VASO Corp
Form 10-K
March 30, 2017
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2016
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File No. 0-18105

VASO CORPORATION
(Exact name of registrant as specified in Its Charter)

Delaware	11-2871434
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

137 Commercial Street, Plainview, New York 11803
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: (516) 997-4600
Securities registered under Section 12(b) of the Act: None
Securities registered under Section 12(g) of the Act:

Common Stock, $.001 par value
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required

to submit and post such files) Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.
Large accelerated filer o Accelerated filer o Non-accelerated filer o Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No x

The aggregate market value of common stock held by non-affiliates was approximately $14.6 million based on the closing sales price of the common stock as quoted on the OTC PK on June 30, 2016.

At March 25, 2017, the number of shares outstanding of the issuer's common stock was 163,503,446.

{THIS PAGE LEFT INTENTIONALLY BLANK}

VASO CORPORATION
INDEX TO FORM 10-K

		Page
PART I		2
ITEM 1	BUSINESS	2
ITEM 1A	RISK FACTORS	8
ITEM 2	PROPERTIES	12
PART II		13
ITEM 5	MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES	13
ITEM 7	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.	13
ITEM 8	FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	24
ITEM 9A	CONTROLS AND PROCEDURES	24
ITEM 9B	OTHER INFORMATION	25
PART III		26
ITEM 10	DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE	26
ITEM 11	EXECUTIVE COMPENSATION	29
ITEM 12	SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS	32
ITEM 13	CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE	34
ITEM 14	PRINCIPAL ACCOUNTING FEES AND SERVICES	35
PART IV		37
ITEM 15	EXHIBITS AND FINANCIAL STATEMENT SCHEDULES	37
SIGNATURES		39
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS		F-1
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM		F-2
CONSOLIDATED BALANCE SHEETS		F-3
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME		F-4
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY		F-5
CONSOLIDATED STATEMENTS OF CASH FLOWS		F-6
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS		F-7

EXHIBITS

Exhibit 31 - Certifications Pursuant to Securities Exchange Act Rule 13A-14(A)/15D-14(A)
Exhibit 32 - Certifications of Periodic Report

PART I

ITEM 1 – BUSINESS

Except for historical information contained in this report, the matters discussed are forward-looking statements that involve risks and uncertainties. When used in this report, words such as "anticipates", "believes", "could", "estimates", "expects", "may", "plans", "potential" and "intends" and similar expressions, as they relate to the Company or its management, identify forward-looking statements. Such forward-looking statements are based on the beliefs of the Company's management, as well as assumptions made by and information currently available to the Company's management. Among the factors that could cause actual results to differ materially are the following: the effect of business and economic conditions; the effect of the dramatic changes taking place in IT and healthcare; continuation of the GEHC agreements; the impact of competitive technology and products and their pricing; medical insurance reimbursement policies; unexpected manufacturing or supplier problems; unforeseen difficulties and delays in the conduct of clinical trials and other product development programs; the actions of regulatory authorities and third-party payers in the United States and overseas; and the risk factors reported from time to time in the Company's SEC reports. The Company undertakes no obligation to update forward-looking statements as a result of future events or developments.

Unless the context requires otherwise, all references to "we", "our", "us", "Company", "registrant", "Vaso" or "management" refer to Vaso Corporation and its subsidiaries.

General Overview

Vaso Corporation principally operates in three distinct business segments in the healthcare equipment and information technology industries. We manage and evaluate our operations, and report our financial results, through these three business segments.

- IT segment, operating through a wholly-owned subsidiary VasoTechnology, Inc., primarily focuses on healthcare IT and managed network technology services;

- Professional sales service segment, operating through a wholly-owned subsidiary Vaso Diagnostics, Inc. d/b/a VasoHealthcare, primarily focuses on the sale of healthcare capital equipment for General Electric Healthcare ("GEHC") into the health provider middle market; and

- Equipment segment, operating through wholly-owned subsidiaries Vasomedical Global Corp. and Vasomedical Solutions, Inc., primarily focuses on the design, manufacture, sale and service of proprietary medical devices.

VasoTechnology

VasoTechnology, Inc. was formed in May 2015, at the time the Company acquired all of the assets of NetWolves, LLC and its affiliates, including the membership interests in NetWolves Network Services LLC (collectively, "NetWolves"), to address a major issue facing the healthcare IT industry. It currently consists of a managed network and security service division, NetWolves, and a healthcare IT application VAR (value added reseller) division, VasoHealthcare IT. Its current offering includes:

- Managed diagnostic imaging applications (national channel partner of GEHC IT).
- Managed network infrastructure (routers, switches and other core equipment).
- Managed network transport (FCC licensed carrier reselling 175+ facility partners).
- Managed security services (partner with major cybersecurity technologies firms including IBM and Palo Alto).

VasoTechnology uses a combination of proprietary technology, methodology and best-in-class third-party applications to deliver its value proposition.

VasoHealthcare

VasoHealthcare commenced operations in 2010, in conjunction with the Company's execution of its exclusive sales representation agreement with GEHC, which is the healthcare business division of the General Electric Company ("GE"), to further the sale of certain healthcare capital equipment in the health provider middle market. Sales of GEHC equipment by the Company have grown significantly since then.

VasoHealthcare's current offering consists of:

·GEHC diagnostic imaging capital equipment.
·GEHC service agreements.
·GEHC and third party financial services.

VasoHealthcare has built a team of approximately 80 highly experienced sales professionals who utilize highly focused sales management and analytic tools to manage the complete sales process and to increase market penetration.

Vasomedical Global and Vasomedical Solutions

Vasomedical Global was formed in 2011 to combine and coordinate the various design, development manufacturing, and sales operations of medical devices acquired by the Company. These devices primarily consist of cardiovascular diagnostic and therapeutic systems. Its current offering consists of:

·Biox™ series Holter monitors and ambulatory blood pressure recorders.
·ARCS™ series analysis, reporting and communication software for physiological signals such as ECG and blood pressure.
·MobiCare™ multi-parameter wireless vital-sign monitoring system.
·EECP® therapy systems, used for non-invasive, outpatient treatment of ischemic heart disease.

This segment uses its extensive cardiovascular device knowledge coupled with its engineering resources to cost effectively create and market its proprietary technology. It sells and services its products to domestic customers directly and sells and services its products in the international market through a global joint venture arrangement.

Historical Background

Vaso Corporation (formerly Vasomedical, Inc.) was incorporated in Delaware in July 1987. For most of its history, the Company was a single-product company designing, manufacturing, marketing and servicing its proprietary Enhanced External Counterpulsaion, or EECP®, therapy systems, mainly for the treatment of angina. In 2010 it began to diversify its business operations.

In May 2010, the Company launched its Professional Sales Service business through a wholly-owned subsidiary Vaso Diagnostics, Inc. d/b/a VasoHealthcare, which was appointed the exclusive representative for the sale of select GE diagnostic imaging equipment to specific market segments in the 48 contiguous states of the United States and the District of Columbia. The original agreement ("GEHC Agreement") was for three years ending June 30, 2013; in 2012 it was extended to June 30, 2015 and again in 2014 to December 31, 2018.

In June 2014, the Company began its IT segment business by concluding the Value Added Reseller Agreement ("VAR Agreement") with GEHC to become a national value added reseller of GE Healthcare IT's Radiology PACS (Picture Archiving and Communication System) software solutions and related services, including implementation, management and support. This multiyear VAR Agreement focuses primarily on existing customer segments currently served by VasoHealthcare on behalf of GEHC. A new wholly owned subsidiary, VasoHealthcare IT Corp. ("VHC IT"), was formed to conduct the healthcare IT business.

3

In May 2015, the Company further expanded its IT segment business by acquiring all of the assets of NetWolves, LLC and its affiliates, including the membership interests in NetWolves Network Services, LLC (collectively, "NetWolves"), pursuant to an Asset Purchase Agreement. NetWolves designs and delivers efficient and cost-effective multi-network and multi-technology solutions as a managed network provider, and provides a complete single-source solution that includes design, network redundancy, application device management, real-time network monitoring, reporting and support systems as a comprehensive solution. The Company believes there are significant operational synergies between NetWolves' capabilities and VasoHealthcare IT's requirements under its VAR Agreement with GEHC, and has expanded NetWolves' existing services to the healthcare IT market.

The Company's Equipment business also has been significantly expanded from the original EECP®-only operations. In September 2011, the Company acquired FGE, a British Virgin Islands company, which owns or controls two Chinese operating companies - Life Enhancement Technology Ltd. ("LET") based in Foshan, China, and Biox Instruments Co. Ltd. ("Biox") based in Wuxi, China, respectively - to expand its technical and manufacturing capabilities and to enhance its distribution network, technology, and product portfolio. Biox is a variable interest entity controlled by FGE through certain contracts and an option to acquire all the shares of Biox. In August 2014, the Company acquired all of the outstanding shares of Genwell Instruments Co. Ltd. ("Genwell"), located in Wuxi, China, through its wholly owned subsidiary Wuxi Gentone Instruments Co. Ltd. ("Gentone"). Genwell was formed in China in 2010 with the assistance of a government grant to develop the MobiCare™ wireless multi-parameter patient monitoring system and holds intellectual property rights for this system. As a result, the Company has now expanded its equipment products portfolio to include Biox™ series ambulatory patient monitoring systems, ARCS™ series software for ECG and blood pressure analysis, and the MobiCare™ patient monitoring device.

In April 2014, the Company entered into an agreement with Chongqing PSK-Health Sci-Tech Development Co., Ltd. ("PSK") of Chongqing, China, the leading manufacturer of external counter pulsation, or ECP, therapy systems in China, to form a joint venture company, VSK Medical Limited ("VSK"), a Cayman Islands company, for the global marketing, sale and advancement of ECP therapy technology. The Company owns 49.9% of VSK, which commenced operations in January 2015.

Management

The Company currently bases its headquarters in Plainview, Long Island, NY and maintains an office in Manhattan, NY. Reporting to the Board of Directors, corporate officers of the Company include the President and Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), Chief Operating Officer ("COO"), and Vice President of Finance and Treasurer.

The management of our IT segment including its sales and marketing efforts is led by the COO of the Company, who is also the President of VasoTechnology and NetWolves, which is based in Tampa, FL. Our VasoHealthcare IT VAR business is organized as a part of VasoTechnology and is led by the General Manager of the business unit and supported by several software solution sales and implementation specialists, based in Nashville, TN. The business unit works with our VasoHealthcare diagnostic imaging equipment sales team to generate leads and potential clients for the software solutions products and works with NetWolves sales and technical teams for comprehensive IT product and service offerings.

In the professional sales services segment, we sell GEHC diagnostic imaging products to our assigned market through a nationwide team of approximately 65 sales employees led by its executive team and nine regional managers who report to the President of VasoHealthcare. The operation is also supported by in-house administrative, analytic and other support staff, as well as applicable GEHC employees.

The equipment segment is directly supervised by the CEO of the Company. Sales and marketing efforts in the domestic market are led by a vice president of national sales and service at Vasomedical Solutions, and the managers of our China subsidiaries are in charge of the development and production of all our proprietary products and

marketing and sales in the international markets. We historically have marketed our EECP® systems internationally through distributors in various countries throughout Europe, the Middle East, Africa, Asia and Latin America. This distribution structure has been realigned with our partners via the joint venture VSK Medical. We sell our Biox™ series and other products in China by a group of sales managers as well as through distributors covering various regions of China and other international geographies.

Competition

In the U.S. diagnostic imaging market, our main competitors include Siemens, Philips, Canon, and Hologic. Key competitive factors in the market include price, quality, finance availability, delivery speed, service and support, innovation, distribution network, breadth of product and service offerings and brand name recognition. GEHC is a leading competitor in this market.

In the IT segment, our primary competitors in the healthcare IT VAR business are Agfa Healthcare, McKesson, Philips, Carestream Health and other independent software providers. Key competitive factors are brand recognition, quality, radiology workflow solutions, scalability and service and support capability. We are able to capitalize on the brand recognition of GEHC, a leader in healthcare software solutions. In the managed network services business our primary competition includes, but is not limited to, organizations who have a presence in most of the major markets for the following products and services; network services, managed services, security services and healthcare applications. Several of those competitors, many of which are our vendors, are: Verizon, AT&T, CenturyLink, IBM and Cisco Resellers, Siemens, Epic, small regional IT integrators and large company internal IT departments.

Though we believe that we are the industry leader of external counterpulsation technology, our competitors in our EECP® business are Renew Group Pte. Ltd and Scottcare Cardiovascular Solutions in the United States, and internationally PSK-Health Sci-Tech Development Co., Ltd., with which we have formed a joint venture to co-market external counterpulsation products in the international market.

In the ambulatory monitoring system business, there are numerous competitors of various size and strength. The Biox™ series is among the few from China with CE Mark certification, CFDA approval, US FDA clearances as well as Health Canada listing, which are among the most important qualifications to market and sell the products around the world.

Regulations on Medical Devices

As a medical device manufacturer and marketer, we are subject to extensive regulation by numerous government regulatory agencies, including the US FDA and similar foreign agencies. We are required to comply with applicable laws, regulations and standards governing the development, preclinical and clinical testing, manufacturing, quality testing, labeling, promotion, import, export, and distribution of our medical devices.

