC ("Boston") and Yorktown Avenue Capital, LLC ("Yorktown"), and Charles M. Gillman, as Portfolio Manager of Boston and Yorktown, may each be deemed to be indirect beneficial owners of the shares of Common Stock held directly by Boston and Yorktown. None of Messrs. Heyman, Adelson or Gilman owns any shares of Common Stock directly and each disclaims beneficial ownership of the shares of Common Stock beneficially owned by Boston and Yorktown.

B. Officers and Directors Compensation
The following table shows for the fiscal year ended September 30, 2014 certain compensation information for our executive officers. The Directors elected to serve as board members without any compensation.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary ($)	All Other Compensation	Total ($)
W. Scott Rombach Chief Executive Officer	2014	$85,500	$0	$85,500 (1)
Laura Carroll Chief Financial Officer and Secretary	2014	$70,000	$0	$70,000 (1)

(1) Annual compensation has not increased from 2013.

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);
<u>None</u>

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;
<u>None</u>

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.

Boston Avenue Capital, LLC
15 East 5th Street, Suite 3200
Tulsa, Oklahoma 74103
9,401,178 shares

Yorktown Avenue Capital, LLC
15 East 5th Street, Suite 3200
Tulsa, Oklahoma 74103
63,500 shares

Stephen J. Heyman
15 East 5th Street, Suite 3200
Tulsa, Oklahoma 74103
9,464,678 shares

James F. Adelson
15 East 5th Street, Suite 3200
Tulsa, Oklahoma 74103
9,464,678 shares

Charles M. Gillman
15 East 5th Street, Suite 3200
Tulsa, Oklahoma 74103
9,464,678 shares

Stephen J. Heyman and James F. Adelson, as the sole managers of Boston Avenue Capital LLC ("Boston") and Yorktown Avenue Capital, LLC ("Yorktown"), and Charles M. Gillman, as Portfolio Manager of Boston and Yorktown, may each be deemed to be indirect beneficial owners of the shares of Common Stock held directly by Boston and Yorktown. None of Messrs. Heyman, Adelson or Gilman owns any shares of Common Stock directly, and each disclaims beneficial ownership of the shares of Common Stock beneficially owned by Boston and Yorktown.

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:

<u>**Legal Counsel**</u>
Name: Tamara Wagman
Firm: Frederic Dorwart, Lawyers
Address 1: 124 E. 4th Street
Address 2: Tulsa, Oklahoma 74103
Phone: 918-583-9958
Email: twagman@fdlaw.com

<u>**Accountant or Auditor**</u>
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

<u>**Investor Relations**</u>
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

<u>**Other Advisor**</u>: 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, <u>W. Scott Rombach, President and Chief Executive Officer</u> certify that:

1. I have reviewed this <u>quarterly report</u> of <u>CompuMed, Inc.</u>;
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, 2014

/s/ W. Scott Rombach [Signature]

President and 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, 2014

/s/ Laura Carroll [Signature]

Chief Financial Officer

COMPUMED, INC.

FINANCIAL STATEMENTS

Item 3. Interim Financial Statements

CONDENSED BALANCE SHEETS
COMPUMED, INC.

	September 30, 2014	September 30, 2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	118,000	121,000
Accounts receivable, net of allowance of $28,000 (September 2014) and $23,000 (September 2013)	264,000	253,000
Inventory	34,000	33,000
Prepaid expenses and other current assets	14,000	15,000
TOTAL CURRENT ASSETS	430,000	422,000
PROPERTY AND EQUIPMENT, AT COST		
Machinery and equipment	1,677,000	1,625,000
Furniture, fixtures and leasehold improvements	44,000	44,000
Equipment under capital leases	372,000	357,000
	2,093,000	2,026,000
Accumulated depreciation and amortization	(1,840,000)	(1,745,000)
TOTAL PROPERTY AND EQUIPMENT	253,000	281,000
OTHER ASSETS		
Patents, net of accumulated amortization of $93,000 (September 2014) and $80,000 (September 2013)	101,000	104,000
Other assets	15,000	19,000
TOTAL OTHER ASSETS	116,000	123,000
TOTAL ASSETS	799,000	826,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	230,000	280,000
Notes Payable	-	-
Accrued Liabilities	61,000	75,000
Current portion of capital lease obligations	103,000	83,000
TOTAL CURRENT LIABILITIES	394,000	438,000
Capital lease obligations	128,000	173,000
Revolving line of credit - non current	100,000	100,000
TOTAL LIABILITIES	622,000	711,000
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	1,000	1,000

