Healthsport, Inc.
Form 10-Q
May 14, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-Q

þ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended March 31, 2010
or

o **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from __________ to __________
Commission File Number: 000-23100

HEALTHSPORT, INC.
(Exact name of registrant as specified in its charter)

Delaware	**22-2649848**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1620 Beacon Place Oxnard, CA	**93033**
(Address of principal executive offices)	(Zip Code)

(818) 593-4880
(Registrant s telephone number, including area code)

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 preceding 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 þ 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 o No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer o	Non-accelerated filer o	Smaller reporting company þ

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

As of March 31, 2010, 122,582,717 shares of the issuer s common stock, par value $0.0001 per share, were outstanding.

HealthSport, Inc.
Quarterly Report on Form 10-Q
For the Period Ended March 31, 2010
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EXPLANATORY NOTE

In this report, unless the context indicates otherwise, the terms HealthSport, Company, we, us, and our r
HealthSport, Inc., a Delaware corporation, and its wholly-owned subsidiaries: InnoZen, Inc. (**InnoZen**); Enlyten, Inc. (**Enlyten**); Health Strip Solutions, LLC (**Health Strip**); and HealthSport Nutraceutical Products, Inc. (**Nutraceutical**)

SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain statements in this report, including information incorporated by reference, are forward-looking statements. Forward-looking statements reflect our current views about future events and financial performance based on certain assumptions. They include opinions, forecasts, intentions, plans, goals, projections, guidance, expectations, beliefs or other statements that are not statements of historical fact. Words such as may, will, should, could, would,
plans, believes, anticipates, intends, estimates, approximates, predicts, or projects, and similar ex
identify a statement as a forward-looking statement. Any statements that refer to projections of our future financial performance, anticipated trends in our business, our goals, strategies, focus and plans, and other characterizations of future events or circumstances, including statements expressing general optimism about future operating results and the development of our products, are forward-looking statements. Forward-looking statements in this report may include statements about our ability to:

- maintain operating costs and implement our current business plan;
- obtain future financing or funds when needed;
- effectively launch new products;
- develop and obtain a diverse and loyal customer base;
- protect our intellectual property rights and avoid infringing on the rights of others;
- attract and retain a qualified employee base;
- respond to new technology developments before our competitors;
- successfully complete acquisitions, strategic partnerships, and other significant transactions; and
- develop and execute a successful business strategy.

The forward-looking statements in this report speak only as of the date of this report and caution should be taken not to place undue reliance on any such forward-looking statements. Forward-looking statements are subject to certain events, risks, and uncertainties that may be outside of our control. When considering forward-looking statements, you should carefully review the risks, uncertainties and other cautionary statements in this report as they identify certain important factors that could cause actual results to differ materially from those expressed in or implied by the forward-looking statements. These factors include, among others, the risks described under Item 1A and elsewhere in this report and in our 2009 Annual Report on Form 10-K, as well as in other reports and documents we file with the Securities and Exchange Commission.

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PART I FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

HEALTHSPORT, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

	March 31, 2010 (unaudited)	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	$ 48,196	$ 1,205,945
Accounts receivable (less allowance of $12,000 in 2010 and 2009)	63,650	64,726
Inventory, net	163,093	106,532
Prepaid expenses and other assets	246,013	200,757
Total current assets	520,952	1,577,960
Property and equipment, net	718,523	770,233
Patent costs and other intangible assets, net	7,883,390	10,832,424
Other assets	333,322	338,106
Total assets	$ 9,456,187	$ 13,518,723
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	$ 1,346,119	$ 1,575,116
Accrued expenses	542,672	651,865
Current portion of capital lease obligation	71,945	70,512
Current portion of convertible promissory notes, Note 5	1,409,450	1,409,450
Current portion of loan payable	23,227	
Deferred revenue	358,193	358,193
Stock subscription liability	394,000	536,222
Derivative liability		79,266
Total current liabilities	4,145,606	4,680,624
Convertible promissory notes, Note 5	144,646	144,646
Capital lease obligation	185,144	203,677
Total liabilities	4,475,396	5,028,947
Commitments and contingencies, Note 6		
Stockholders equity:		
Preferred stock: $2.75 par value; authorized 2,000,000 shares; no shares issued and outstanding		
Common stock: $0.0001 par value; authorized 500,000,000 shares; 122,582,717 and 122,082,717 shares issued and outstanding at March 31, 2010 and December 31, 2009, respectively	12,258	12,208

Additional paid-in capital		77,549,345		77,511,178
Stock subscription receivable		(7,476,310)		(7,500,250)
Accumulated deficit		(65,104,502)		(61,533,360)
Total stockholders equity		4,980,791		8,489,776
Total liabilities and stockholders equity	$	9,456,187	$	13,518,723

See accompanying notes to condensed consolidated financial statements.