Compliance with Regulations in the United States

The Company has received appropriate US FDA premarket notification (510(k)) clearance for all its products marketed and sold in the United States, including all EECP® therapy systems and Biox™ ambulatory monitoring systems and analysis and report software. We continue to seek US FDA clearance or approval for new products prior to their introduction to the US market.

We are subject to other US FDA regulations that apply prior to and after a product is commercially released. We also are subject to periodic and random inspections by the US FDA for compliance with the current Good Manufacturing Practice, or cGMP, requirements and Quality System Regulation. The US FDA also enforces post-marketing controls that include the requirement to submit medical device reports to the agency when a manufacturer becomes aware of information suggesting that any adverse events are related to its marketed products. The FDA relies on medical device reports to identify product problems and utilizes these reports to determine, among other things, whether it should exercise its enforcement powers. The FDA also may require post-market surveillance studies for specified devices.

We are subject to the Federal Food, Drug, and Cosmetic Act's, or FDCA's, general controls, including establishment registration, device listing, and labeling requirements.

The sales and advertising of our products is subject to regulation by the Federal Trade Commission, or FTC. The FTC Act prohibits unfair or deceptive acts or practices in or affecting commerce. Violations of the FTC Act, such as failure to have substantiation for product claims, would subject us to a variety of enforcement actions, including compulsory process, cease and desist orders and injunctions, which can require, among other things, limits on advertising, corrective advertising, consumer redress and restitution, as well as substantial fines or other penalties.

As a medical device sales channel partner and product reseller to healthcare facilities, we are subject to various federal, state and local laws targeting fraud and abuse in the healthcare industry, including anti-kickback and false claims laws.

Foreign Regulation

In most countries to which we seek to export our medical devices, a local regulatory clearance must be obtained. The regulatory review process varies from country to country and can be complex, costly, uncertain, and time-consuming. Vasomedical's medical devices, including EECP® systems and Biox™ series products, are all manufactured in accordance with ISO 13485, the international standard for medical devices. All our current medical devices have obtained necessary clearances or approvals prior to their release in the appropriate jurisdictions, including CE marking certification for European Union countries, China FDA (CFDA) approval for mainland China, Korean FDA (KFDA) approval for South Korea, Agencia Nacional de Vigilancia Sanitaria (ANVISA) approval for Brazil, and Health Canada license for Canada.

We are also subject to audits by organizations authorized by foreign countries to determine compliance with laws, regulations and standards that apply to the commercialization of our products in those markets. Examples include auditing by a European Union Notified Body organization (authorized by a member state's Competent Authority) to determine conformity with the Medical Device Directives (MDD) and by an organization authorized by the Canadian government to determine conformity with the Canadian Medical Devices Regulations (CMDR).

Patient Privacy

Federal and state laws protect the confidentiality of certain patient health information, including patient records, and restrict the use and disclosure of that protected information. The U.S. Department of Health and Human Services (HHS) published patient privacy rules under the Health Insurance Portability and Accountability Act of 1996 (HIPAA privacy rule) and the regulation was finalized in October 2002. Currently, the HIPAA privacy rule affects us only indirectly in that patient data that we access, collect and analyze may include protected health information. Additionally, we have signed some Business Associate Agreements with Covered Entities that contractually bind us to protect private health information, consistent with the HIPAA privacy rule's requirements. We do not expect the costs and impact of the HIPAA privacy rule to be material to our business.

Regulations in the IT Business

As a reseller of telecommunication services and network solutions provider, our products and services are subject to federal, state and local regulations. These regulations govern, in part, our rates and the way we conduct our business, including the requirement to offer telecommunications services pursuant to nondiscriminatory rates, terms, and conditions, the obligation to safeguard the confidentiality of customer proprietary network information, as well as the obligation to maintain specialized records and file reports with the Federal Communications Commission and state regulatory authorities. While we believe we are in compliance with laws and regulations in jurisdictions where we do business, we must continue to monitor and assess our compliance.

The Federal Communications Commission ("FCC") exercises jurisdiction over services and regulates interstate and international communications in all 50 states, the District of Columbia and U.S territories. As an independent U.S. government agency overseen by Congress, the commission is the United States' primary authority for communications laws, regulation and technological innovation.

We maintain Certificates of Public Convenience and Necessity in all 50 states, which enable us to provide services within each state. We are therefore subject to regulation from the Public Utility Commissions in each state.

6

Intellectual Properties

In addition to other methods of protecting our proprietary technology, know-how and show-how as well as trade secrets, we pursue a policy of seeking patent protection, both in the US and abroad, for our proprietary technologies including those in EECP®, Biox™ and MobiCare™ products.

We own eleven US patents including eight utility patents and three design patents that expire at various times through 2023. We will from time to time file other patent applications regarding specific enhancements to the current EECP® models, future generation products, and methods of treatment in the future. Moreover, trademarks have been registered for the names "Vaso", "EECP", "AngioNew", "Natural Bypass", "Vasomedical", "Vasomedical EECP", "VasoGlobal", "VasoSolutions", "VasoHealthcare".

Through our China-based subsidiaries, we own thirteen invention and utility patents that expire at various times through 2024, as well as eight software copyright certificates in China related to proprietary technologies in physiological data acquisition, analysis and reporting. We also have ten registered trademarks in China for our products.

Through our Netwolves subsidiary we hold a patent for Secure and Remote Monitoring Management ("SRM") and we hold trademarks "NetWolves", "SRM", and "Wolfpac".

There can be no assurance that our patents will not be violated or that any issued patents will provide protection that has commercial significance. As with any patented technology, litigation could be necessary to protect our patent position. Such litigation can be costly and time-consuming, and there can be no assurance that we will be successful.

Employees

As of December 31, 2016, we employed 311 full-time persons, of which 19 are employed through our facility in Plainview, New York, 81 through VasoHealthcare, 12 through VasoHealthcare IT, 127 through our Netwolves operations, and 72 in our China operations. None of our employees are represented by a labor union. We believe that our employee relations are good.

The Company also uses several part-time employees and consultants from time to time for various purposes.

Manufacturing

The Company conducts its manufacturing activities primarily through LET and Biox facilities in China, while maintaining certain manufacturing capability in the Plainview, NY location to satisfy certain domestic and international needs for the EECP® systems. LET manufactures EECP® systems and Biox manufactures ambulatory monitoring devices and other medical devices.

All manufacturing operations are conducted under the cGMP requirements as set forth in the FDA Quality System Regulation as well as ISO 13485 standard, the international quality standard for medical device manufacturers. We are also certified to conform to full quality assurance system requirements of the EU Medical Device Directive and can apply CE marking to all of our current product models. Lastly, we are certified to comply with the requirements of the Canadian Medical Device Regulations (CMDR). All these regulations and standards subject us to inspections to verify compliance and require us to maintain documentation and controls for the manufacturing and quality activities.

We believe our manufacturing capacity and warehouse facility are adequate to meet the current and immediately foreseeable future demand for the production of our medical devices. We believe our suppliers of the other medical devices we distribute or represent are capable of meeting our demand for the foreseeable future.

ITEM 1A - RISK FACTORS

Investing in our common stock involves risk. You should carefully consider the following information about these risks together with the other information contained in this Annual Report on Form 10-K. If any of the following risks actually occur, our business could be harmed. This could cause the price of our stock to decline, and you may lose part or all of your investment.

Financial Risks

Achieving profitable operations is dependent on several factors.

Our ability to achieve and sustain profitability is dependent on many factors, primarily being the sufficient and timely generation and recognition of revenue in our professional sales services segment, attaining profitability in our IT segment, the success of our marketing, sales and cost reduction efforts in the equipment segment, as well as the success of our other strategic initiatives, including our China acquisitions.

Risks Related to Our Business

We currently derive a significant amount of our revenue and net income from our agreement with GEHC.

On May 19, 2010, we signed a sales representation agreement with GEHC. Under the GEHC Agreement, we have been appointed the exclusive representative for these products to specific market segments in the 48 contiguous states of the United States and the District of Columbia. The GEHC Agreement had an initial term of three years commencing July 1, 2010 and in 2012 was extended for two additional years to June 30, 2015. In December 2014, the agreement was extended again through December 31, 2018, subject to earlier termination under certain circumstances including the right by GEHC to terminate without cause with certain conditions.

A significant amount of our revenue and net income arise from activities under this contract. Moreover, our growth depends partially on the territories, customer segments and product modalities assigned to us by GEHC, and thus relies on our ability to demonstrate our added value as a channel partner, and maintaining a positive relationship with GEHC. There is no assurance that the agreement will be renewed before it expires or terminated prior to its expiration

pursuant to its termination provisions. Should GEHC terminate or not renew the agreement, it would have a material adverse effect on our financial condition and results of operations.

We face competition from other companies and technologies.

In all segments of our business we compete with other companies that market technologies, products and services in the global marketplace. We do not know whether these companies, or other potential competitors who may succeed in developing technologies, products or services that are more efficient or effective than those offered by us, and that would render our technology and existing products obsolete or non-competitive. Potential new competitors may also have substantially greater financial, manufacturing and marketing resources than those possessed by us. In addition, other technologies or products may be developed that have an entirely different approach or means of accomplishing the intended purpose of our products. Accordingly, the life cycles of our products are difficult to estimate. To compete successfully, we must keep pace with technological advancements, respond to evolving consumer requirements and achieve market acceptance.

We depend on management and other key personnel.

We are dependent on a limited number of key management and technical personnel. The loss of one or more of our key employees may harm our business if we are unable to identify other individuals to provide us with similar services. We do not maintain "key person" insurance on any of our employees. In addition, our success depends upon our ability to attract and retain additional highly qualified management, sales, IT, manufacturing and research and development personnel in our various operations. The competition for IT personnel is intense.

We may not continue to receive necessary FDA clearances or approvals, which could hinder our ability to market and sell certain products.

If we modify our medical devices and the modifications significantly affect safety or effectiveness, or if we make a change to the intended use, we will be required to submit a new premarket notification (510(k)) or premarket approval (PMA) application to FDA. We would not be able to market the modified device in the U.S. until FDA issues a clearance for the 510(k).

If we offer new products that require 510(k) clearance or a PMA, we will not be able to commercially distribute those products until we receive such clearance or approval. Regulatory agency approval or clearance for a product may not be received or may entail limitations on the device's indications for use that could limit the potential market for the product. Delays in receipt of, or failure to obtain or maintain, regulatory clearances and approvals, could delay or prevent our ability to market or distribute our products. Such delays could have a material adverse effect on our equipment business.

If we are unable to comply with applicable governmental regulations, we may not be able to continue certain of our operations.

As a reseller of telecommunication services and network solutions provider, our products and services are subject to federal, state and local regulations. These regulations govern, in part, our rates and the way we conduct our business, including the requirement to offer telecommunications services pursuant to nondiscriminatory rates, terms, and conditions, the obligation to safeguard the confidentiality of customer proprietary network information, as well as the obligation to maintain specialized records and file reports with the Federal Communications Commission and state regulatory authorities. While we believe we are in compliance with laws and regulations in jurisdictions where we do business, we must continue to monitor and assess our compliance.

We also must comply with current Good Manufacturing Practice requirements as set forth in the Quality System Regulation to receive US FDA approval to market new products and to continue to market current products. Most states also have similar regulatory and enforcement authority for medical devices.

Our operations in China are also subject to the laws of the People's Republic of China with which we must be in compliance in order to conduct these operations.

We are subject to various federal, state and local laws targeting fraud and abuse in the healthcare industry, including anti-kickback and false claims laws.

We cannot predict the nature of any future laws, regulations, interpretations, or applications, nor can we predict what effect additional governmental regulations or administrative orders, either domestically or internationally, when and if promulgated, would have on our business in the future. We may be slow to adapt, or we may never adapt to changes in existing requirements or adoption of new requirements or policies. We may incur significant costs to comply with laws and regulations in the future or compliance with laws or regulations may create an unsustainable burden on our business.

We have foreign operations and are subject to the associated risks of doing business in foreign countries.

The Company continues to have operations in China. Operating internationally involves additional risks relating to such things as currency exchange rates, different legal and regulatory environments, political, economic risks relating to the stability or predictability of foreign governments, differences in the manner in which different cultures do business, difficulties in staffing and managing foreign operations, differences in financial reporting, operating difficulties, and other factors. The occurrence of any of these risks, if severe enough, could have a material adverse effect on the consolidated financial position, results of operations and cash flows of the Company.

Commercial law is still developing in China and there are limited legal precedents to follow in commercial transactions. There are many tax jurisdictions each of which may have changing tax laws. Applicable taxes include value added taxes ("VAT"), corporate income tax, and social (payroll) taxes. Regulations are often unclear. Tax declarations (reports) are subject to review and taxing authorities may impose fines, penalties and interest. These facts create risks for our operations in China.

We depend on several suppliers for the supply of certain products.

As a GEHC channel partner, we could be negatively impacted by interruptions or delays to equipment installations, production and quality issues, and any customer concerns related to GEHC. With respect to our proprietary medical products we now manufacture our own products primarily through our China based facilities, and we depend on certain independent suppliers for parts, components and certain finished goods.

We may not have adequate intellectual property protection.

