

COMPUMED, INC.

A Delaware Corporation

Amended Quarterly Report

December 31, 2011

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This amended quarterly filing respecting the quarter ending December 31, 2011 is being made to correct a typographical error in Item 7 - Other Information, the number of warrants being identified as being granted to Scott Rombach was wrongly stated as 680,000 warrants instead of correctly stated at 650,000 warrants.

Item 1. Exact name of the issuer and the address of its principal executive offices

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Item 2. Shares outstanding

Common Stock	
Period End Date	December 31, 2011
Authorized	50,000,000
Issued and Outstanding	27,828,046
Freely tradable shares (public float)	25,956,531
Number of beneficial shareholders (as of 12/30/2011)	2,384
Number of shareholders of record	452
Preferred Stock	
Period End Date	December 31, 2011
Authorized	1,000,000
Class	A
Issued and Outstanding	8,400
Freely tradable shares (public float)	-
Number of beneficial shareholders	-
Number of shareholders of record	2
Class	B
Issued and Outstanding	300
Freely tradable shares (public float)	-
Number of beneficial shareholders	-
Number of shareholders of record	3
Class	D
Issued and Outstanding	4,167
Freely tradable shares (public float)	-
Number of beneficial shareholders	-

Item 3. Interim Financial Statements
CONDENSED BALANCE SHEETS
COMPUMED, INC.

	December 31, 2011	September 30, 2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,000	\$ 50,000
Accounts receivable, less allowance of \$24,000 (December 2011) and \$23,000 (September 2011)	331,000	269,000
Inventory	17,000	19,000
Prepaid expenses and other current assets	15,000	12,000
TOTAL CURRENT ASSETS	366,000	350,000
PROPERTY AND EQUIPMENT, AT COST		
Machinery and equipment	1,519,000	1,429,000
Furniture, fixtures and leasehold improvements	44,000	80,000
Equipment under capital leases	161,000	246,000
	<u>1,724,000</u>	<u>1,755,000</u>
Accumulated depreciation and amortization	(1,628,000)	(1,649,000)
TOTAL PROPERTY AND EQUIPMENT	96,000	106,000
OTHER ASSETS		
Patents, net of accumulated amortization of \$57,000 (December 2011) and \$54,000 (September 2011)	118,000	121,000
Other assets	19,000	19,000
TOTAL OTHER ASSETS	137,000	140,000
TOTAL ASSETS	\$ 599,000	\$ 596,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 206,000	\$ 209,000
Accrued liabilities	85,000	79,000
Unearned revenue- ECG processing	2,000	2,000
Current portion of capital lease obligations	50,000	56,000
TOTAL CURRENT LIABILITIES	343,000	346,000
Capital lease obligations	23,000	34,000
Revolving line of credit	100,000	100,000
TOTAL LIABILITIES	466,000	480,000
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 - 27,828,046 (December and September 2011)	279,000	279,000
Additional paid-in capital	36,725,000	36,721,000
Accumulated deficit	(36,872,000)	(36,885,000)
TOTAL STOCKHOLDERS' EQUITY	<u>133,000</u>	<u>116,000</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u><u>\$ 599,000</u></u>	<u><u>\$ 596,000</u></u>

See notes to financial statements

CONDENSED STATEMENTS OF OPERATIONS
COMPUMED, INC.

	Three Months Ending December 31,	
	2011	2010
REVENUE FROM OPERATIONS		
ECG services	\$ 327,000	\$ 349,000
ECG product and supplies sales	69,000	31,000
OsteoGram and Osteometer sales and services	9,000	18,000
TOTAL REVENUE	\$ 405,000	\$ 398,000
OPERATING EXPENSES		
Costs of ECG services	158,000	159,000
Cost of goods sold-ECG	45,000	11,000
Selling expenses	61,000	72,000
General and administrative expenses	130,000	257,000
Depreciation and amortization	19,000	29,000
TOTAL OPERATING EXPENSES	413,000	528,000
OPERATING LOSS	\$ (8,000)	\$ (130,000)
Other income	26,000	18,000
Interest expense	(5,000)	(7,000)
NET GAIN/(LOSS)	\$ 13,000	\$ (119,000)
NET GAIN/(LOSS) PER SHARE (Basic and diluted)	\$ 0.00	\$ (0.00)
Weighted average number of common shares outstanding	27,828,046	27,287,462