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HEALTHSPORT, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations (Unaudited)

	For the three months ended March 31, 2010	2009
Revenue		
Product sales	$	$ 1,608,158
License fees, royalties and services		58,750
Total revenues		1,666,908
Costs and expenses		
Cost of product sold and manufacturing costs	192,979	1,249,411
Selling, general and administrative expense	3,431,602	1,107,603
Research and development costs	9,061	36,127
Total costs and expenses	3,633,642	2,393,141
Net loss from operations	(3,633,642)	(726,233)
Other income (expense):		
Interest income	75,036	288
Settlement income	6,604	
Change in fair value of derivative liability	79,266	1,118,003
Other income	287	8,905
Other expense	(35,740)	
Loss on disposal of property & equipment	(7,777)	
Interest expense	(55,176)	(69,270)
Other income (expense)	62,500	1,057,926
Net income (loss) before income taxes	(3,571,142)	331,693
Provision for income taxes		
Net income (loss)	$ (3,571,142)	$ 331,693
Net income (loss) per share,		
basic	$ (0.05)	$ 0.01
diluted	$ (0.05)	$ 0.01
Weighted average shares outstanding,		
basic	72,578,935	50,532,787
diluted	72,578,935	57,679,988

See accompanying notes to condensed consolidated financial statements.

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HEALTHSPORT, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows (Unaudited)

	For the three months ended March 31,	
	2010	**2009**
Cash flows from operating activities		
Net income (loss)	$ (3,571,142)	$ 331,693
Adjustment to reconcile net loss to net cash used in operating activities:		
Stock based compensation	3,217	142,498
Depreciation and amortization	233,555	333,449
Common stock issued for services	35,000	9,000
Reversal of stock based compensation	(142,222)	
Inventory obsolescence reserve		75,000
Asset impairment	2,792,880	
Loss on sale of property & equipment	7,777	
Gain on debt settlement	(6,604)	
Change in fair value of derivative liability	(79,266)	(1,118,003)
Change in other assets and liabilities:		
Accounts receivable	1,076	(131,660)
Inventory	(56,561)	(68,295)
Prepaid expenses and other assets	12,590	111,419
Accounts payable	(239,493)	195,810
Accrued expenses	(109,194)	49,593
Deferred revenue		(180,196)
Net cash used in operating activities	(1,118,387)	(249,692)
Cash flows from investing activities		
Patent costs incurred	(30,946)	(26,615)
Acquisition of property and equipment	(1,898)	(105,327)
Deposits made on leasehold improvements	(24,000)	
Net cash used in investing activities	(56,844)	(131,942)
Cash flows from financing activities		
Collection of stock subscription receivable	23,940	
Loan repayments	(6,458)	
Capital lease payments		(15,718)
Sale of common stock		115,000
Net cash provided by financing activities	17,482	99,282
Net decrease in cash and cash equivalents	(1,157,749)	(282,352)
Cash and cash equivalents, beginning of period	1,205,945	433,573

Cash and cash equivalents, end of period	$	48,196	$	151,221

Supplemental cash flow information

Cash paid for interest and income taxes:				
Interest	$	18,390	$	23,012
Income taxes				

See accompanying notes to condensed consolidated financial statements.

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HealthSport, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(Unaudited)

NOTE 1: ORGANIZATION AND NATURE OF BUSINESS

Principles of Consolidation

The condensed consolidated financial statements include the accounts of HealthSport, Inc., a Delaware corporation, and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Financial Statement Preparation

The condensed consolidated financial statements included in this report have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission for interim reporting and include all adjustments (consisting only of normal recurring adjustments) that are, in the opinion of management, necessary for a fair presentation. These condensed consolidated financial statements have not been audited.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States have been condensed or omitted pursuant to such rules and regulations for interim reporting. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2009. The financial data for the interim periods presented may not necessarily reflect the results to be anticipated for the complete year.