Our patents and proprietary technology may not be able to prevent competition by others. The validity and breadth of claims in technology patents involve complex legal and factual questions. Future patent applications may not be issued, the scope of any patent protection may not exclude competitors, and our patents may not provide competitive advantages to us. Our patents may be found to be invalid and other companies may claim rights in or ownership of the patents and other proprietary rights held or licensed by us. Also, our existing patents may not cover products that we develop in the future. Moreover, when our patents expire, the inventions will enter the public domain. There can be no assurance that our patents will not be violated or that any issued patents will provide protection that has commercial significance. Litigation may be necessary to protect our patent position. Such litigation may be costly and time-consuming, and there can be no assurance that we will be successful in such litigation.

The loss or violation of certain of our patents and trademarks could have a material adverse effect upon our business.

Since patent applications in the United States are maintained in secrecy until such patent applications are issued, our current product development may infringe patents that may be issued to others. If our products were found to infringe patents held by competitors, we may have to modify our products to avoid infringement, and it is possible that our modified products would not be commercially successful.

Risks Related to Our Industries

Our growth could suffer if the markets into which we sell products decline, do not grow as anticipated or experience cyclicality.

Our growth depends in part on the growth of the IT and healthcare markets which we serve. In our professional sales services segment, our quarterly sales and profits depend significantly on the volume and timing of orders installed during the quarter, and the installation of such orders is difficult to forecast. Product demand is dependent upon the customer's capital spending budget as well as government funding policies, and matters of public policy as well as

product and economic cycles that can affect the spending decisions of these entities. These factors could adversely affect our growth, financial position, and results of operations.

Technological change is difficult to predict and to manage.

We face the challenges that are typically faced by companies in the IT and medical device fields. Our products and services may require substantial development efforts and compliance with governmental clearance or approval requirements. We may encounter unforeseen technological or scientific problems that force abandonment or substantial change in the development of a specific product or process.

We are subject to product liability claims and product recalls that may not be covered by insurance.

The nature of our manufacturing operations exposes us to risks of product liability claims and product recalls. Medical devices as complex as ours frequently experience errors or failures, especially when first introduced or when new versions are released.

We currently maintain product liability insurance at $5,000,000 per occurrence and $6,000,000 in the aggregate. Our product liability insurance may not be adequate. In the future, insurance coverage may not be available on commercially reasonable terms, or at all. In addition, product liability claims or product recalls could damage our reputation even if we have adequate insurance coverage.

We do not know the effects of healthcare reform proposals.

The healthcare industry is undergoing fundamental changes resulting from political, economic and regulatory influences. In the United States, the Affordable Care Act is designed to provide increased access to healthcare for the uninsured, control the escalation of healthcare expenditures within the economy and use healthcare reimbursement policies to balance the federal budget.

The United States Congress is currently reviewing and assessing the Affordable Care Act ("ACA") and a healthcare bill seeking to materially change the ACA. We expect that there will continue to be a number of federal and state proposals to constrain expenditures for medical products and services, which may affect payments for products such as ours. We cannot predict which, if any of such proposals will be adopted and when they might be effective, or the effect these proposals may have on our business. Other countries also are considering health reform. Significant changes in healthcare systems could have a substantial impact on the manner in which we conduct our business and could require us to revise our strategies.

Risks Related to our Securities

The application of the "penny stock" rules could adversely affect the market price of our common stock and increase your transaction costs to sell those shares.

As long as the trading price of our common shares is below $5 per share, the open-market trading of our common shares will be subject to the "penny stock" rules. The "penny stock" rules impose additional sales practice requirements on broker-dealers who sell securities to persons other than established customers and accredited investors (generally those with assets in excess of $1,000,000 or annual income exceeding $200,000 or $300,000 together with their spouse). For transactions covered by these rules, the broker-dealer must make a special suitability determination for the purchase of securities and have received the purchaser's written consent to the transaction before the purchase. Additionally, for any transaction involving a penny stock, unless exempt, the broker-dealer must deliver, before the transaction, a disclosure schedule prescribed by the Securities and Exchange Commission relating to the penny stock market. The broker-dealer also must disclose the commissions payable to both the broker-dealer and the registered representative and current quotations for the securities. Finally, monthly statements must be sent disclosing recent price information on the limited market in penny stocks. These additional burdens imposed on broker-dealers restrict the ability and decrease the willingness of broker-dealers to sell our common shares, which we

believe results in decreased liquidity for our common shares as well as increased transaction costs for sales and purchases of our common shares as compared to other securities.

Our common stock is subject to price volatility.

The market price of our common stock historically has been and may continue to be highly volatile. Our stock price could be subject to wide fluctuations in response to various factors beyond our control, including, but not limited to:

·medical reimbursement;
·quarterly variations in operating results;
·announcements of technological innovations, new products or pricing by our competitors;
·the timing of patent and regulatory approvals;
·the timing and extent of technological advancements;
·the sales of our common stock by affiliates or other shareholders with large holdings; and
·general market conditions.

Our future operating results may fall below the expectations of securities industry analysts or investors. Any such shortfall could result in a significant decline in the market price of our common stock. In addition, the stock market has experienced significant price and volume fluctuations that have affected the market price of the stock of many medical device companies and that often have been unrelated to the operating performance of such companies. These broad market fluctuations may directly influence the market price of our common stock.

We do not intend to pay dividends in the foreseeable future.

We do not intend to pay any cash dividends on our common stock in the foreseeable future.

Additional Information

We are subject to the reporting requirements under the Securities Exchange Act of 1934 and are required to file reports and information with the Securities and Exchange Commission (SEC), including reports on the following forms: annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports files or furnished pursuant to Section 13(a) or 15(d) of the Securities Act of 1934.

ITEM 2 – PROPERTIES

In September 2015, we relocated our headquarters to an 8,700 square foot facility at 137 Commercial Street, Plainview, New York 11803, under a lease with a term that expires on September 15, 2022 and with a base annual rental of approximately $65,000. The Company's NetWolves unit leases an 11,700 square foot facility in Tampa, Florida, under a lease expiring in May 2017 with an annual rental of approximately $124,000. VHC-IT leases a 2,400 square foot facility in Nashville, Tennessee pursuant to a one-year lease expiring April 2017 with an annual rental of $31,000. The Company is evaluating possible renewal options and believes sufficient space is available at similar cost in both Tampa and Nashville. We believe that our current facilities are adequate for foreseeable current and future needs.

We also lease approximately 1,500 square feet of office space in New York City under a lease that expires on May 31, 2017. The Company is evaluating its options for maintaining office space in New York City. The annual rent and utility charge for this lease is approximately $42,000.

We lease our engineering and production facilities in China. Specifically, we lease approximately 12,750 square feet under leases expiring in August 2017, September 2017, and December 2020 at an aggregate annual cost of approximately $58,000 in Wuxi, China and approximately 11,000 square feet under a lease that expired in April 2016 but continues on a month to month basis, at an annual cost of approximately $29,000 in Foshan, China. Such leases are renewable upon expiration.

12

PART II

ITEM 5 – MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock currently trades on the OTC Market under the symbol VASO. The number of record holders of common stock as of March 24, 2017, was approximately 970, which does not include approximately 8,500 beneficial owners of shares held in the name of brokers or other nominees. The table below sets forth the range of high and low trade prices of the common stock for the fiscal periods specified.

	Year ended December 31, 2016		Year ended December 31, 2015	
	High	Low	High	Low
First quarter	$0.19	$0.16	$0.20	$0.16
Second quarter	$0.18	$0.15	$0.20	$0.16
Third quarter	$0.17	$0.13	$0.22	$0.16
Fourth quarter	$0.16	$0.11	$0.20	$0.16

The last bid price of the Company's common stock on March 24, 2017, was $0.12 per share.

Dividend Policy

We have never paid any cash dividends on our common stock and do not intend to pay cash dividends in the foreseeable future.

ITEM 7 – MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

This Management's Discussion and Analysis of Financial Condition and Results of Operations contains descriptions of our expectations regarding future trends affecting our business. These forward looking statements and other forward-looking statements made elsewhere in this document are made under the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Please read the section titled "Risk Factors" in "Item One – Business" to review certain conditions, among others, which we believe could cause results to differ materially from those contemplated by the forward-looking statements.

Except for historical information contained in this report, the matters discussed are forward-looking statements that involve risks and uncertainties. When used in this report, words such as "anticipates", "believes", "could", "estimates", "expects", "may", "plans", "potential" and "intends" and similar expressions, as they relate to the Company or its management, identify forward-looking statements. Such forward-looking statements are based on the beliefs of the Company's management, as well as assumptions made by and information currently available to the Company's management. Among the factors that could cause actual results to differ materially are the following: the effect of business and economic conditions; the effect of the dramatic changes taking place in IT and healthcare; continuation of the GEHC agreements; the impact of competitive technology and products and their pricing; medical insurance reimbursement policies; unexpected manufacturing or supplier problems; unforeseen difficulties and delays in the conduct of clinical trials and other product development programs; the actions of regulatory authorities and third-party payers in the United States and overseas; and the risk factors reported from time to time in the Company's SEC reports. The Company undertakes no obligation to update forward-looking statements as a result of future events or developments.

The following discussion should be read in conjunction with the financial statements and notes thereto included in this Annual Report on Form 10-K.

Overview

Vaso Corporation (formerly Vasomedical, Inc.) ("Vaso") was incorporated in Delaware in July 1987. We principally operate in three distinct business segments in the healthcare equipment and information technology industries. We manage and evaluate our operations, and report our financial results, through these three business segments.

- IT segment, operating through a wholly-owned subsidiary VasoTechnology, Inc., primarily focuses on healthcare IT and managed network technology services;

- Professional sales service segment, operating through a wholly-owned subsidiary Vaso Diagnostics, Inc. d/b/a VasoHealthcare, primarily focuses on the sale of healthcare capital equipment for large OEMs into the health provider middle market; and

- Equipment segment, operating through wholly-owned subsidiaries Vasomedical Global Corp. and Vasomedical Solutions, Inc., primarily focuses on the design, manufacture, sale and service of proprietary medical devices.

VasoTechnology

VasoTechnology, Inc. was formed in May 2015, at the time the Company acquired all of the assets of NetWolves, LLC and its affiliates, including the membership interests in NetWolves Network Services LLC (collectively, "NetWolves"), to address a major issue facing healthcare IT industry. It currently consists of a managed network and security service division, NetWolves, and a healthcare IT application VAR (value added reseller) division, VasoHealthcare IT. Its current offering includes:

- Managed diagnostic imaging applications (national channel partner of GEHC IT).
- Managed network infrastructure (routers, switches and other core equipment).
- Managed network transport (FCC licensed carrier reselling 175+ facility partners).
- Managed security services (partner with major cybersecurity technologies firms including IBM and Palo Alto).

VasoTechnology uses a combination of proprietary technology, methodology and best-in-class third-party applications to deliver its value proposition.

VasoHealthcare

VasoHealthcare commenced operations in 2010, in conjunction with the Company's execution of its exclusive sales representation agreement with General Electric Healthcare ("GEHC"), which is the healthcare business division of the General Electric Company ("GE"), to further the sale of certain healthcare capital equipment in the health provider middle market. Sales of GEHC equipment by the Company have grown significantly since then.

VasoHealthcare's current offering consists of:

- GEHC diagnostic imaging capital equipment.
- GEHC service agreements.
- GEHC and third party financial services.

VasoHealthcare has built a team of approximately 80 highly experienced sales professionals who utilize highly focused sales management and analytic tools to manage the complete sales process and to increase market penetration.

Vasomedical Global and Vasomedical Solutions

Vasomedical Global was formed in 2011 to combine and coordinate the various design, development manufacturing, and sales operations of medical devices acquired by the Company. These devices primarily consist of cardiovascular diagnostic and therapeutic systems. Its current offering consists of:

- Biox™ series Holter monitors and ambulatory blood pressure recorders.
- ARCS™ series analysis, reporting and communication software for physiological signals such as ECG and blood pressure.
- MobiCare™ multi-parameter wireless vital-sign monitoring system.
- EECP® therapy systems, used for non-invasive, outpatient treatment of ischemic heart disease.

This segment uses its extensive cardiovascular device knowledge coupled with its engineering resources to cost effectively create and market its proprietary technology. It sells and services its products to domestic customers directly and sells and services its products in the international market through a global joint venture arrangement.

Strategic Plan and Objectives

Our short- and long-term plans for the growth of the Company and to increase stockholder value are:

- Continue to expand our product and service offerings as well as market penetration of our healthcare IT business.
- Expand our managed network services business into the healthcare market through our healthcare IT business and through the introduction of additional functionality to our existing capabilities.
- Build our brand name in the healthcare provision middle market with the goal of establishing our technology platform and managed services methodology as the standard for secure, efficient use of equipment and applications ecosystems.
- Maintain and improve business performance in our professional sales service segment by increasing market penetration of the GE Healthcare product modalities we represent, and possibly building new teams to represent other vendors.
- Maintain and grow our equipment business by continuing to align the cost structure with revenue growth and increasing our efforts to grow international sales of all our device offerings.
- Continue to seek partnership and acquisition opportunities.