See notes to financial statements

COMPUMED, INC.
CONDENSED STATEMENTS OF CASH FLOWS

	Three Months Ending December 31,	
	2011	2011
CASH FLOW FROM OPERATING ACTIVITIES:		
Net gain/(loss)	\$ 13,000	\$ (119,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Loss on sale of property and equipment	-	2,000
Stock-based compensation	4,000	2,000
Depreciation and amortization	19,000	29,000
(Increase)/Decrease in accounts receivable	(62,000)	(6,000)
(Increase)/Decrease in inventories, prepaid expenses and other assets	(1,000)	8,000
Increase/(Decrease) in accounts payable and other liabilities	3,000	50,000
NET CASH USED IN OPERATING ACTIVITIES	(24,000)	(34,000)
CASH FLOW FROM INVESTING ACTIVITIES:		
(Purchase)/Sale of patents	-	(2,000)
(Purchase)/Sale of property and equipment	(6,000)	-
NET CASH USED IN INVESTING ACTIVITIES	(6,000)	(2,000)
CASH FLOW FROM FINANCING ACTIVITIES:		
Payments on capital lease obligations	(17,000)	(20,000)
NET CASH USED IN FINANCING ACTIVITIES	(17,000)	(20,000)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(47,000)	(56,000)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	50,000	58,000
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 3,000	\$ 2,000
SUPPLEMENTAL DISCLOSURES:		
Interest paid	5,000	7,000
Equipment acquired under capital lease	-	28,000

See notes to financial statements

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, 2009	8,400	\$ 1,000	4,167	-	26,093,742	\$ 262,000	\$ 36,497,000	(\$36,204,000)	\$556,000
Issuance of common stock to pay dividends to Boston Avenue Capital LLC	-	-	-	-	193,720	2,000	38,000	(40,000)	-
Issuance of common stock to effect a private placement	-	-	-	-	1,000,000	10,000	96,000	-	106,000
Stock-based compensation	-	-	-	-	-	-	48,000	-	48,000
Net Loss	-	-	-	-	-	-	-	(378,000)	(378,000)
Balances at September 30, 2010	8,400	\$ 1,000	4,167	-	27,287,462	\$ 274,000	\$ 36,679,000	(\$36,622,000)	\$ 332,000
Issuance of common stock to pay dividends to Boston Avenue Capital LLC	-	-	-	-	540,584	5,000	35,000	(40,000)	-
Stock-based compensation	-	-	-	-	-	-	7,000	-	7,000
Net Loss	-	-	-	-	-	-	-	(223,000)	(223,000)
Balances at September 30, 2011	8,400	\$ 1,000	4,167	-	27,828,046	\$ 279,000	\$ 36,721,000	\$ (36,885,000)	\$ 116,000
Stock-based compensation	-	-	-	-	-	-	4,000	-	4,000
Net Gain	-	-	-	-	-	-	-	13,000	13,000
Balances at December 31, 2011	8,400	\$ 1,000	4,167	-	27,828,046	\$ 279,000	\$ 36,725,000	\$ (36,872,000)	\$ 133,000

See notes to financial statements

COMPUMED, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

Note A- Basis of Presentation and Accounting Policies

CompuMed, Inc. (the Company) is a medical telemedicine and eHealth provider focusing on 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 primary care settings that do not have access to specialists, particularly in Cardio Vascular disease. 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"). We have also developed and marketed diagnostic technologies for skeletal health and bone disease, including the diagnoses of osteo-arthritis and osteoporosis, although this product line is principally being marketed in certain international markets. The Company applies digital workflows, telemedicine, eHealth, medical informatics, medical imaging, telecommunications and networking technologies to provide services to medical providers, professionals and patients, to deliver cost-effective point-of-care solutions, disease risk assessment, diagnosis and management as well as decision support.

The accompanying interim unaudited condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim 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. Operating results for the three months period ended December 31, 2011 are not necessarily indicative of the results that may be expected for the year ending September 30, 2012. For further information, refer to the financial statements for the year ended September 30, 2011 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- 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 on a straight-line basis over the options' vesting period. Stock-based compensation was \$4,000 and \$2,000 for the three months ended December 31, 2011 and 2010, respectively.