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 – 29,971,195 and 29,236,111 (September 2014 and September 2013)	304,000	297,000
Additional paid-in capital	37,011,000	36,885,000
Accumulated deficit	(37,140,000)	(37,068,000)
TOTAL STOCKHOLDERS' EQUITY	177,000	115,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	799,000	826,000

See notes to financial statements

CONDENSED STATEMENTS OF OPERATIONS
(UNAUDITED)

COMPUMED, INC.

	Three months ended September 30,		Twelve months ended September 30,	
	2014	2013	2014	2013
Revenue From Operations				
Telecardiology Services	$ 414,000	$ 352,000	$ 1,495,000	$ 1,405,000
Teleradiology Services	8,000	-	24,000	-
ECG Products and Supplies Sales	75,000	107,000	275,000	372,000
OsteoGram and Osteometer sales and services	9,000	35,000	37,000	109,000
TOTAL REVENUE	$ 506,000	$ 494,000	$ 1,830,000	$ 1,886,000
OPERATING EXPENSES				
Costs of Services	224,000	158,000	771,000	703,000
Cost of Goods Sold ECG Products	36,000	88,000	111,000	256,000
Cost of Goods Sold OsteoGram and OsteoMeter	-	-	-	-
Selling Expenses	56,000	61,000	280,000	255,000
General and Administrative	138,000	145,000	583,000	647,000
Depreciation and amortization	27,000	30,000	109,000	104,000
TOTAL OPERATING EXPENSES	481,000	482,000	1,854,000	1,965,000
OPERATING PROFIT/(LOSS)	$ 25,000	$ 12,000	$ (24,000)	$ (79,000)
Other Income	-	-	-	13,000
Taxes	-	-	2,000	-
Interest Expense	12,000	8,000	46,000	46,000
NET PROFIT/(LOSS)	13,000	4,000	(72,000)	(112,000)
NET LOSS PER SHARE (Basic and diluted)	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)
Weighted average number of common shares outstanding	29,971,195	29,236,111	29,971,195	28,437,811

COMPUMED, INC.
STATEMENTS OF STOCKHOLDER'S EQUITY

	Series A Stock		Series D Stock		Common Stock		Additional Paid In Capital	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount			
Balances at September 30, 2013	8,400	$1,000	4,167		29,236,111	$296,500	$36,884,500	($37,068,000)	$115,000
Stock Based compensation							$9,000		9000
Net Loss								($41,000)	($41,000)
Balances at December 31, 2013	8, 400	$1,000	4,167		29,236,111	$296,500	$36,893,500	($37,109,000)	$83,000
Stock Based compensation							$2,000		2000
Net Loss								($22,000)	($22,000)
Balances at March 31, 2014	8, 400	$1,000	4,167		29,236,111	$296,500	$36,895,500	($37,131,000)	$63,000
Shares Issued					583,323	$5,500	$87,500		$93,000
Stock Based compensation							$2,000		$2,000
Net Loss								($21,000)	($21,000)
Balances at June 30, 2014	8, 400	$1,000	4,167		29,819,434	302,500	$36,986,000	($37,152,000)	$137,000
Shares Issued					151,761	$1,500	$23,000		$24,500
Stock Based compensation							$2,500		$2,500
Net Profit								$13,000	$13,000
Balances at September 30, 2014	8400	$1,000	4,167		$29,971,195	$304,000	$37,011,500	($37,139,000)	$177,000