Results of Operations – For the Years Ended December 31, 2016 and 2015

Total revenues increased by $15,507,000, or 27%, to $72,589,000 in the year ended December 31, 2016, from $57,082,000 in the year ended December 31, 2015. We reported net income of $820,000 for the year ended December 31, 2016 as compared to net income of $3,823,000 for the year ended December 31, 2015, a decrease of $3,003,000 or 79%. The decrease was primarily due to lower delivery volume of GEHC equipment in 2016, which led to a decrease in the professional sales service revenue and profit. Our net income was $0.01 per basic and diluted common share for the year ended December 31, 2016 as compared to net income of $0.02 per basic and diluted common share for the year ended December 31, 2015.

Revenues

Revenue in the IT segment was $39,448,000 for the year ended December 31, 2016 as compared to $21,149,000 for the prior year, an increase of $18,299,000, of which $16,899,000 was attributable to the inclusion of a full year of NetWolves operations in 2016 versus the seven months of operations in 2015 subsequent to its acquisition on May 29, 2015, and $1,400,000 year-over-year growth in VHC-IT revenues. At December 31, 2016 VHC-IT had an order backlog exceeding $7.4 million.

Commission revenues in the professional sales service segment (formerly the "sales representation" segment) decreased by $3,060,000, or 10%, to $28,524,000 in the year ended December 31, 2016, as compared to $31,584,000 in the year ended December 31, 2015. The decrease was primarily due to lower volume of GEHC equipment delivery in 2016, as well as lower blended commission rates for the equipment delivered in 2016. As discussed in Note B to the financial statements, the Company defers recognition of commission revenue until the underlying equipment is delivered. As of December 31, 2016, the Company recorded on its consolidated balance sheet $18,504,000 of deferred commission revenue, of which $11,394,000 is long-term, compared to $17,369,000 of deferred commission revenue at December 31, 2015, of which $8,525,000 was long-term, an increase of $1,135,000 or 7%. The increase in deferred revenue is due principally to higher total orders booked during the year and the decrease in equipment deliveries over the same period.

Revenue in our equipment segment increased 6% to $4,617,000 for the year ended December 31, 2016 from $4,349,000 for the year ended December 31, 2015, as a result of an increase in equipment sales of $403,000, or 14%, to $3,364,000 for the year ended December 31, 2016 as compared to $2,961,000 for the year ended December 31, 2015, offset by a decrease in equipment rentals and services revenue of $135,000, or 10%, to $1,253,000 in the year ended December 31, 2016 from $1,388,000 in the year ended December 31, 2015. The increase in equipment sales is due primarily to higher sales of Biox series and related products as well as an 11% increase in EECP® sales, resulting from higher average selling prices. We anticipate that EECP® sales will continue to improve in foreign markets as our VSK joint venture, which began operations in 2015, expands into new international markets. The decrease in revenue generated from equipment rentals and services is due primarily to decreased service contract revenues. As of December 31, 2016, the Company recorded on its consolidated balance sheet $900,000 of deferred revenue, of which $382,000 is long-term, compared to $1,147,000 of deferred revenue at December 31, 2015, of which $511,000 was long-term, a decrease of $247,000 or 22%. The decrease in deferred revenue is due principally to lower volume of service contracts sold during the year.

Gross Profit

The Company recorded gross profit of $41,502,000, or 57% of revenue, for the year ended December 31, 2016, compared to $35,367,000, or 62% of revenue, for the year ended December 31, 2015. The increase of $6,135,000, or 17%, was due primarily to a $7,690,000 increase in the IT segment, arising mainly from the inclusion of twelve months of NetWolves operations in 2016 versus seven months of operations in 2015, and $626,000 higher gross profit

in the equipment segment resulting from both higher revenues and higher gross profit rates, partially offset by a $2,181,000 decrease in the professional sales service segment, driven primarily by lower revenues.

IT segment gross profit increased to $16,303,000, or 41% of segment revenues, for the year ended December 31, 2016 as compared to $8,613,000, or 41% of segment revenues, in the prior year, an increase of $7,690,000, of which $7,366,000 was attributable to the inclusion of a full year of NetWolves operations in 2016 and $324,000 was attributable to VHC IT.

Professional sales service segment gross profit was $22,351,000, or 78% of the segment revenues, for the year ended December 31, 2016, a decrease of $2,181,000, or 9%, from segment gross profit of $24,532,000, or 78% of the segment revenue, for the year ended December 31, 2015. The decrease in gross profit was due primarily to lower recognized revenue in 2016 as a result of a decrease in equipment delivery volume as well as by lower blended commission rates on the equipment delivered during the year. Cost of commissions decreased by $879,000, or 12%, to $6,173,000 for the year ended December 31, 2016, as compared to cost of commissions of $7,052,000 in 2015. The decrease is also due primarily to lower delivery volume. Cost of commissions reflects commission expense associated with recognized commission revenues. Commission expense associated with deferred revenue is recorded as deferred commission expense until the related commission revenue is earned.

Equipment segment gross profit increased to $2,848,000, or 62% of equipment segment revenues, for the year ended December 31, 2016 compared to $2,222,000, or 51% of equipment segment revenues, for the year ended December 31, 2015, due to higher sales volume, higher average selling prices and, in 2015, the write-off of excess inventory. Equipment segment gross profits are dependent on a number of factors including the mix of products sold, their respective models and average selling prices, the ongoing costs of servicing EECP® systems, as well as certain fixed period costs, including facilities, payroll and insurance.

Operating Income

Operating income was $1,564,000 for the year ended December 31, 2016 compared to $3,939,000 for the year ended December 31, 2015, a decrease of $2,375,000, or 60%. The decrease was primarily attributable to the decrease in operating income in the professional sales service segment from $10,024,000 in the year ended December 31, 2015 to $7,217,000 in that segment in the year ended December 31, 2016. The 2016 professional sales service segment operating income reflected the impact of both lower gross profit and higher operating costs. IT segment operating loss increased to $3,227,000 for the year ended December 31, 2016 from $1,930,000 for the prior year, an increase of $1,297,000. The increase was primarily attributable to a $1,119,000 higher operating loss primarily due to increased spending on infrastructure and engineering effort, and to higher sales expenses incurred in building its order backlog for future delivery. The healthcare IT VAR business is still in its early stages of growth; however, we anticipate that as the backlog increases and converts to revenue we will see significant improvement in operating performance. Equipment segment operating loss in the year ended December 31, 2016 was $1,064,000, as compared to an operating loss of $2,444,000 in the year ended December 31, 2015. The decrease in the equipment segment operating loss was primarily due to lower operating expenses resulting from our cost reduction efforts, as well as to improved gross profit.

Selling, general and administrative (SG&A) expenses for the years ended December 31, 2016 and 2015 were $39,408,000, or 54% of revenues, and $30,913,000, or 54% of revenues, respectively, reflecting an increase of $8,495,000 or approximately 27%. The increase in SG&A expenditures in the year ended December 31, 2016 resulted primarily from a $8,988,000 increase in the IT segment, of which $8,485,000 was attributable to the inclusion of twelve months of NetWolves costs in 2016 instead of seven months in 2015, and $624,000 higher costs in the professional sales service segment, partially offset by lower corporate expenses reflecting non-recurring 2015 costs associated with the NetWolves acquisition, and lower sales and marketing costs in the equipment segment.

Research and development (R&D) expenses of $530,000, or 1% of revenues (or 11% of equipment segment revenues), for the year ended December 31, 2016 increased by $15,000, or 3%, from $515,000, or 1% of revenues (or

12% of equipment segment revenues), for the year ended December 31, 2015. The increase is primarily attributable to higher new product development costs.

Adjusted EBITDA

We define Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization), which is a non-GAAP financial measure, as net income, plus interest expense, tax expense, depreciation and amortization, and non-cash expenses for share-based compensation. Adjusted EBITDA is a metric that is used by the investment community for comparative and valuation purposes. We disclose this metric in order to support and facilitate the dialogue with research analysts and investors.

Adjusted EBITDA is not a measure of financial performance under accounting principles generally accepted in the United States ("GAAP") and should not be considered a substitute for operating income, which we consider to be the most directly comparable GAAP measure. Adjusted EBITDA has limitations as an analytical tool, and when assessing our operating performance, you should not consider Adjusted EBITDA in isolation, or as a substitute for net income or other consolidated income statement data prepared in accordance with GAAP. Other companies may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

A reconciliation of net income to Adjusted EBITDA is set forth below:

	(in thousands) Year ended December 31,	
	2016	2015
Net income	$820	$3,823
Interest expense (income), net	634	160
Income tax expense	281	(44)
Depreciation and amortization	2,191	1,559
Share-based compensation	428	342
Adjusted EBITDA	$4,354	$5,840

Adjusted EBITDA decreased by $1,486,000, or 25%, to $4,354,000 in the year ended December 31, 2016 from $5,840,000 in the year ended December 31, 2015. The decrease was primarily attributable to lower net income, partially offset by higher fixed asset depreciation in the IT segment and amortization of intangibles associated with the NetWolves acquisition in May 2015, and higher interest expense associated with the debt incurred to finance the NetWolves acquisition.

Other Income (Expense), Net

Other income (expense), net for the year ended December 31, 2016 and 2015, was $(463,000) and $(160,000), respectively, an increase in net expense of $303,000. The increase was due primarily to $235,000 higher interest expense associated with the note issued in relation to the NetWolves acquisition and with NetWolves' debt that the Company assumed through the acquisition.

Income Tax Benefit (Expense), Net

During the year ended December 31, 2016, we recorded income tax expense of $281,000, as compared to income tax benefit of $44,000 in the year ended December 31, 2015. The Company utilized $0 and $5.0 million in net operating loss carryforwards for the years ended December 31, 2016 and 2015, respectively. The change from income tax benefit in 2015 to income tax expense in 2016 arose primarily due to higher tax expense related to deferred tax liabilities arising from goodwill generated by the NetWolves acquisition and the release in 2015 of $560,000 in

deferred tax asset valuation allowance, partially offset by lower state income taxes and federal alternative minimum taxes. The Company has Net Operating Loss carryovers of approximately $35 million at December 31, 2016.

Ultimate realization of any or all of the deferred tax assets is not assured due to significant uncertainties and material assumptions associated with estimates of future taxable income during the carry-forward period. The Company currently has significant deferred tax assets. During the year ended December 31, 2015, the Company reviewed previous positive and negative evidence and also reviewed its expected taxable income for future periods and concluded it is more likely than not that approximately $560,000 of the tax benefit related to net operating loss carryforwards will be utilized, and, accordingly, has reduced the valuation allowance by $560,000. It remains uncertain whether the Company will generate sufficient taxable income to completely utilize its net operating loss carryforwards.

Liquidity and Capital Resources

Cash and Cash Flow – For the year ended December 31, 2016

We have financed our operations and investment activities, including the NetWolves acquisition, from working capital and the proceeds from notes issued to MedTechnology Investments, LLC ("MedTech", see Item 13). At December 31, 2016, we had cash and cash equivalents of $7,087,000 and negative working capital of $567,000. $5,711,000 in negative working capital at December 31, 2016 is attributable to the net balance of deferred commission expense and deferred revenue. These are non-cash expense and revenue items and have no impact on future cash flows. At March 26, 2017 the Company's cash and cash equivalents were approximately $7.8 million.

Cash provided by operating activities was $5,215,000 during the year ended December 31, 2016, which consisted of net income after non-cash adjustments of $4,226,000 and cash provided by changes in operating assets and liabilities of $989,000. The changes in the account balances primarily reflect increases in accounts payable and accrued expenses and other liabilities of $1,270,000 and $1,055,000, respectively, partially offset by increases in accounts and other receivables and other assets of $1,282,000 and $983,000, respectively.

Cash used in investing activities during the year ended December 31, 2016 was $2,250,000, of which $1,866,000 was used for the purchase of equipment and software and $422,000 was invested in the VSK joint venture.

Cash provided by financing activities during the year ended December 31, 2016 was $1,919,000, primarily attributable to $2,624,000 in borrowings on our line of credit, partially offset by $304,000 in repayments of notes issued for equipment purchases and $264,000 in net repayments of notes to related parties.

Liquidity

We expect to continue to be profitable and generate positive cash flow through our existing operations. We will continue to pursue acquisitions and partnership opportunities in the international and domestic markets and will look to expand our business in all segments.

Off-Balance Sheet Arrangements

We do not participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities (SPES), which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As of December 31, 2016, we are not involved in any unconsolidated SPES or other off-balance sheet arrangements.

Effects of Inflation

We believe that inflation and changing prices over the past two years have not had a significant impact on our revenue or on our results of operations.

Critical Accounting Policies and Estimates

Note B of the Notes to Consolidated Financial Statements includes a summary of our significant accounting policies and methods used in the preparation of our financial statements. In preparing these financial statements, we have made our best estimates and judgments of certain amounts included in the financial statements, giving due consideration to materiality. The application of these accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. Our critical accounting policies

and estimates are as follows:

Revenue and Expense Recognition for the IT Segment

The Company currently derives its revenues in the IT segment from two sources: (1) telecommunication and managed network services, which are comprised primarily of fixed monthly fees and variable usage charges; and (2) the resale to diagnostic imaging service providers of GEHC's PACS software solutions, which is comprised of software from GEHC and other vendors, hardware, related solution implementation services, and post-implementation customer support ("PCS"). We offer our customers the option to purchase our software solutions or to subscribe our solutions under a monthly Software as a Service ("SaaS") fee basis. Customers that purchase our software solutions may elect to purchase PCS, comprised of software license updates and product support contracts, which provide our customers with rights to unspecified product upgrades and maintenance releases issued during the support period, as well as technical support assistance and remote network monitoring.