Reclassification

Certain reclassifications of the amounts presented for the comparative period have been made to conform to the current presentation.

Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management makes estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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Earnings Per Share

Basic earnings per share is computed by dividing income available to common shareholders by the weighted-average number of common shares outstanding. Diluted earnings per share is computed similar to basic earnings per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. Common equivalent shares are excluded from the computation if their effect is anti-dilutive. As of March 31, 2010 and 2009, common stock equivalents used in determining fully diluted shares outstanding consist only of options, warrants to purchase common stock and convertible promissory notes. The components of basic and diluted earnings per share are as follows:

	For the three months ended March 31,	
	2010	**2009**
Numerator		
Net income (loss)	$ (3,571,142)	$ 331,693
Interest expense related to convertible promissory notes		46,406
Net income (loss) attributable to common shareholders	$ (3,571,142)	$ 378,099
Denominator		
Weighted-average number of common shares outstanding during the period	72,578,935	50,532,787
Diluted effect of stock options, warrants and convertible promissory notes		7,147,201
Common stock and common stock equivalents used for diluted earnings per share	72,578,935	57,679,988

Diluted earnings per share at March 31, 2010 did not include outstanding stock options, warrants and convertible promissory notes because the effect would have been anti-dilutive. The weighted average shares outstanding does not include 49,840,402 and 0 shares held in escrow during the periods ended March 31, 2010 and 2009, respectively.

Nature of Business

We specialize in the development and manufacture of proprietary, oral thin film products containing nutraceutical and pharmaceutical actives. We manufacture and distribute a number of nutritional supplement products formulated to contain electrolytes, vitamins, melatonin, caffeine, and other supplements. We are also currently conducting research and development related to future potential products that will contain over-the-counter and prescription drug actives. Our thin film, which is similar in size and shape to a postage stamp, dissolves rapidly and utilizes patent pending bi-layer technology and other novel processes, including proprietary micro-encapsulation methods to mask the taste of actives in the film products. The result of this superior technology is higher quality, more stable products that support a platform capable of carrying larger product volumes and a more diverse array of active ingredients. We believe these qualities render our thin film effective, easy to use and suited for a multitude of consumer products in both the dietary supplement and pharmaceutical arenas.

Going Concern

At March 31, 2010, we had current assets of $520,952; current liabilities of $4,145,606; and a working capital deficit of $3,624,654. We incurred a loss of $3,571,142 during the three months ended March 31, 2010, which included depreciation and amortization of $233,555, a gain on change in fair value of derivative liability of $79,266 and a $2,792,880 impairment loss of intangibles. We have incurred substantial losses to date and have an accumulated deficit at March 31, 2010 of $65,104,502.

We are not currently generating sufficient income or cash flow to fund our current operations. We did not generate any product sales during the three months ending March 31, 2010, as we transition to our new manufacturing facilities. We expect our facilities to be operational during the third quarter and to begin manufacturing and generating product sales at that time. However, we cannot predict with any degree of certainty the level of revenues we will be able to sustain. We are continually analyzing both our product costs as well as our operating costs in an effort to make additional cost reductions where possible. However, in order to support our current level of operations, substantial additional sales will be required. We expect that we will continue to generate losses from operations through the remainder of 2010.

Other than cash and cash equivalents and cash flow provided by operations, our primary source of working capital has been financing activities through the sale of debt or equity securities.

On December 1, 2009, we completed the sale of 66,666,667 shares (the Shares) of our common stock (the SMI Financing) to Supplement Manufacturing and Ingredients, LLC (SMI), pursuant to the Stock Purchase Agreement between the Company and SMI dated as of November 6, 2009 (the Stock Purchase Agreement). In connection with the completion of the SMI Financing and in accordance with the Stock Purchase Agreement, SMI paid to the Company $2,000,000 and issued a promissory note (the Promissory Note) to the Company in the amount of $8,000,000. The Promissory Note, which was amended on March 19, 2010, will be payable in four installments as follows:

- $500,000 on or before November 15, 2009 (previously paid);
- $2,050,000 on or before May 15, 2010;
- $2,500,000 on or before July 15, 2010;
- $2,950,000 on or before September 15, 2010; and
- all remaining principal and interest due on September 15, 2010.