	December 31, 2011	
	Shares	Weighted-Average Exercise Price
Options outstanding, beginning of period	7,839,982	0.26
Options exercised	-	-
Options granted	170,000	0.05
Options forfeited/canceled	-	-
Options outstanding, end of period	8,009,982	0.25
Options exercisable, end of period	7,744,367	0.26

During the three months ended December 31, 2011, the Company granted 170,000 options to exercise to common shares to William Scott Rombach when he was appointed to the Board of Directors. The fair value of the options granted was estimated at \$3,000. The fair value was estimated at the date of grant using the Black-Scholes option-pricing model with the following assumptions:

Dividend yield: 0%
Volatility: 23.1%
Risk-free interest rate: 2.15%
Expected Life: 10 years

Note C- 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.

Three Months Ended December 31, 2011

Net gain	\$ 13,000
Less: preferred stock dividends	(33,000)
Net loss available to common stockholders	(20,000)
Net loss per common share (basic and diluted)	\$ (0.00)
Weighted average number of common shares outstanding	27,828,046

Note D- 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 unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
Level II	Inputs, other than quoted prices included in Level I, that are observable for the asset or liability through corroboration with market data at the measurement date.
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 December 31, 2011 for assets and liabilities measured at fair value on a recurring basis:

	Level I	Level II	Level III	Total
Cash and cash equivalents	\$3,000	\$-	\$-	\$3,000
Total assets	<u>\$3,000</u>	<u>\$-</u>	<u>\$ -</u>	<u>\$3,000</u>

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 E- 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 nonsubstantive 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 2011. We have adopted this guidance in the financial statements presented herein, which did not impact our financial position or results of operations.

Note F- Commitments and Contingencies

The Company has capital leases for machinery and equipment that expires in 2013.

The Company has an operating lease for a facility that expires in February 2013, with an option to extend the term for an additional five years. The following is a summary, as of December 31, 2011, of future minimum lease payments together with the present value of the net minimum lease.

Fiscal Year Ending	Capital Lease	Operating Leases
2012	47,000	135,000
2013	37,000	84,000
2014		13,000
2015		13,000
2016		10,000
	<u>84,000</u>	<u>255,000</u>

Less amount representing interest	11,000
Net minimum lease payment	<u>73,000</u>
Less current portion	<u>50,000</u>
Present value of net minimum payment, less current portion	<u>23,000</u>

The range of interest rates on capital leases outstanding as of December 31, 2011 was 15.78% to 21.59%.

Rental expenses under operating leases for the three months ended December 31, 2011 and 2010 were \$44,000 and \$43,000, respectively.

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. The total dividends accumulated in the quarter ended December 31, 2011 was \$1,000 and the total cumulated dividends not declared at December 31, 2011 was \$33,000.

Item 4. 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 on Form 10-K and other reports filed from time to time with the Securities and Exchange Commission and 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 OTC Pink 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.

Overview

CompuMed, Inc. was incorporated in the State of Delaware on July 21, 1986. Our fiscal year end is September 30.

We have been a supplier of telemedicine services for more than twenty years and have established one of the nation's largest networks for electronic processing of electrocardiograms (ECGs) on a near-real-time basis, providing ECG equipment and services to hundreds of healthcare providers throughout the U.S and performing tens of thousands of ECG interpretations annually. CompuMed has created an electronic telemedicine infrastructure to link clinical cardio-vascular data collected at the patient's point of care, such as 12-lead ECGs, provide computerized interpretation of the data and to transmit that data to cardiologists for over-read interpretations. Our innovation in this area is the workflow technology being used to manage the inflow of data to its servers, and the routing of that data to a network of cardiologists who provide interpretations under contracts. Our services are available 7x24 and are designed to support general clinical applications. We have specialized expertise in electronic workflow, telemonitoring, imaging and analysis. Additionally we contract with certain partners to develop for us diagnostic systems such as ECG machines supporting our telemedicine enhanced workflow, and we provide those systems to our customers either through sales or lease arrangements. Our services and products are designed to improve healthcare provider workflow and patient care, while reducing costs. We historically developed imaging based diagnostic systems for the detection of certain musculoskeletal diseases such as Osteoporosis and we own certain patents in that field. Our activities in this area are principally focused on supporting certain strategic partners and our goal ultimately is to license these technologies and intellectual properties to a third party.