Revenue Recognition for Multiple-Element Arrangements - Arrangements with Software and Non-software Elements

We enter into multiple-element arrangements that may include a combination of our various software related and non-software related products and services offerings including new software licenses, hardware, implementation services, PCS and monthly subscription-based SaaS solutions. In such arrangements, we first allocate the total arrangement consideration based on the relative selling prices of the software group of elements as a whole and to the non-software elements. We then further allocate consideration within the software group to the respective elements within that group following the guidance in ASC 985-605, "Software-Revenue Recognition" and allocate consideration within the non-software group to the respective elements within that group following the guidance in ASC 605-25, "Revenue Recognition, Multiple-Element Arrangements". After the arrangement consideration has been allocated to the elements, we account for each respective element in the arrangement as described below.

Revenue Recognition for Multiple-Element Arrangements - Software Products and Software Related Services (Software Arrangements)

We enter into arrangements with customers that purchase both software related products and software related services from us at the same time, or within close proximity of one another (referred to as software related multiple-element arrangements). Such software related multiple-element arrangements include the sale of our software products, implementation services, and PCS, whereby software license delivery is followed by the subsequent or contemporaneous delivery of the other elements. For those software related multiple-element arrangements, we have applied the residual method to determine the amount of new software license revenues to be recognized pursuant to ASC 985-605. Under the residual method, if fair value exists for undelivered elements in a multiple-element arrangement, such fair value of the undelivered elements is deferred with the remaining portion of the arrangement consideration generally recognized upon delivery of the software license. We allocate the fair value of each element of a software related multiple-element arrangement based upon its fair value as determined by our vendor specific objective evidence ("VSOE" as described further below), with any remaining amount allocated to the software license.

The basis for our software license revenue recognition is substantially governed by the accounting guidance contained in ASC 985-605. We exercise judgment and use estimates in connection with the determination of the amount of software and software related services revenues to be recognized in each accounting period. We recognize new software licenses revenues when: (1) we enter into a legally binding arrangement with a customer for the license of software; (2) we deliver the products; (3) the sale price is fixed or determinable and free of contingencies or significant uncertainties; (4) collection is probable; and (5) upon verification of installation and expiration of an acceptance period. Revenues that are not recognized at the time of sale because the foregoing conditions are not met are recognized when those conditions are subsequently met. Installation of the Company's software products may involve a certain amount of customer-specific implementation to enable the software product to function within the customer's operating environment (i.e., with the customer's information technology network and other hardware, with the customer's data interfaces and with the customer's administrative processes). With these software products, customers do not have full use of the software (i.e., functionality) until the software is installed as described above and functioning within the customer's operating environment. Therefore, the Company recognizes 100% of such software revenues upon verification of installation and expiration of an acceptance period, provided that all other criteria for revenue recognition have been met.

The vast majority of our software license arrangements include PCS, which is ordered at the customer's option and is recognized ratably over the term of the arrangement, typically three to five years. PCS provides customers with rights to unspecified software product upgrades, maintenance releases and patches released during the term of the support period, as well as remote network monitoring and technical support. PCS is generally priced as a percentage of the net new software licenses fees.

Revenue Recognition for Multiple-Element Arrangements – SaaS, Hardware and Implementation services (Non-software Arrangements)

We enter into arrangements with customers that purchase multiple nonsoftware related products and services from us within close proximity of one another (referred to as nonsoftware multiple-element arrangements). Each element within a non-software multiple-element arrangement is accounted for as a separate unit of accounting provided the services have value to the customer on a standalone basis. We consider a deliverable to have standalone value if the service is sold separately by us or another vendor or could be resold by the customer.

For our non-software multiple-element arrangements, we allocate revenue to each element based on a selling price hierarchy at the arrangement's inception. The selling price for each element is based upon the following selling price hierarchy: VSOE if available, third party evidence ("TPE") if VSOE is not available, or estimated selling price ("ESP") if neither VSOE nor TPE are available. When possible, we establish VSOE of selling price for deliverables in software and non-software multiple-element arrangements using the price charged for a deliverable when sold separately. TPE is established by evaluating similar and interchangeable competitor products or services in standalone arrangements with similarly situated customers. If we are unable to determine the selling price because VSOE or TPE does not exist, we determine ESP for the purposes of allocating the arrangement by reviewing several other external and internal factors including, but not limited to: historical transactions; pricing practices including discounting; and competition. The determination of ESP is made through consultation with and approval by our management, taking into consideration our pricing model and go-to-market strategy. As these strategies evolve, we may modify our pricing practices in the future, which could result in changes to our determination of VSOE, TPE and ESP. As a result, our future revenue recognition for multiple-element arrangements could differ materially from our results in the current period.

Our revenue recognition policy for non-software deliverables including SaaS and implementation services is based upon the accounting guidance contained in ASC 605-25, and we exercise judgment and use estimates in connection with the determination of the amount of SaaS and implementation service revenues to be recognized in each accounting period.

Revenues from the sales of our non-software elements are recognized when: (1) persuasive evidence of an arrangement exists; (2) we perform the services or deliver the product; (3) the sale price is fixed or determinable; (4) collection is reasonably assured; and (5) upon verification of installation and expiration of an acceptance period. Revenues that are not recognized at the time of sale because the foregoing conditions are not met are recognized when those conditions are subsequently met. Our arrangements are documented in a written contract signed by the customer, are non-cancelable, and do not contain refund-type provisions.

Our SaaS offerings provide deployment of our software and hardware and related IT monitoring infrastructure including PCS for a stated term that is hosted at our data center facilities or physically on-premises at customer facilities for a monthly subscription fee. Revenues for these SaaS offerings are generally recognized ratably over the contract term commencing with the date the service is made available to customers and all other revenue recognition criteria have been satisfied. The Company recognizes revenue for hardware and implementation services rendered upon verification of installation and expiration of an acceptance period.

Revenue and Expense Recognition for the Professional Sales Service Segment

We recognize commission revenue in the professional sales service segment when persuasive evidence of an arrangement exists, service has been rendered, the price is fixed or determinable and collectability is reasonably assured. These conditions are deemed to be met when the underlying equipment has been delivered and accepted at the customer site in accordance with the specific terms of the sales agreement. Consequently, amounts billable under the agreement with GE Healthcare in advance of the customer acceptance of the equipment are recorded as accounts receivable and deferred revenue in the Consolidated Balance Sheets. Similarly, commissions payable to our sales force related to such billings are recorded as deferred commission expense when the associated deferred revenue is recorded. Commission expense is recognized when the corresponding commission revenue is recognized.

Revenue and Expense Recognition for the Equipment Segment

In the United States, we recognize revenue from the sale of our medical equipment in the period in which we deliver the product to the customer. Revenue from the sale of our medical equipment to international markets is recognized upon shipment of the product to a common carrier, as are supplies, accessories and spare parts delivered to both domestic and international customers.

In most cases, revenue from domestic EECP® system sales is generated from multiple-element arrangements that require judgment in the areas of customer acceptance, collectability, the separability of units of accounting, and the fair value of individual elements. We follow the ASC 605-25 which outlines a framework for recognizing revenue from multi-deliverable arrangements. We determined that the domestic sale of our EECP® systems includes a combination of three elements that qualify as separate units of accounting: (1) EECP® equipment sale; (2) provision of in-service and training support consisting of equipment set-up and training provided at the customer's facilities; and (3) a service arrangement (usually one year), consisting of: service by factory-trained service representatives, material and labor costs, emergency and remedial service visits, software upgrades, technical phone support and preferred response times.

Each of these elements represent individual units of accounting as the delivered item has value to a customer on a stand-alone basis, objective and reliable evidence of fair value exists for undelivered items, and arrangements normally do not contain a general right of return relative to the delivered item. We determine fair value based on the price of the deliverable when it is sold separately, or based on third-party evidence, or based on estimated selling price. Assuming all other criteria for revenue recognition have been met, we recognize equipment sales and services revenue for: (1) EECP® equipment sales, when title transfers upon delivery; (2) in-service and training, following documented completion of the training; and (3) service arrangement, ratably over the service period, which is generally one year.

The Company also recognizes revenue generated from servicing EECP® systems that are no longer covered by the service arrangement, or by providing sites with additional training, in the period that these services are provided. Revenue related to future commitments under separately priced extended service agreements on our EECP® system are deferred and recognized ratably over the service period, generally ranging from one year to four years. Costs associated with the provision of in-service and training, service arrangements, and separately priced extended service agreements, including salaries, benefits, travel and spare parts, and equipment, are recognized in cost of equipment

sales and services as incurred. Amounts billed in excess of revenue recognized are included as deferred revenue in the consolidated balance sheets.

Inventories, net

We value inventory at the lower of cost or estimated market, with cost being determined on a first-in, first-out basis. The Company often places EECP® systems and other medical device products at various field locations for demonstration, training, evaluation, and other similar purposes at no charge. The cost of these EECP® systems and other products is transferred to property and equipment and is amortized over the next two to five years. The Company records the cost of refurbished components of EECP® systems and critical components at cost plus the cost of refurbishment. The Company regularly reviews inventory quantities on hand, particularly raw materials and components, and records a provision for excess and slow moving inventory based primarily on existing and anticipated design and engineering changes to its products as well as forecasts of future product demand.

We comply with the provisions of ASC Topic 330, "Inventory". The statement clarifies that abnormal amounts of idle facility expense, freight, handling costs, and wasted materials (spoilage) should be recognized as current-period charges and requires the allocation of fixed production overheads to inventory based on the normal capacity of the production facilities.

Goodwill and Intangible Assets

Goodwill represents the excess of cost over the fair value of net assets of businesses acquired. The Company accounts for goodwill under the guidance of the ASC Topic 350, "Intangibles: Goodwill and Other". Goodwill acquired in a purchase business combination and determined to have an indefinite useful life is not amortized, but instead tested for impairment, at least annually, in accordance with this guidance. The recoverability of goodwill is subject to an annual impairment test or whenever an event occurs or circumstances change that would more likely than not result in an impairment. The impairment test is based on the estimated fair value of the underlying businesses and performed in the fourth quarter of each year. Intangible assets consist of the value of customer contracts and relationships, patent and technology costs, and software. The cost of significant customer-related intangibles is amortized in proportion to estimated total related revenue; cost of other intangible assets is generally amortized on a straight-line basis over the asset's estimated economic life, which range from five to ten years. The Company capitalizes internal use software costs incurred during the application development stage. Costs related to preliminary project activities and post implementation activities are expensed as incurred.

Deferred Revenues

For the professional sales service segment, amounts billable under the agreement with GE Healthcare in advance of customer acceptance of the equipment are recorded initially as deferred revenue, and commission revenue is subsequently recognized as customer acceptance of such equipment is reported to us by GEHC.

For the equipment segment, we record revenue on extended service contracts ratably over the term of the related contract period. In accordance with the provisions of ASC Topic 605, we defer revenue related to EECP® system sales for the fair value of installation and in-service training to the period when the services are rendered and for warranty obligations ratably over the service period, which is generally one year.

Income Taxes

Deferred income taxes are recognized for temporary differences between financial statement and income tax bases of assets and liabilities and loss carry forwards for which income tax benefits are expected to be realized in future years. A valuation allowance is established, when necessary, to reduce deferred tax assets to the amount expected to be realized. In estimating future tax consequences, we generally consider all expected future events other than an enactment of changes in the tax laws or rates. Deferred tax assets are continually evaluated for realizability. To the extent our judgment regarding the realization of the deferred tax assets changes, an adjustment to the allowance is recorded, with an offsetting increase or decrease, as appropriate, in income tax expense. Such adjustments are recorded in the period in which our estimate as to the realizability of the assets changed that it is "more likely than not" that all of the deferred tax assets will be realized. The "more likely than not" standard is subjective and is based upon our estimate of a greater than 50% probability that the deferred tax asset will be realized.

The Company early adopted ASU 2015-17 (Topic 740), "Balance Sheet Classification of Deferred Taxes", which requires the presentation of deferred tax liabilities and assets as noncurrent within a classified statement of financial position.

We also comply with the provisions of the ASC Topic 740, "Income Taxes", which prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. Based on its analysis, the Company has determined that it has not incurred any liability for unrecognized tax benefits as of December 31, 2016 and December 31, 2015. The Company recognizes accrued interest and penalties related to unrecognized tax benefits as income tax expense. No amounts were accrued for the payment of interest and penalties at December 31, 2016 and December 31, 2015.

Management is currently unaware of any issues under review that could result in significant payments, accruals or material deviations from its position.

Recently Issued Accounting Pronouncements

Note B of the Notes to Consolidated Financial Statements includes a description of the Company's evaluation of recently issued accounting pronouncements.

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
The consolidated financial statements listed in the accompanying Index to Consolidated Financial Statements are filed as part of this report.