A- CONDENSED STATEMENTS OF CASH FLOWS

	Twelve Months Ending September 30, 2014	2013
CASH FLOW FROM OPERATING ACTIVITIES: Net gain/(loss)	(72,000)	(112,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock Based Compensation	16,000	4,000
Bad Debts	-	6,000
Depreciation and amortization	109,000	104,000
(Increase)/Decrease in accounts receivable	(11,000)	37,000
(Increase)/Decrease in inventories, prepaid expenses and other assets	4,000	54,000
Increase/(Decrease) in accounts payable and other liabilities	(64,000)	3,000
NET CASH USED IN OPERATING ACTIVITIES	(18,000)	96,000
(Purchase)/ Sale of Patents	(11,000)	-
(Purchase)/ Sale of property and Equipment	(67,000)	(23,000)
NET CASH USED IN INVESTING ACTIVITIES	(78,000)	(23,000)
CASH FLOW FROM FINANCING ACTIVITIES:		
Payment on capital lease obligation	(26,000)	(107,000)
Equity proceeds	118,000	150,000
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES	92,000	43,000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(4,000)	116,000
CASH AND CASH EQUVALENTS AT BEGINNING OF PERIOD	121,000	5,000
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 117,000	$ 121,000

See notes to financial statements

Note A- Basis of Presentation and Accounting Policies

CompuMed, Inc. provides enterprise telemedicine solutions. It specializes in the diagnosis, monitoring and management of several costly, high incidence diseases, particularly cardiovascular disease and osteoporosis. The Company's primary business is the provisioning of specialist services to medical facilities that do not have access to various types of specialists. We use telemedicine to link specialists to clinical settings that treat patients and provide a number of diagnostic and disease management services. These services include the centralized interpretation of electrocardiograms ("ECGs") and echocardiograms (“Echos”). We have also developed and marketed diagnostic technologies for skeletal health and bone disease, including the diagnoses of osteo-arthritis and osteoporosis, and principally market these technologies in international markets.

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.otcmarkets.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, 2014	
	Shares	**Weighted- Average Exercise Price**
Options outstanding, beginning of period	**6,878,333**	**0.25**
Options exercised	-	-
Options granted	50,000	0.18
Options forfeited/canceled	-	-
Options outstanding, end of period	6,928,333	0.25
Options exercisable, end of period	**6,928,333**	**0.25**

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.

Twelve Months Ended September 30, 2014	
Net loss	$ (72,000)
Less: preferred stock dividends	
Net loss available to common stockholders	$ (72,000)

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, 2014 for assets and liabilities measured at fair value on a recurring basis:

	Level I	**Level II**	**Level III**	Total
Cash and cash	$117,000	$ -	$ -	$117,000
Total assets	$117,000 ==========	$ - ==========	$ - ==========	$117,000

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 capital leases for machinery and equipment that expires in 2017.

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 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.

Fiscal Year Ending	**Capital Lease**	**Operating Leases**
2015	148,000	135,000
2016	112,000	55,000
2017	10,000	4,000
2018		0
	270,000	194,000
Less amount representing interest	39,000	
Net minimum lease payment	231,000	
Less current portion	103,000	
Present value of net minimum payment, less current portion	128,000	

The range of interest rates on capital lease outstanding as of September 30, 2014 was 2.25% to 22.92%

Rental expenses under operating leases for the twelve months ended September 30, 2014 and 2013 were $135,000 and $157,000, 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. All such forward-looking statements are expressly qualified by these cautionary 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 quarter with $13,000 in net profit and a loss of $(72,000) for the year. This compares to $4,000 in net profit during the same quarter the previous fiscal year and a loss of $(112,000) during that year. The Earnings Before Interest Taxes Depreciation and Amortization (EBITDA) for the fourth quarter of 2014 was $52,000 compared to $42,000 for the same quarter in 2013. For the twelve months ended September 30, 2014, EBITDA more than tripled from the previous fiscal year. Annual EBITDA was $85,000 compared to $25,000 for the same period in Fiscal 2013.

Total Revenue for fiscal year ended 2014 decreased slightly by 3% to $1,830,000 from $1,886,000 for the fiscal year ended 2013. Total Revenue for the fourth quarter of fiscal 2014 increased by 2% to $506,000 from $494,000 for the same quarter of fiscal 2013. The decrease in revenue is due to a lower number of machines sold and a decline of Osteogram software sales. These decreases were offset with increases in Telecardiology Services and Teleradiology Services sales. Our ECG equipment sales vary greatly primarily due to the timing of various state Departments of Corrections bids. The Company's services revenue is fairly consistent and residual in nature.