Our revenues are principally based on telemedicine services and products in support of cardiology interpretation of ECGs. However we have been developing extensions to our capabilities to be able to offer a wider range of services on our telemedicine platform. These services include interpretations of echograms and doctor-patient teleconsults. We have announced a strategic relationship with GE-Intel Care Innovations, LLC, a joint venture between GE and Intel to further develop our reach into broader telemedicine markets. According to the Centers for Disease Control (CDC)/National Center for Health Statistics (NCHS), Centers for Disease Control and Prevention, National Center for Health Statistics, "Health, United States, 2008", for persons born in the United States, the probability at birth that they will die of some form of cardiovascular disease (CVD) is 47 percent. Since 2007 the form of CVD remain the number one cause of death for men and women alike, and the number three cause of death for children under the age of 15 in the United States. Additionally, 3 to 4 people on average die every few minutes in the US from varying forms of CVD, which equals approximately 2,600 US lives daily.

Historically we have also developed certain products and related intellectual properties relating to bone density measurement in support of diagnostic applications for diseases such as osteoporosis. Despite significant technology and marketing investment these products have not reached scale and the Company has decided to reduce its investments in these markets to focus on the telemedicine business. We are, however, pursuing a licensing strategy for these products and intellectual properties which we believe could prove to be valuable to third parties.

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 our OsteoGram is FDA cleared for sale in the US.

OsteoGram limited acceptance in the marketplace may be partially due to the fact that in the US there is a tendency by the physician community to look at Radiometric Absorption, the technology on which OsteoGram is based, as a lesser technology than DXA, the prevalent competing approach to bone densitometry. While this appears to be a “perception” not supported by clinical studies, it has made sales, especially in the US, difficult. 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 with its OEMs has worked aggressively to clear the product for sale in China. This effort resulted in the Chinese State Food & Drug Administration clearing the OsteoGram for sale in China on June 6, 2008.

We are registered with the Food & Drug Administration, (FDA) and our medical devices including those used in our core products CardioGram™, OsteoGram® and OsteoCare™, are cleared by the FDA. Our products and services are reimbursable by Medicare and many private insurers.

Telecardiology & Telemedicine Products and Services

We have been a supplier of telemedicine services for more than twenty years and have established one of the nation's largest networks for electronic processing of electrocardiograms (ECGs) on a near-real-time basis, providing ECG equipment and services to hundreds of healthcare providers throughout the U.S and performing tens of thousands of ECG interpretations annually. CompuMed has created an electronic telemedicine infrastructure to link clinical cardio-vascular data collected at the patient’s point of care, such as 12-lead ECGs, provide computerized interpretation of the data and to transmit that data to cardiologists for over-read interpretations. Our innovation in this area is the workflow technology being used to manage the inflow of data to its servers, and the routing of that data to a network of cardiologists who provide interpretations under contracts. Our services are available 24 hours each day and 7 days per week and are designed to support general clinical applications. We have specialized expertise in electronic workflow, telemonitoring, imaging and analysis. Additionally, we contract with certain partners to develop for us diagnostic systems such as ECG machines supporting our telemedicine enhanced workflow, and we provide those systems to our customers either through sales or lease arrangements. Our services and products are designed to improve healthcare provider workflow and patient care, while reducing costs.

Our CardioGram product is an electronic workflow and telemedicine solution focused on telecardiology. Using our customized electrocardiogram terminals, an electrocardiogram is acquired from a patient, digitized, transmitted in electronic form to our central computers for digital workflow processing, analyzed and received back on the electrocardiogram terminal where the electrocardiogram trace and computer interpretation are printed, all within a few minutes. If necessary, we can provide an "overread" by a cardiologist and return the results within a short time frame, often in under an hour. We bill for this service on a per-use basis, and we sell or rent a full range of electrocardiogram machines and supplies including electrodes, recording paper, gel, and patient cables. CardioGram was extended this year to also manage certain electronic medical records (EMR) as well as new imaging modalities such as Echocardiograms (ECHOs). As part of our CardioGram offering we also have a web-based PACSs and DICOM imaging capability to support these new modalities. Since our new infrastructure is web-based, we have the ability to offer these expanded services nation-wide, leveraging our centralized core-lab for interpretations.