ITEM 9A - CONTROLS AND PROCEDURES
Report on Disclosure Controls and Procedures

Disclosure controls and procedures reporting as promulgated under the Exchange Act is defined as controls and procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act are recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms. Disclosure controls and procedures include without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Our CEO and our CFO have evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2016 and have concluded that the Company's disclosure controls and procedures were effective as of December 31, 2016.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Internal control involves maintaining records that accurately represent our business transactions, providing reasonable assurance that receipts and expenditures of company assets are made in accordance with management authorization, and providing reasonable assurance that unauthorized acquisition, use or disposition of company assets that could have a material effect on our financial statements would be detected or prevented on a timely basis.

Because of its innate limitations, internal control over our financial statements is not intended to provide absolute guarantee that a misstatement can be detected or prevented on the statements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in condition, or that the degree of compliance with the policies or procedures may deteriorate.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 COSO framework). A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

24

Based on this evaluation and those criteria, the Company's CEO and CFO concluded that the Company's internal control over financial reporting was effective as of December 31, 2016.

This report does not include an attestation report of the Company's Independent Registered Public Accounting Firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's Independent Registered Public Accounting Firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only Management's report in this Annual Report.

Changes in Internal Control over Financial Reporting

For the quarter ended December 31, 2016 there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B – OTHER INFORMATION

The Company held its annual meeting of stockholders on November 9, 2016. At the meeting, the Company's shareholders voted to approve the following proposals:

1. The election of three directors in Class II - Behnam Movaseghi, Peter Castle, and Randy Hill - to hold office until the 2019 Annual Meeting of Stockholders;
2. An amendment to our Certificate of Incorporation, as amended, to change the name of the Company from Vasomedical, Inc. to Vaso Corporation;
3. An advisory vote to approve the compensation of the named executive officers; and,
4. The appointment of Marcum LLP as our independent registered public accountants for the year ending December 31, 2016.

Approved Proposals	Shareholder votes cast			
	For	Withheld	Against	Abstain
Election of Directors				
Behnam Movaseghi	91,412,904	5,571,155	-	-
Peter C. Castle	90,475,290	6,508,769	-	-
Randy Hill	90,323,140	6,660,919	-	-
Change of company name	137,957,378	-	3,384,270	214,230
Executive compensation	90,646,937	-	5,845,873	491,249
Appointment of public accountants	133,007,863	-	8,175,475	372,540

PART III

ITEM 10 – DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors of the Registrant

As of March 25, 2017, the members of our Board of Directors are:

Name of Director	Age	Principal Occupation	Director Since
Joshua Markowitz (2)	61	Chairman of the Board and Director	June, 2015
David Lieberman	72	Vice Chairman of the Board and Director	February, 2011
Jun Ma	53	President, Chief Executive Officer and Director	June, 2007
Peter C. Castle	48	Chief Operating Officer and Director	August, 2010
Randy Hill	70	Director	April, 2013
Behnam Movaseghi (1) (2)	63	Director	July, 2007
Edgar Rios (1)	64	Director	February, 2011

(1) Member of the Audit Committee
(2) Member of Compensation Committee

The following is a brief account of the business experience for at least the past five years of our directors:

Joshua Markowitz has been a director since June 2015, and was appointed Chairman of the Board of the Company in August 2016. Mr. Markowitz has been a practicing attorney in the State of New Jersey for in excess of 30 years. He is currently a senior partner in the New Jersey law firm of Markowitz O'Donnell, LLP. Mr. Markowitz is the brother-in-law of Mr. Simon Srybnik, who resigned his position as Chairman and director of the Company in August 2016.

David Lieberman has been a director of the Company and the Vice Chairman of the Board, since February 2011. Mr. Lieberman has been a practicing attorney in the State of New York for more than 40 years, specializing in corporation and securities law. He is currently a senior partner at the law firm of Beckman, Lieberman & Barandes, LLP, which performs certain legal services for the Company and its subsidiaries. Mr. Lieberman is a former Chairman of the Board of Herley Industries, Inc., which was sold in March, 2011.

Jun Ma, PhD, has been a director since June 2007 and was appointed President and Chief Executive Officer of the Company on October 16, 2008. Dr. Ma has held various positions in academia and business, and prior to becoming President and CEO of the Company, had provided technology and business consulting services to several domestic and international companies in aerospace, automotive, biomedical, medical device, and other industries, including Kerns Manufacturing Corp. and Living Data Technology Corp., both of which are stockholders of our Company. Dr. Ma received his PhD degree in mechanical engineering from Columbia University, MS degree in biomedical engineering from Shanghai University, and BS degree in precision machinery and instrumentation from University of Science and Technology of China.

Peter Castle has been a director since August 2010 and was appointed the Chief Operating Officer of the Company after the NetWolves acquisition in June 2015. Prior to the acquisition, Mr. Castle was the President and Chief Executive Officer of NetWolves Network Services, LLC, where he has been employed since 1998. At NetWolves, Mr. Castle also held the position of Chief Financial Officer from 2001 until October 2009, Vice President of Finance

since January 2000, Controller from August 1998 until December 1999 and Treasurer and Secretary from August 1999.

Randy Hill joined the Company as Senior Vice President of Vasomedical and Chief Executive Officer of VasoHealthcare on July 30, 2012 and served in that position through December 31, 2015. He is currently Chairman of our VasoHealthcare subsidiary and a consultant to the Company. Prior to joining Vasomedical, Mr. Hill was, until May 2011, interim Chief Executive Officer of Siemens Healthcare USA, the U.S. organization of the healthcare sector of Siemens AG (NYSE:SI), a German multinational conglomerate. For several years prior to that, Mr. Hill was Chief Operating Officer of Siemens Healthcare USA. In addition to his career at Siemens Healthcare spanning several decades in a wide range of roles with many different responsibilities, Mr. Hill, as a recognized leader in the medical imaging business, is also former Chair of the Board of Medical Imaging & Technology Alliance (MITA), the leading organization and collective voice of medical imaging equipment manufacturers, innovators, and product developers.

Behnam Movaseghi, CPA, has been a director since July 2007. Mr. Movaseghi has been treasurer of Kerns Manufacturing Corporation since 2000, and controller from 1990 to 2000. For approximately ten years prior thereto Mr. Movaseghi was a tax and financial consultant. Mr. Movaseghi is a Certified Public Accountant.

Edgar G. Rios has been a director of the Company since February 2011. Mr. Rios currently is President of Edgary Consultants, LLC. and was appointed a director in conjunction with the Company's prior consulting agreement with Edgary Consultants, LLC. Mr. Rios is co-founder and managing director of Wenzi Capital Partners, a venture capital and private equity firm. Mr. Rios was a co-founder, Executive Vice President, General Counsel, Secretary, and Director of AmeriChoice Corporation from its inception in 1989 through its acquisition by UnitedHealthcare in 2002. Prior to co-founding AmeriChoice, Mr. Rios was a co-founder of a number of businesses that provided technology services and non-technology products to government purchasers. Over the years, Mr. Rios also has been an investor, providing seed capital to various technology and nontechnology start-ups. Mr. Rios also serves as a member of the Board of Trustees of Meharry Medical School and as a director and secretary of the An-Bryce Foundation. Mr. Rios holds a J.D. from Columbia University Law School and an A.B. from Princeton University.

Committees of the Board of Directors

Executive Committee

The primary purpose of the Executive Committee was to function when the Board of Directors was not in session. During the intervals between meetings of the Board, the Committee had the powers of the Board, except as limited by Delaware statute. The Executive Committee was terminated in August 2016.

Audit Committee and Audit Committee Financial Expert

The Board has a standing Audit Committee. The Board has affirmatively determined that each director who serves on the Audit Committee is independent, as the term is defined by applicable Securities and Exchange Commission ("SEC") rules. During the year ended December 31, 2016, the Audit Committee consisted of Edgar Rios, committee chair since May 2015, and Behnam Movaseghi, who joined the committee in November 2011. The members of the Audit Committee have substantial experience in assessing the performance of companies, gained as members of the Company's Board of Directors and Audit Committee, as well as by serving in various capacities in other companies or governmental agencies. As a result, they each have an understanding of financial statements. The Board believes that Behnam Movaseghi fulfills the role of the financial expert on this committee.

The Audit Committee regularly meets with our independent registered public accounting firm without the presence of management.

The Audit Committee operates under a charter approved by the Board of Directors. The Audit Committee charter is available on our website.

27

Compensation Committee

Our Compensation Committee annually establishes, subject to the approval of the Board of Directors and any applicable employment agreements, the compensation that will be paid to our executive officers during the coming year, as well as administers our stock-based benefit plans. During the year ended December 31, 2016, the Compensation Committee consisted of Joshua Markowitz, committee chair, and Behnam Movaseghi. None of these persons have been officers or employees of the Company at the time of their position on the committee, or, except as otherwise disclosed, had any relationship requiring disclosure herein.

The Compensation Committee operates under a charter approved by the Board of Directors. The Compensation Committee charter is available on our website.

MEETINGS OF THE BOARD OF DIRECTORS AND COMMITTEES

During the year ended December 31, 2016 there were:

- 4 meetings of the Board of Directors
- 4 meetings of the Audit Committee
- 1 meeting of the Executive Committee
- 3 meetings of the Compensation Committee

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires directors, executive officers and persons who beneficially own more than 10% of our common stock (collectively, "Reporting Persons") to file initial reports of ownership and reports of changes in ownership of our common stock with the SEC. Reporting Persons are required by SEC regulations to furnish us with copies of all Section 16(a) reports they file. To our knowledge, based solely on our review of the copies of such reports received or written representations from certain Reporting Persons that no other reports were required, we believe that during the year ended December 31, 2016 all Reporting Persons timely complied with all applicable filing requirements.

Corporate Governance - Code of Ethics

We have adopted a Corporate Code of Business Ethics (the "Code") that applies to all employees, including our principal executive officer, principal financial officer, and directors of the Company. A copy of the Code can be found on our website, www.vasocorporation.com. The Code is broad in scope and is intended to foster honest and ethical conduct, including accurate financial reporting, compliance with laws and the like. If any substantive amendments are made to the Code or if there is any grant of waiver, including any implicit waiver, from a provision of the Code to our Chief Executive Officer or Chief Financial Officer, we will disclose the nature of such amendment or waiver in a Current Report on Form 8-K.

Executive Officers of the Registrant

As of March 25, 2017 our executive officers are:

Name of Officer	Age	Position held with the Company
Jun Ma, PhD	53	President, Chief Executive Officer
Peter C. Castle	48	Chief Operating Officer
Michael J. Beecher	72	Chief Financial Officer and Secretary

Jonathan P. Newton	56	Vice President of Finance and Treasurer

Michael J. Beecher, CPA, joined the Company as Chief Financial Officer in September 2011. Prior to joining Vasomedical, Mr. Beecher was Chief Financial Officer of Direct Insite Corp., a publicly held company, from December 2003 to September 2011. Prior to his position at Direct Insite, Mr. Beecher was Chief Financial Officer and Treasurer of FiberCore, Inc., a publicly held company in the fiber-optics industry. From 1989 to 1995 he was Vice-President Administration and Finance at the University of Bridgeport. Mr. Beecher began his career in public accounting with Haskins & Sells, an international public accounting firm. He is a graduate of the University of Connecticut, a Certified Public Accountant and a member of the American Institute of Certified Public Accountants.

Jonathan P. Newton served as Chief Financial Officer of the Company from September 1, 2010 to September 8, 2011, and is currently Vice President of Finance and Treasurer. From June 2006 to August 2010, Mr. Newton was Director of Budgets and Financial Analysis for Curtiss-Wright Flow Control. Prior to his position at Curtiss-Wright Flow Control, Mr. Newton was Vasomedical's Director of Budgets and Analysis from August 2001 to June 2006. Prior positions included Controller of North American Telecommunications Corp., Accounting Manager for Luitpold Pharmaceuticals, positions of increasing responsibility within the internal audit function of the Northrop Grumman Corporation and approximately three and one half years as an accountant for Deloitte Haskins & Sells, during which time Mr. Newton became a Certified Public Accountant. Mr. Newton holds a B.S. in Accounting from SUNY at Albany, and a B.S. in Mechanical Engineering from Hofstra University.

ITEM 11 - EXECUTIVE COMPENSATION

The following table sets forth the annual and long-term compensation of our Chief Executive Officer and each of our most highly compensated officers and employees who were serving as executive officers or employees at the end of the last completed fiscal year for services rendered for the years ended December 31, 2016 and 2015.

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($) (3)	Option Awards ($) (3)	Non-Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($) (4)	Total ($)
Jun Ma, PhD	2016	375,000	30,000	216,000				67,831	688,831
Chief Executive Officer	2015	333,333	125,000	40,000				56,364	554,697
Peter C. Castle	2016	350,000	-	144,000				59,352	553,352
Chief Operating Officer (1)	2015	204,167	80,000	270,000				40,863	595,030
Shawl Lobree	2016	300,000	100,000	149,000				12,506	561,506
President of VasoHealthcare (2)									
Michael J. Beecher	2016	215,000	15,000	81,000				16,512	327,512
Chief Financial Officer and Secretary	2015	185,000	30,000	25,000				16,393	256,393
Jonathan P. Newton	2016	175,000	10,000	54,000				17,280	256,280
Vice President of Finance and Treasurer	2015	160,000	20,000	15,000				20,808	215,808

1. Mr. Castle has served as Chief Operating Officer since June 2015.
2. Mr. Lobree has served as President of the VasoHealthcare subsidiary since January 2016.
3. Represents fair value on the date of grant. See Note B to the Consolidated Financial Statements included in our Form 10–K for the year ended December 31, 2016 for a discussion of the relevant assumptions used in calculating grant date fair value.
4.