The deal highlights for Q4 2014 included six net new customers. The clients included three new Organ Procurement Organization (OPO) customers, one of which has locations in three separate states. In addition, echocardiogram interpretation deals were signed with two rural hospitals, one of them being a Critical Access Hospital. CompuMed also began providing mobile imaging and interpretation services to a nephrology group and to one of its existing customers.

Telecardiology Services revenue consists of ECG processing/overreads, equipment rentals, ultrasound interpretations, and professional services. Professional Services revenue is generated primarily through remote critical care consulting by our specialists and through ultrasound training courses that are delivered through a CompuMed partner. Teleradiology Services revenue is composed of mobile imaging services and x-ray interpretations. The services revenue stream is especially strategic to the Company because it is residual. During the fiscal year ended 2014, Telecardiology Services increased by 6% to $1,495,000 from $1,405,000 for the fiscal year ended 2013. During the fourth quarter of 2014, Telecardiology Services increased by 18% to $414,000 from $352,000 for the same quarter of 2013. We continue to experience a decline in ECG processing revenue. The decline is primarily due to improvements in the ability of newer ECG machine models to provide self-interpretations through more advanced algorithms as well as prison closures that have negatively impacted this revenue stream within our state corrections contracts.

Our ultrasound interpretation business, which is part of Telecardiology Services, has had tremendous growth. Our specialists are currently interpreting approximately ten different types of ultrasound exams, including echocardiogram, carotid, abdominal, renal, and venous studies. We receive our largest volume of ultrasound studies from echocardiograms, but there are few limitations in terms of the type of ultrasound images our specialists can interpret. During the fiscal year ending 2014, ultrasound interpretation services increased by 745% to $186,000 from $22,000 for the fiscal year ended 2013. During the fourth quarter of 2014, ultrasound interpretation revenue increased by 508% to $73,000 from $12,000 for the same quarter in 2013. The increase is due to adding new customers and types of ultrasound exams, as well as increased volumes from existing customers.

During the fiscal year ended 2014, the company's Teleradiology Services revenue was $24,000 compared to no revenue for the fiscal year ended 2013. Teleradiology Services revenue during the fourth quarter of 2014 was $8,000 compared to no revenue for the same period in 2013.

ECG Product and Supplies Sales revenue for the fiscal year ended 2014 decreased by 26% to $275,000 from $372,000 for the fiscal year ended 2013. During the fourth quarter of 2014 this category decreased by 30% to $75,000 from $107,000 for the same period of 2013. Our ECG equipment sales vary greatly due to the timing of various state departments of corrections bids. In fourth quarter the Company began distributing the Vivid series of portable ultrasound equipment from GE Healthcare. The Company had its first Vivid sale to an existing customer during this same period. Ultrasound equipment is classified under ECG Product and Supplies Sales. The ultrasound devices are significantly higher priced when compared to ECG devices, but have lower margins.

Skeletal Health products and services revenue consists primarily of OsteoGram software sales. During the fiscal year ended 2014, Skeletal Health products and services decreased by 66% to $37,000 from $109,000 for the fiscal year ended 2013 and during the fourth quarter of 2014 decreased by 74% to $9,000 from $35,000 for the same period of 2013. The decrease in Skeletal Health purchases are due to a decrease in sales to the Company's Chinese distributor, whose sales are inconsistent and have continued to decline.

The cost of Cardiology Services for the fiscal year ended 2014 increased by 10% to $771,000 from $703,000 for the fiscal year ended 2013 and during the fourth quarter ended 2014 increased by 42% to $224,000 from $158,000 for the same quarter of 2013. The increase for both periods primarily is related to the increase in physician interpretation variable costs, directly related to the increase in ultrasound interpretation revenue.