CompuMed’s historical customer base for its telecardiology services has been the correctional healthcare segment. A significant trend in correctional healthcare has been the shift by State Departments of Correction

towards privatizing their provisioning of healthcare. During the quarter the Company has significantly expanded its relationships with the key private healthcare providers in the correctional market and currently has contracts with every major such provider in the US. We expect that the trend towards privatization might accelerate as fiscal pressures on the States continue and we expect to be benefiting from such trend as a result of our relationship with these entities.

During the quarter, to expand our product line, we entered into a relationship with a manufacturer of diagnostic systems for cardiology. Pursuant to the relationship, the two companies are cooperating in the development of a next generation CardioGram solution, and will cooperate in launching this solution in the market. During the quarter, significant progress was made toward completing and testing that new solution, and we have begun to ship that solution on a test basis to certain pilot customers. We expect to be launching this new product in subsequent quarters. The Company believes that the new solution could help expand its telecardiology platforms into non-correctional clinical markets as well as its correctional customers. The pilot sales of the new CardioGram solution had impact on sales during the quarter and was a contributor to the increase in ECG product equipment sales and for the Company's profitable quarter. We believe that the new CardioGram solution could introduce market-leading and next generation capabilities to the CardioGram that might be important to our target customers, including our expanding markets of pediatric, rural, and assisted living. CompuMed and its relationship partner have also agreed to certain joint strategies to drive market acceptance of the new solution into existing and new markets.

While much of the revenue opportunity from our non-correctional markets and some of these new products remains ahead of us we believe that the progress in revenues experienced this quarter are beginning to show traction from these strategies. There can be no guarantees that the improvements in revenues and profitability will continue in the future.

Healthcare providers use our CardioGram products to accomplish the following:

- Obtain expert cardiologist review for critical studies when a cardiologist is not present in their facility – this improves patient care and clinical outcome while reducing the need to transfer patients out of their facility
- Minimize the risk of a misdiagnoses while improving patient care
- Expand capacity for cardiology services
- Off hours telecardiology support during times when in house staff is unavailable

The importance of ECG over-reads in clinical practice- While the training and board examinations required of cardiologists ensure expert ECG interpretation skills, the majority of ECGs are interpreted in primary care settings by non-cardiologists. At one time, this was not understood as a problem. However, as our understanding of the heart increases daily, so does the difficulty of accurately interpreting ECGs. Today, according to medical literature, more than 400 diagnostic statements can be made on the basis of a 12-lead ECG. In 2005 the American Heart Association (AHA) and the American College of Cardiology (ACC) put forward a joint statement under which they recommend that every ECG should be interpreted by a Cardiologist or an ECG-trained physician. The only board certification meeting this standard is Cardiology. This was evidenced by an ACC/AHA study where physicians were tested in ECG interpretation. Of the physicians that were tested,

- 70% of all non-Internal Medicine specialists failed

- 49% of all Internal Medicine specialists failed
- Up to 30% of all computerized interpretations failed.

We believe that interpreting ECG correctly is a particularly important matter, since 11% of ECG interpretation errors are associated with morbidity and mortality. Liability for the provider is also high. According to the American Academy of Family Physicians, missed "myocardial infarction (MI) is the leading cause of litigation against family physicians. More malpractice dollars are awarded for missed myocardial infarctions than for any other single diagnosis." Studies and court records show that failure to diagnose cardiac conditions is a problem in all primary care settings. One study published in the American Journal of Medicine found "that 2% of emergency doctor's patients with MI were sent home mistakenly, most commonly related to problems in physician use of the ECG."

We believe that expert ECG interpretation can significantly reduce the risk of these kinds of mistakes for many cardiac conditions.