Represents tax gross-ups, vehicle allowances, Company-paid life insurance, and amounts matched in the Company's 401(k) Plan.

Outstanding Equity Awards at Last Fiscal Year End

The following table provides information concerning outstanding options, unvested stock and equity incentive plan awards for our Named Executive Officers at December 31, 2016:

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options - Exercisable	Number of Securities Underlying Unexercised Options - Unexercisable	Equity Incentive Plan Awards: Number of Underlying Unexercised Unearned Options	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested
Jun Ma, PhD	150,000	-	-	$ 0.12	7/25/2017	-	-	-	-
						700,000	91,000	-	-
Peter C. Castle						1,150,000	149,500	-	-
Michael J. Beecher						300,000	39,000	-	-
Jonathan P. Newton						200,000	26,000	-	-

The future vesting dates of the above stock awards are:

Name	Number of Shares or Units of Stock That Have Not Vested	Vesting Date

Jun Ma, PhD	350,000	7/5/2017
	350,000	7/5/2018
Peter C. Castle	250,000	6/15/2017
	250,000	6/15/2018
	250,000	6/15/2019
	200,000	7/5/2017
	200,000	7/5/2018
Michael J. Beecher	150,000	7/5/2017
	150,000	7/5/2018
Jonathan P. Newton	100,000	7/5/2017
	100,000	7/5/2018

Employment Agreements

On March 21, 2011, the Company entered into an Employment Agreement with its President and Chief Executive Officer, Dr. Jun Ma, for a three-year term ending on March 14, 2014. The agreement was amended in 2013 and again in 2015 to provide for a continuing three-year term, unless earlier terminated by the Company, but in no event can extend beyond March 14, 2021. The Employment Agreement currently provides for annual compensation of $375,000. Dr. Ma shall be eligible to receive a bonus for each fiscal year thereafter during the employment term. The amount and the occasion for payment of such bonus, if any, shall be at the discretion of the Board of Directors. Dr. Ma shall also be eligible for an award under any long-term incentive compensation plan and grants of options and awards of shares of the Company's stock, as determined at the Board of Directors' discretion. The Employment Agreement further provides for reimbursement of certain expenses, and certain severance benefits in the event of termination prior to the expiration date of the Employment Agreement.

On June 1, 2015, the Company entered into an Employment Agreement with Mr. Peter Castle to be its Chief Operating Officer. The agreement provides for a three-year term ending on June 1, 2018 and shall extend for additional one-year periods annually commencing June 1, 2018, unless earlier terminated by the Company, but in no event can extend beyond June 1, 2021. The Employment Agreement currently provides for annual compensation of $350,000. Mr. Castle shall be eligible to receive a bonus for each fiscal year thereafter during the employment term. The amount and the occasion for payment of such bonus, if any, shall be at the discretion of the Board of Directors. Mr. Castle shall also be eligible for an award under any long-term incentive compensation plan and grants of options and awards of shares of the Company's stock, as determined at the Board of Directors' discretion. The Employment Agreement further provides for reimbursement of certain expenses, and certain severance benefits in the event of termination prior to the expiration date of the Employment Agreement.

401(k) Plan

The Company maintained two defined contribution plans to provide retirement benefits for its employees during 2016 - the Vasomedical, Inc. 401(k) Plan adopted in April 1997, and the NetWolves Network Services, LLC ("NetWolves") 401(k) Plan adopted in January 2015. At December 31, 2016, the NetWolves 401(k) Plan was terminated and all NetWolves employees became eligible to join the Vasomedical 401(k) Plan in January 2017. As allowed under Section 401(k) of the Internal Revenue Code, the plan provides tax-deferred salary deductions for eligible employees. Employees are eligible to participate in the next quarter enrollment period after employment under the Vasomedical Plan. Participants may make voluntary contributions to the plan up to 80% of their compensation under the Vasomedical Plan. In the years ended December 31, 2016 and 2015 the Company made discretionary contributions of approximately $67,000 and $95,000, respectively, to match a percentage of employee contributions.

Director's Compensation

Non-employee directors receive a fee of $2,500 for each Board of Directors and Committee meeting attended. Committee chairs receive an annual fee of $5,000. Non-employee directors also receive an annual fee of $30,000. These fees are either paid in cash, or common stock valued at the fair market value of the common stock on the date of grant, which is the meeting date.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)	Non-equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation (1) ($)	Total ($)
Simon Srybnik	100,000	24,000	-	-	-	2,667	126,667
David Lieberman	47,500	24,000	-	-	-	17,800	89,300
Jun Ma, PhD	-	-	-	-	-	-	-
Randy Hill	40,000	24,000	-	-	-	63,012	127,012
Peter Castle	-	-	-	-	-	-	-
Joshua Markowitz	52,500	24,000	-	-	-	2,667	79,167
Behnam Movaseghi	60,000	24,000	-	-	-	2,667	86,667
Edgar Rios	55,000	24,000	-	-	-	2,667	81,667

(1) Represents tax gross-up, health benefit premiums, and consulting fees.

Compensation Committee Interlocks and Insider Participation

During the year ended December 31, 2016, the Compensation Committee consisted of Joshua Markowitz, committee chair, and Behnam Movaseghi. Neither of these persons were officers or employees of the Company during the time they held positions on the committee, or, except as otherwise disclosed, had any relationship requiring disclosure herein.

ITEM 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth the beneficial ownership of shares of our common stock as of March 25, 2017 of (i) each person known by us to beneficially own 5% or more of the shares of outstanding common stock, based solely on filings with the SEC, (ii) each of our executive officers and directors, and (iii) all of our executive officers and directors as a group. Except as otherwise indicated, all shares are beneficially owned, and investment and voting power is held by the persons named as owners. To our knowledge, except under community property laws or as otherwise noted, the persons and entities named in the table have sole voting and sole investment power over their shares of our common stock. Unless otherwise indicated, each beneficial owner listed below maintains a mailing address of c/o Vaso Corporation, 137 Commercial Street, Plainview, New York 11803.

Name of Beneficial Owner	Common Stock Beneficially Owned (1)	% of Common Stock (2)	
Simon Srybnik (3) (4)	55,888,318	34.15	%
Estate of Louis Srybnik (3) (4)	45,165,993	27.62	%
Jun Ma, PhD **	4,479,841	2.74	%
Peter Castle **	2,425,000	1.48	%
Edgar Rios **	1,625,000	*	
David Lieberman **	1,599,200	*	
Behnam Movaseghi **	1,339,404	*	
Michael J. Beecher **	1,090,400	*	
Randy Hill **	950,000	*	
Jonathan Newton **	675,000	*	
Joshua Markowitz **	350,000	*	
** Directors and executive officers as a group (9 persons)	14,533,845	8.86	%

*Less than 1% of the Company's common stock

1. No officer or director owns more than one percent of the issued and outstanding common stock of the Company unless otherwise indicated. Includes beneficial ownership of the following numbers of shares that may be acquired within 60 days of March 25, 2017 pursuant to stock options awarded under our stock plans:

Jun Ma, PhD	150,000
Behnam Movaseghi	150,000
Simon Srybnik	150,000
Directors and executive officers as a group	300,000

2. Applicable percentages are based on 163,953,446 shares of common stock outstanding as of March 25, 2017, adjusted as required by rules promulgated by the SEC.

3. Simon Srybnik and the estate of his brother Louis Srybnik are the sole shareholders of Kerns, which is the record holder of 25,714,286 shares. The reporting persons, accordingly, share voting and dispositive powers over the 25,714,286 shares held by Kerns. As a result, they may be deemed to be the co-beneficial owners of an aggregate of 25,714,286 shares. Mr. Simon Srybnik also holds sole dispositive power over 150,000 shares underlying the option he was granted upon being appointed to the Board of Directors, 748,125 shares of common stock awarded him as of December 31, 2016, as well as 11,460,900 additional shares of common stock. The estate of Louis Srybnik holds sole dispositive power over 1,636,700 shares of common stock.

4. Simon Srybnik and the estate of Louis Srybnik also each own 35% of the outstanding shares of Living Data Technology Corporation ("Living Data"). The reporting persons, accordingly, share voting and dispositive powers over the 17,815,007 shares of our common stock owned by Living Data and, as a result, may be deemed to be the co-beneficial owners thereof.

Equity Compensation Plan Information

We maintain various stock plans under which stock options and stock grants are awarded at the discretion of our Board of Directors or its Compensation Committee. The purchase price of the shares under the plans and the shares subject to each option granted is not less than the fair market value on the date of the grant. The term of each option is generally five years and is determined at the time of the grant by our board of directors or the compensation committee. The participants in these plans are officers, directors, employees, and consultants of the Company and its subsidiaries and affiliates.

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))

Equity Compensation plans approved by security holders	600,000	$	0.12	-
Equity Compensation plans not approved by security holders (1)	3,613,125	$	0.00	4,031,946
Total	4,213,125			4,031,946

(1) Includes 30,000 shares and 3,583,125 shares of restricted common stock granted, but unissued, under the 2010 Plan and 2013 Plan, respectively. The exercise price for the stock grants is zero. 5,059 shares, 126,887 shares, and 3,900,000 shares remain available for future grants under the 2010 Plan, 2013 Plan, and 2016 Plan, respectively.

See Note N to the Consolidated Financial Statements for description of the material features of our current stock plans not approved by stockholders.

ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

One of the Company's directors, Peter Castle, was the Chief Executive Officer and President of NetWolves Network Services, LLC, which we acquired in May 2015. Another of the Company's directors, David Lieberman, was a director of NetWolves Network Services, LLC. Mr. Castle and Mr. Lieberman owned of record approximately 10.4% and 5.7%, respectively, of the membership interests of NetWolves LLC. Mr. Lieberman may also be deemed to have owned beneficially up to an additional 13.5% of such membership interests. The Company's board of directors negotiated the purchase price on an arm's length basis, and both Mr. Castle and Mr. Lieberman abstained from the vote approving the Asset Purchase Agreement.

The Company obtained an opinion regarding the fairness of the purchase price for the NetWolves entities from a reputable, independent third-party investment banking firm. Of the $18,000,000 purchase price paid for the acquisition, $14,200,000 was from the Company's cash on hand and the remaining $3,800,000 was raised from the sale of a Subordinated Secured Note to MedTechnology Investments, LLC ("MedTech").

On May 29, 2015, the Company entered into a Note Purchase Agreement with MedTech pursuant to which it issued MedTech a secured subordinated promissory note ("Note") for $3,800,000 for the purchase of NetWolves. MedTech was formed to acquire the Note, and $1,950,000 of the aggregate funds used to acquire the Note was provided by six of our directors. An additional $100,000 was provided by Joshua Markowitz prior to his joining the board of directors. In June 2015, a second Note for $750,000 was issued to MedTech for working capital purposes, $250,000 of which was provided by a director and a director's relative. In July 2015, an additional $250,000 was borrowed under the Note Purchase Agreement.

The Notes bear interest at an annual rate of 9%, mature on May 29, 2019, may be prepaid without penalty, and are subordinated to any current or future Senior Debt as defined in the Subordinated Security Agreement. The Subordinated Security Agreement secures payment and performance of the Company's obligations under the Notes and as a result, MedTech was granted a subordinated security interest in the Company's assets. As set forth in the following table, three directors of the Company provided funds in excess of $120,000 through Medtech during 2015. No principal payments have made for the year ended December 31, 2016 and interest payments made during the year ended December 31, 2016 to these three directors are as indicated in the table below:

	Principal Outstanding	Interest Paid
Peter C. Castle	$ 750,000	$68,625
David Lieberman	$ 700,000	$64,050
Jun Ma, PhD	$ 300,000	$27,450

David Lieberman, a practicing attorney in the State of New York, serves as Vice Chairman of the Board of Directors. He is currently a senior partner at the law firm of Beckman, Lieberman & Barandes, LLP, which performs certain legal services for the Company. Fees of approximately $340,000 were billed by the firm for the year ended December 31, 2016 at which date no amounts were outstanding.

Director Independence

We have adopted the NASDAQ Stock Market's standards for determining the independence of directors. Under these standards, an independent director means a person other than an executive officer or one of our employees or any other individual having a relationship which, in the opinion of the Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In addition, the following persons shall not be considered independent:

- a director who is, or at any time during the past three years was, employed by us;
- a director who accepted or who has a family member who accepted any compensation from us in excess of $100,000 during any period of twelve consecutive months within the three years preceding the determination of independence, other than the following:
  - compensation for service on the Board of Directors or any committee thereof;
  - compensation paid to a family member who is one of our employees (other than an executive officer); or
  - under a tax-qualified retirement plan, or non-discretionary compensation;
- a director who is a family member of an individual who is, or at any time during the past three years was, employed by us as an executive officer;
- a director who is, or has a family member who is, a partner in, or a controlling stockholder or an executive officer of, any organization to which we made, or from which we received, payments for property or services in the current or any of the past three fiscal years that exceed 5% of the recipient's consolidated gross revenues for that year, or $200,000, whichever is more, other than the following:
  - payments arising solely from investments in our securities; or
  - payments under non-discretionary charitable contribution matching programs;
- a director who is, or has a family member who is, employed as an executive officer of another entity where at any time during the past three years any of our executive officers served on the compensation committee of such other entity; or
- a director who is, or has a family member who is, a current partner of our outside auditor, or was a partner or employee of our outside auditor who worked on our audit at any time during any of the past three years.