Cost of goods sold of ECG Product and Supplies sales for fiscal year ended 2014 decreased by 57% to $111,000 from $256,000 for the fiscal year ended 2013 and during the fourth quarter of 2014 decreased by 59% to $36,000 from $88,000 for the same period of 2013. The decrease in costs is directly related to the decrease in equipment sales.

Selling expenses for the fiscal year ended 2014 increased by to $280,000 from $255,000 for the fiscal year ended 2013 and during the fourth quarter ended 2014 decreased by 8% to $56,000 from $61,000 for the same period of 2013. The increase during the twelve months ended September 30, 2014 was related to compensation for new salespeople and increased expenditures related to advertising, marketing, tradeshows and customer visits. This was partially offset by a decrease in commissions related to lower OsteoGram revenue and decreased allocated facility rental costs. The decrease in the quarter from 2013 to 2014 was primarily due to the elimination of sales related consulting services.

General and administrative expenses for the fiscal year ended 2014 decreased by 10% or $64,000 to $583,000 from $647,000 for the fiscal year ended 2013. During the fourth quarter ended 2014, this line item decreased by 5% to $138,000 from $145,000 for the same period of 2013. Both the year to date and quarter results reflect the continued efforts of cost reduction in G&A expenses. Significant costs savings were achieved in the areas of consulting services and office space rent.

During the third quarter of fiscal 2014, we upgraded two of our major ECG hardware platforms to virtual servers in order to improve the delivery of our ECG services. These system upgrades required incremental investments in both hardware and consulting services. We believe these types of investments are essential for the scalability of our solutions and essential for the Company to maintain its competitive advantage.

Interest expense for the fiscal year ended 2014 remained the same as fiscal year ended 2013 at

$46,000 and during the fourth quarter ended 2014 increased by 50% to $12,000 from $8,000 for the same period of 2013. The increase for the quarter is directly related to one time prepayment of interest costs due to financing a new equipment lease. The leases are used to purchase medical devices that was rented to customers. This rental business provides an ongoing revenue stream that improves free cash flow as the leases are retired.

Financial Condition, Liquidity and Capital Resources

Operations
At September 30, 2014, we had $117,000 in cash compared to a balance of $121,000 at September 30, 2013, a net decrease of $4,000.

The Company has a $300,000 credit facility available through Boston Avenue Capital, LLC of which $100,000 was drawn down during February 2011 at the interest rate of 4% annually, with the balance remaining as reserve.

Cash used by operating activities was $18,000 for the twelve months ended September 30, 2014. This amount was attributable in part to a decrease in accounts payable of $64,000. And a slight increase in Accounts Receivable of $11,000. The increase in Accounts Receivable is primarily due to one higher volume customer paying based on the terms of our contract versus paying early, which was the case in prior periods. Also, one large state department of corrections customer made some changes in its payment process, which has caused delayed payments. The decrease in accounts payable is due to paying down some legacy outstanding balances, paying all credit card purchases in full when due and the timing of purchases of equipment.

Cash used in investing activities was $78,000 for the twelve months ended September 30, 2014. We invested in technology infrastructure, including new servers and computer equipment. The company also initiated one new equipment lease in order to fulfill a customer equipment rental agreement.

Cash received from financing activities was $92,000 for the twelve months ended September 30, 2014. This was related to proceeds received from issuance of stock related to options being exercised and offset by payments on capital leases.

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, 2014 consist of capital and operating lease commitments, primarily for ECG equipment, our corporate office facility, and for computer equipment.

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 will mature December 31, 2014.

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.

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 ECG, ultrasound and 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 budget constraints that could materially impact our state corrections clients and managed care partners, which is a significant portion of our business.

Our services are regulated by both Federal and State regulators. 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, 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 product and passage of the title to the customer.

OsteoGram software revenue is recognized as the following criteria have been met: (1) persuasive evidence of an arrangement exits, (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 October 30, 2014, Mark Stolper and Maurizio Vecchione resigned from the Board of Directors.

On October 30, 2014, David Pointer was appointed Chairman of the Board.

On October 30, 2014, Lee Keddie and Jeremy Wiener were appointed to the Board of Directors.

On December 18, 2014, Benjamin Large was appointed to the Board of Directors.