We provide expert over-reads to point of care settings that do not have access to cardiologists and plan to expand into cardiovascular disease management through eHealth and telemedicine. CardioGram affords healthcare providers an opportunity to have an ECG over-read by a cardiologist, decreasing the risk of interpretation errors and its ensuing liability. The CardioGram is an electronic workflow and telemedicine application focused on tele-cardiology. We have been a supplier of telemedicine services for more than twenty years and have established one of the nation's largest telecommunications networks for electronic processing of electrocardiograms on a real time basis, providing ECG equipment and services to hundreds of healthcare providers throughout the U.S and performing tens of thousands ECG interpretations annually. Using our customized electrocardiogram terminals, an electrocardiogram is acquired from a patient, digitized, transmitted in electronic form to our central computers for digital workflow processing, analyzed and received back on the electrocardiogram terminal where the electrocardiogram trace and computer interpretation are printed- all within a few minutes. When requested by our customers, we can provide an "over-read" by a cardiologist and return the results within a short time frame, often in under an hour. We bill for this service on a per-use basis, and we sell or rent a full range of electrocardiogram machines and supplies including electrodes, recording paper, gel, and patient cables. With recently introduced options the CardioGram can also be used to manage electronic records in connection of electronic medical records and digital workflow applications.

It is possible, although unlikely, that despite the certifications and qualifications of our cardiologists that provide over-reads under contract for our customers, an error might be made or an over-read might lead to an erroneous treatment recommendation or diagnosis on the part of our cardiologists. Our contract cardiologists perform their over-reads services with us under their own medical license and are generally responsible for any malpractice that might ensue from their services. However, it is possible that the Company might be held liable for our cardiologists' mistakes in some circumstances. For this reason, the Company maintains a liability insurance policy to cover such claims. There is some risk, however, that the Company might receive a claim of this type, and that the claim might result into a liability for the Company in excess of what might be covered by our insurance policy. Such a claim could put the Company at risk. However in the history of the Company spanning multiple decades of offering such services, there has never been a successful malpractice claim against the Company. As a result, management believes that this risk is small.

Frost and Sullivan, (US ECG and Cardiac Monitoring Products and Services Markets, 2006), had estimated the overall market size for ECG services in clinical care settings to be in excess of \$1 billion for 2010. Additionally

trends towards telemedicine use in support of diagnosis and treatment of disease, including cardiovascular disease, appear to be accelerating due to recent push from the federal government, healthcare reform and cost reductions. We believe that we might be at a strategic inflection point in the marketplace acceptance of our telemedicine services in the broader point of care clinical market, and believe we might have the opportunity to move the Company into a position of leadership in providing telecardiology services to primary care patients, including to patients directly at home. Currently our products have been used principally in institutional settings within certain niches, but some of our activities during the year in pediatrics, rural and occupational healthcare have allowed us to test both technology and reimbursements for this primary care targets. Additionally recent trends are showing greater acceptance of teleconsultations with significant approved reimbursements as well as the use of certain imaging modalities such as echograms. There can be, however, no assurance at this time, that the Company new products will be successful in the marketplace. As of today, however, there has been limited revenue yet associated with these new products and there can be no guarantees that the Company will ultimately succeed in building meaningful revenues with these new products.

Telemedicine technologies are gaining in acceptance because they help reduce cost of healthcare. According to market research firm Parks Associates, the total digital home health market in the US could grow at an average estimated annual rate of 36% and turn into a \$2.1 billion industry in 2012. According to Parks, the rapid expansion of wellness monitoring programs and online patient-physician messaging services might partly drive this growth. In another study conducted by Penn, State University (C. Cruise, M Lee, Physical Medicine and Rehabilitation Clinics of North America, Volume 16, Issue 1, pages 267-284), remote home health monitoring for a single group of diabetes patients cut costs for hospital care by 69%. A Veterans Administration study (Dibya Sarkar, "Broadband Could Be Health Boom For Seniors, Government Health IT, December 9, 2005) of remote monitoring of patients showed a 40% cut in emergency room visits and another study by the Kaufman Foundation (Better Health Care Together – Robert Litan, Vital Signs via Broadband: Remote health Monitoring transmits savings, enhances lives, October 2008) forecasted that 30% of all hospital, out-patient and drug expenses could be saved from remote monitoring for the chronically ill.

Additionally there is increasing clinical evidence

(<http://www.liebertonline.com/doi/abs/10.1090/tmj.2008.0021>), especially in cardio-vascular care, of improved clinical outcomes and fewer hospital stays for patients with access to telemedicine, which can help the reimbursers' bottom line while also helping patients, (<http://www.sciencedaily.com/releases/2008/05/080501161223.htm>).