For purposes of the NASDAQ independence standards, the term "family member" means a person's spouse, parents, children and siblings, whether by blood, marriage or adoption, or anyone residing in such person's home.

The Board of Directors has assessed the independence of each non-employee director under the independence standards of the NASDAQ Stock Market set forth above, and has affirmatively determined that two of our non-employee directors (Mr. Markowitz and Mr. Movaseghi) are independent.

We expect each director to attend every meeting of the Board and the committees on which he serves as well as the annual meeting. In the year ended December 31, 2016, all directors except Simon Srybnik attended both the annual meeting and at least 75% of the meetings of the Board and the committees on which they served.

ITEM 14 - PRINCIPAL ACCOUNTING FEES AND SERVICES

Marcum, LLP is our independent registered public accounting firm and performed the audits of our consolidated financial statements for the years ended December 31, 2016 and 2015. The following table sets forth all fees for such periods:

	2016	2015
Audit fees	$252,925	$238,937
Tax fees	-	-
All other fees	-	211,117
Total	$252,925	$450,054

35

The Audit Committee has adopted a policy that requires advance approval of all audit, audit-related, tax services, and other services performed by the Company's independent auditor. Accordingly, the Audit Committee must approve the permitted service before the independent auditor is engaged to perform it. In accordance with such policies, the Audit Committee approved 100% of the services relative to the above fees.

Marcum, LLP rendered other non-audit services related to the Company's acquisition of NetWolves LLC during the year ended December 31, 2015.

PART IV
ITEM 15 – EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Financial Statements and Financial Statement Schedules

(1) See Index to Consolidated Financial Statements on page F-1 at beginning of attached financial statements.

(a) Exhibits

(3)(i) (a) Restated Certificate of Incorporation (2)
(b) Certificate of Designations of Preferences and Rights of Series E Convertible Preferred Stock (9)
(c) Certificate of Amendment to Certificate of Incorporation (18)
(3)(ii) By-Laws (1)
(4) (a) Specimen Certificate for Common Stock (1)
(b) Specimen Certificate for Series E Convertible Preferred Stock (11)
(c) Secured Subordinated Note, dated as of May 29, 2015, between Vasomedical, Inc. and MedTechnology Investments LLC (16)
(10) (a) 1995 Stock Option Plan (3)
(b) Outside Director Stock Option Plan (3)
(c) 1997 Stock Option Plan, as amended (4)
(d) 1999 Stock Option Plan, as amended (5)
(e) 2004 Stock Option/Stock Issuance Plan (6)
(f) Securities Purchase Agreement dated June 21, 2007 between Registrant and Kerns Manufacturing Corp. (7)
(g) Form of Common Stock Purchase Warrant to dated June 21, 2007 (7)
(h) Registration Rights Agreement dated June 21, 2007 between Registrant, Kerns Manufacturing Corp. and Living Data Technology Corporation. (7)
(i) Purchase and Sale Agreement dated June 1, 2007 between 180 Linden Avenue Corp and 180 Linden Realty LLC. (8)
(j) Lease Agreement dated August 15, 2007 between 180 Linden Realty LLC and Registrant (8)
(k) Form of Stock Purchase Agreement (9)
(l) Redacted Sales Representative Agreement between GE Healthcare Division of General Electric Company and Vaso Diagnostics, Inc. d/b/a VasoHealthcare, a subsidiary of Vasomedical, Inc. dated as of May 19, 2010 (10).
(m) 2010 Stock Plan (11).
(n) Consulting Agreement dated March 1, 2011 between Vasomedical, Inc. and Edgary Consultants, LLC. (12)
(o) Employment Agreement entered into as of March 21, 2011 between Vasomedical, Inc. and Jun Ma, as amended. (15)
(p) Stock Purchase Agreement dated as of August 19, 2011 among Vasomedical, Inc., Fast Growth Enterprises Limited (FGE) and the FGE Shareholders (13)
(q) Amendment to Sales Representative Agreement between GE Healthcare Division of General Electric Company and Vaso Diagnostics, Inc. d/b/a VasoHealthcare, a subsidiary of Vasomedical, Inc. dated as of June 20, 2012 (14)
(r) 2013 Stock Plan (19)
(s) Asset Purchase and Sale agreement, dated as of May 29, 2015, by and among Vasomedical, Inc., VasoTechnology, Inc., NetWolves LLC and NetWolves Corporation (16)
(t) Subordinated Security Agreement dated as of May 29, 2015 by and between Vasomedical, Inc. and MedTechnology Investments LLC (16)
(u) Employment Agreement dated as of June 1, 2015 between Vasomedical, Inc. and Peter C. Castle (17)

(v) 2016 Stock Plan (20)

(21) Subsidiaries of the Registrant

Name	State of Incorporation	Percentage Owned by Company
Viromedics, Inc.	Delaware	61%
Vaso Diagnostics, Inc.	New York	100%
VasoMedical, Inc.	Delaware	100%
Vasomedical Global Corp	New York	100%
Vasomedical Solutions, Inc.	New York	100%
VasoHealthcare IT Corp.	Delaware	100%
VasoTechnology, Inc.	Delaware	100%
Fast Growth Enterprises Limited	British Virgin Islands	100%
VSK Medical Limited	Cayman Islands	49.9%

(31) Certification Reports pursuant to Securities Exchange Act Rule 13a - 14

(32) Certification Reports pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

---

(1) Incorporated by reference to Registration Statement on Form S-18, No. 33-24095.
(2) Incorporated by reference to Registration Statement on Form S-1, No. 33-46377 (effective 7/12/94).
(3) Incorporated by reference to Report on Form 8-K dated January 24, 1995.
(4) Incorporated by reference to Report on Form 10-K for the fiscal year ended May 31, 1999
(5) Incorporated by reference to Report on Form 10-K for the fiscal year ended May 31, 2000.
(6) Incorporated by reference to Notice of Annual Meeting of Stockholders dated October 28, 2004.
(7) Incorporated by reference to Report on Form 8-K dated June 21, 2007.
(8) Incorporated by reference to Report on Form 10-KSB for the fiscal year ended May 31, 2007.
(9) Incorporated by reference to Report on Form 8-K dated June 21, 2010.
(10) Incorporated by reference to Report on Form 8-K/A dated May 29, 2010 and filed November 9, 2010.
(11) Incorporated by reference to Report on Form 10-K for the fiscal year ended May 31, 2010.
(12) Incorporated by reference to Report on Form 8-K dated March 4, 2011.
(13) Incorporated by reference to Report on Form 10-K for the fiscal year ended May 31, 2011.
(14) Incorporated by reference to Report on Form 8-K dated June 20, 2012.
(15) Incorporated by reference to Report on Form 10-K for the fiscal year ended December 31, 2013.
(16) Incorporated by reference to Report on Form 8-K dated May 29, 2015.
(17) Incorporated by reference to Report on Form 8-K dated October 8, 2015.
(18) Incorporated by reference to Report on Form 10-Q for the quarter ended September 30, 2016.
(19) Incorporated by reference to Report on Form 10-Q for the quarter ended September 30, 2013.

(20) Incorporated by reference to Report on Form 10-Q for the quarter ended June 30, 2016.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, we have duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 30th day of March 2017.

VASO CORPORATION
By: /s/ Jun Ma
Jun Ma
President, Chief Executive Officer,
and Director (Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on March 30, 2017, by the following persons in the capacities indicated:

/s/ Jun Ma Jun Ma	President, Chief Executive Officer and Director (Principal Executive Officer)
/s/ Michael Beecher Michael Beecher	Chief Financial Officer (Principal Financial Officer)
/s/ Peter C. Castle Peter C. Castle	Chief Operating Officer and Director
/s/ Joshua Markowitz Joshua Markowitz	Chairman of the Board
/s/ David Lieberman David Lieberman	Vice Chairman of the Board
/s/ Randy Hill Randy Hill	Director
/s/ Edgar Rios Edgar Rios	Director
/s/ Behnam Movaseghi Behnam Movaseghi	Director

Vaso Corporation and Subsidiaries

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2016 and 2015

	Page
Report of Independent Registered Public Accounting Firm	F-2
Financial Statements	
Consolidated Balance Sheets as of December 31, 2016 and 2015	F-3
Consolidated Statements of Income and Comprehensive Income for the years ended December 31, 2016 and 2015	F-4
Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2016 and 2015	F-5
Consolidated Statements of Cash Flows for the years ended December 31, 2016 and 2015	F-6
Notes to Consolidated Financial Statements	F-7 – F-36

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Audit Committee of the
Board of Directors and Stockholders
of Vaso Corporation

We have audited the accompanying consolidated balance sheets of Vaso Corporation and Subsidiaries (the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of income and comprehensive income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Vaso Corporation and Subsidiaries, as of December 31, 2016 and 2015, and the consolidated results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Marcum LLP
Marcum llp
Melville, NY
March 30, 2017

Vaso Corporation and Subsidiaries

CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	December 31, 2016	December 31, 2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 7,087	$ 2,160
Accounts and other receivables, net of an allowance for doubtful accounts and commission adjustments of $4,159 at December 31, 2016 and $3,863 at December 31, 2015	12,741	11,620
Receivables due from related parties	18	209
Inventories, net	2,395	1,963
Deferred commission expense	1,917	2,252
Prepaid expenses and other current assets	925	550
Total current assets	25,083	18,754
PROPERTY AND EQUIPMENT, net of accumulated depreciation of $3,835 at December 31, 2016 and $2,976 at December 31, 2015	4,021	2,888
GOODWILL	17,280	17,484
INTANGIBLES, net	5,996	6,977
OTHER ASSETS, net	5,001	4,315
	$ 57,381	$ 50,418
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 5,219	$ 4,037
Accrued commissions	2,139	2,031
Accrued expenses and other liabilities	5,275	4,511
Sales tax payable	718	671
Income taxes payable	30	202
Deferred revenue - current portion	7,628	9,480
Notes payable and capital lease obligations - current portion	4,245	1,485
Due to related party	396	33
Total current liabilities	25,650	22,450
LONG-TERM LIABILITIES		
Notes payable and capital lease obligations	4,935	4,886
Notes payable - related parties	648	963
Deferred revenue	11,776	9,036
Deferred tax liability	112	112
Other long-term liabilities	1,349	1,230
Total long-term liabilities	18,820	16,227
COMMITMENTS AND CONTINGENCIES (NOTE Q)		
STOCKHOLDERS' EQUITY		
Preferred stock, $.01 par value; 1,000,000 shares authorized; nil shares		

issued and outstanding at December 31, 2016 and 2015	-	-
Common stock, $.001 par value; 250,000,000 shares authorized; 173,811,533 and 168,749,889 shares issued at December 31, 2016 and December 31, 2015, respectively; 163,503,446 and 158,441,802 shares outstanding at December 31, 2016 and December 31, 2015, respectively	174	168
Additional paid-in capital	62,856	62,263
Accumulated deficit	(47,790)	(48,610)
Accumulated other comprehensive loss	(329)	(80)
Treasury stock, at cost, 10,308,087 shares at December 31, 2016 and 2015	(2,000)	(2,000)
Total stockholders' equity	12,911	11,741
	$57,381	$50,418

See Note B for Variable Interest Entity disclosures

The accompanying notes are an integral part of these consolidated financial statements.
F-3

Vaso Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(in thousands, except per share data)

	Year ended December 31,	
	2016	2015
Revenues		
Managed IT systems and services	$39,448	$21,149
Professional sales services	28,524	31,584
Equipment sales and services	4,617	4,349
Total revenues	72,589	57,082
Cost of revenues		
Cost of managed IT systems and services	23,145	12,536
Cost of professional sales services	6,173	7,052
Cost of equipment sales and services	1,769	2,127
Total cost of revenues	31,087	21,715
Gross profit	41,502	35,367
Operating expenses		
Selling, general and administrative	39,408	30,913
Research and development	530	515
Total operating expenses	39,938	31,428
Operating income	1,564	3,939
Other income (expense)		
Interest and financing costs	(650)	(415)
Interest and other income (expense), net	187	255
Total other expense, net	(463)	(160)
Income before income taxes	1,101	3,779
Income tax (expense) benefit	(281)	44
Net income	820	3,823
Other comprehensive income		
Foreign currency translation loss	(249)	(174)
Comprehensive income	$571	$3,649
Income per common share		
- basic and diluted	$0.01	$0.02
Weighted average common shares outstanding		
- basic	159,138	156,707
- diluted	159,396	157,189

The accompanying notes are an integral part of these consolidated financial statements.
F-4

Vaso Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands)

	Common Stock		Treasury Stock		Additional Paid-in-		Accumulated Other Comprehensive	Total
	Shares	Amount	Shares	Amount	Capital	Accumulated Deficit	Income (Loss)	Shareholders' Equity
Balance at December 31, 2014	166,435	$ 166	(10,308					