These changing reimbursement policies are also being driven by national trends in healthcare reform and legislation. Policy groups are demanding better cardiac care for MUAs, which represents an estimated 12 percent of the U.S. population, (<http://hrc.nwlc.org/status-indicators/Womens-Access-to-Health-Care-Services/People-in-Medically-Underserved-Areas.aspx>) and new federal funding and tax incentives are promoting broader adoption of eHealth technologies.

There is increasing clinical evidence in the published literature that close monitoring of CV patients can lead to improved clinical outcomes, including as it relates to drug therapies. In part, this is because patients can better understand the causes and effects of their treatments, and physicians have more and longer-term patient data upon which to base their treatment decisions.

Results of Operations For The Quarter Ended December 31, 2011 Compared To The Quarter Ended December 31, 2010

Total revenues for the first quarter of 2012 increased by 1.8% to \$405,000 from \$398,000 for the same quarter of 2011. This was the result of significant ECG product sales increased offset by a reduction of ECG services.

ECG product and supplies sales revenue for the first quarter of fiscal 2012 increased by 122.6% to \$69,000 from \$31,000 for the same quarter of fiscal 2011, due to the introduction on a pilot basis of the next generation CardioGram technology.

ECG services revenue, which consists of ECG processing, equipment rental, over-reads and maintenance, during the first quarter of fiscal 2012 decreased by 6.3% to \$327,000 from \$349,000 for the same quarter of 2011, due to the effect of budget constraint of certain State Department of Corrections which resulted in reduced utilization of our services.

Skeletal Health products and services revenue consist of OsteoGram and OsteoMeter sales and services. During the first quarter of fiscal 2012, it decreased by 50% to \$9,000 from \$18,000 for the same quarter of 2011 due to reducing demand for imaging capital goods in China based on the current economic downturn. The Company is de-emphasizing sales of these products at this time pursuant to its strategy.

Cost of ECG services during the first quarter of fiscal 2012 slightly decreased to \$158,000 from \$159,000 for the same quarter of 2011. The Company continued to manage and control costs to gain profitability in the business, and reported a profitable quarter.

Cost of goods sold of ECG during the first quarter of fiscal 2012 increased by 309.1% to \$45,000 from \$11,000 for the same quarter of 2011. This cost is related to the increase of ECG product and supplies, and is principally made up of the acquisition of hardware systems supporting the new generation CardioGram.

There was no cost of goods sold of OsteoGram and Osteometer for the first quarter of 2012.

Selling expenses for the first quarter of fiscal 2012 decreased by 15.3% to \$61,000 from \$72,000 for the same quarter in fiscal 2011, primarily due to reduction of consulting services for Osteometer and commission related to lower sales of OsteoGram.

General and administrative expenses for the first quarter of fiscal 2012 decreased by 49.4% to \$130,000 from \$257,000 for the same quarter of fiscal 2011, primarily due to elimination of certain expenses associated with regulatory obligations under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the reversal of the accounts payable of one vendor pursuant to agreement. The Company is currently traded on OTC Pink operated by OTCMarkets.

During the first quarter of fiscal 2012 and 2011, the non-cash stock-based compensation charges included in the above referenced expenses were \$4,000 and \$2,000, respectively.

Other income for the first quarter of fiscal 2012 and 2011 was \$26,000 and \$18,000. This was related to the sublease of portions of the company's office space to two companies on a month-to-month basis.

Interest expense for the first quarter of fiscal 2012 decreased by 28.6% to \$5,000 from \$7,000 for the same period of fiscal 2011 due to paying off certain capital lease obligations.

Net gain for the first quarter of fiscal 2012 was \$13,000 compared to a loss of \$119,000 for the same period of fiscal 2011, primarily due to increased in ECG revenues and continued controlling cost in the business.

Financial Condition, Liquidity and Capital Resources

Operations

At December 31, 2011, we had \$3,000 in cash compared to a balance of \$50,000 at September 30, 2011, a net decrease of \$47,000. It is important to note that the Company's cash on hand varies from week to week based on cycles of collections and accounts payable. The Company's accounts receivable at the end of the period showed a balance in excess of \$331,000, and the Company has, subsequently to the close of the quarter, collected, and continues to collect regularly on its accounts receivables under normal trade terms. As a result, the cash flow of the Company has improved subsequently to the close of the reporting period and the Company has been able to maintain sufficient liquidity and to service its normal obligations based on its own cash flow, and has not had to consider drawing down further capital on its available credit facility.

The Company is, however, analyzing a number of options to continually improve cash flow for the Company, including raising additional capital, drawing down into existing or new credit facilities, exploring strategic opportunities and further costs elimination measures. Currently, 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.

During the three months ended December 31, 2011, our net cash used in operations was \$24,000; in investing activities was \$6,000; and in financing activities was \$17,000.

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 OTCMarkets, 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 December 31, 2011 consist of capital and operating lease commitments, primarily for computer equipment, electrocardiogram terminals, OsteoMeter machines and for our corporate office facility. The Company did not acquire any capital equipment during the first quarter 2012.

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 matures on December 31, 2012. The Company has drawn down \$100,000 during the third quarter of fiscal 2011.

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 OsteoGram or OsteoCare 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 are investing 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, Echocardiogram 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 renewal of contracts that came due for expiration, many customers reserve the rights to cancel such contract under a broad base of options and we experience some churn of customers 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 effect our overall revenues as well as our gross profits. Additionally many of our customers have responded to the current financial and economic crisis by reducing their volume of use to high-risk patients. If this trend should continue we might experience a downturn of our volume of business, which might not be offset by an increase of revenue from other sources.

We are also potentially vulnerable by fiscal and budget crisis on the part of the States that are our principal customers. The Company receives significant revenues from the States of California, Illinois, New York and Florida and any significant budget problems in those states could adversely affect us.

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 the conditions and criteria to effect 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 uncollectibility 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.

ECG services are comprised of ECG processing, overread, rental and maintenance. ECG processing and overread revenue is recognized monthly on a per-usage basis after the services are performed. Equipment rental and maintenance 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.

OsteoMeter rental is recognized monthly over the terms of the customer rental agreement, as the following criteria has 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.

Osteometer sales revenue is recognized upon shipment of the products and passage of title to the customer.

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.

Item 5. Legal proceedings

None.

Item 6. Default upon senior securities

None.

Item 7. Other Information

Subsequent to the close of the quarter, on February 13, 2012, Mr. Dan McCarthy was appointed to the Board of Directors of the Company. Mr. McCarthy works in management at McMaster-Carr Supply Company, one of the largest industrial supply distribution companies in the U.S. At McMaster-Carr, he has supervised groups within the finance department and in other areas. Prior to McMaster-Carr, he worked for Nadel and Gussman, LLC in the investment office. While at Nadel and Gussman, he completed certain efficiency initiatives at CompuMed, which contributed to cost savings. Mr. McCarthy graduated with the highest distinction from the Wharton School and Engineering School of the University of Pennsylvania.

Also subsequent to the close of the quarter, in order to help explore possible strategic alternatives for the skeletal health products and consistent with the Company's stated strategy of de-emphasizing those products, the Board retained, on February 1, 2012, Director Scott Rombach to lead a process of exploration of possible interested parties and related deal structures. For this effort, Mr. Rombach was granted by the Board, subject to the availability of duly authorized shares, 650,000 warrants to purchase shares at the fair market price on the day of grant. Additionally, subject to the consummation of such a transaction and depending on the amounts of proceeds to the Company from such strategic transactions, he is eligible to receive additional warrants of up to 2,000,000 warrants at the then fair market price, subject to availability of duly authorized shares in the Company.

Item 8. Exhibits

None.

Item 9- Certifications

CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Maurizio Vecchione, Chief Financial Officer, certify that:

1. I have reviewed this amended 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.

Date: February 22, 2012

By: /s/ Maurizio Vecchione
Maurizio Vecchione
Chief Executive Officer

CHIEF FINANCIAL OFFICER CERTIFICATION

I, Phuong Dang, Chief Financial Officer, certify that:

1. I have reviewed this amended 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.

Date: February 22, 2012

By: /s/Phuong Dang
Phuong Dang
Chief Financial Officer