The Amended Promissory Note will mature on September 15, 2010 and will accrue interest at the rate of 4% per annum. We issued and delivered 13,333,333 shares of our common stock to SMI at the time of closing. The remaining shares will be issued in the name of SMI, but will be held in escrow pursuant to a Stock Pledge Agreement. The Pledge Agreement provides for a partial release of shares as payments are made under the Promissory Note.

We are dependent upon receipt of payments from SMI under the Promissory Note to continue our operations. If SMI were to suspend payments or default on their obligations under the Promissory Note, we would not have sufficient capital to continue the build-out of our manufacturing facility or to conduct our operations. In such an event we would seek to raise additional capital through the sale of debt or equity securities. However, we do not have any such financing arrangements in place at this time, cannot provide any assurances that such financing would be available if needed, and do not know the terms upon which any such financing may be made available to us.

These conditions raise substantial doubt about our ability to continue as a going concern. Because of our historic net losses and our negative working capital position, our independent auditors, in their reports on our financial statements for the years ended December 31, 2009 and 2008, expressed substantial doubt about our ability to continue as a going concern. The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that could result from the outcome of this uncertainty.

Recent Accounting Pronouncements

In April 2009, the FASB issued guidance under ASC section 820*, Fair value Measurements and Disclosures,* relating to required disclosures concerning the fair value of financial instruments when a publicly traded company issues financial information for interim reporting periods. The requirements are effective for interim reporting periods ending after June 15, 2009. The adoption of the new standard did not have a material impact on our consolidated financial statements.

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In April 2009, the FASB issued guidance under ASC section 320, *Investments Debt and Equity Securities,* modifying the requirements for recognizing other-than-temporarily impaired debt securities and significantly changing the existing impairment model for such securities. This guidance also modifies the presentation of other-than-temporary impairment losses. Such modifications include changing the amount of the other-than-temporary impairment that is recognized in earnings when there are credit losses on a debt security that the entity does not intend to sell and it is not more-likely-than-not that the entity will be required to sell prior to recovery. In these situations, the portion of the total impairment that is related to the credit loss would be recognized as a charge against operations, and the remaining portion would be included in other comprehensive income. The guidance also increases the frequency of and expands already required disclosures about the other-than-temporary impairment of debt and equity securities. This guidance is effective for fiscal years ending after June 15, 2009. As of the beginning of the period of adoption of this guidance, entities are required to recognize a cumulative-effect adjustment to reclassify the non-credit component of a previously recognized other-than-temporary impairment loss from beginning retained earnings to beginning accumulated other comprehensive income if the entity does not intend to sell the security and it is not more-likely-than-not that the entity will be required to sell the security before recovery. We adopted this guidance as of January 1, 2009. Since we did not hold any debt securities at January 1, 2009 that were the subject of previous other than temporary impairment charges which were non-credit in nature, the adoption of this guidance did not result in the recognition of a cumulative-effect adjustment. Adoption of this guidance did not have a material impact to our results of operations, financial condition, or liquidity.

In April 2009, the FASB issued guidance under ASC section 820, *Fair value Measurements and Disclosures,* which addresses the factors that determine whether there has been a significant decrease in the volume and level of activity for an asset or liability when compared to the normal market activity. This guidance provides that if it has been determined that the volume and level of activity has significantly decreased and that transactions are not orderly, further analysis is required and significant adjustments to the quoted prices or transactions might be needed. The guidance is effective for interim and annual reporting periods ending after June 15, 2009. Adoption did not have a material impact on our results of operations, financial condition, or liquidity.

In May 2009, the FASB issued guidance under ASC section 855, *Subsequent Events,* which establishes the standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued. We adopted this standard, which did not have a material impact on our consolidated financial statements.

In June 2009, the Financial Accounting Standards Board (FASB) issued guidance as codified in ASC 810-10, Consolidation of Variable Interest Entities (previously Statement of Financial Accounting Standards (SFAS) No. 167, Amendments to FASB Interpretation No. 46(R)). This guidance is intended to improve financial reporting by providing additional guidance to companies involved with variable interest entities (VIEs) and by requiring additional disclosures about a company s involvement with variable interest entities. This guidance is generally effective for annual periods beginning after November 15, 2009 and for interim periods within that first annual reporting period. The adoption of this guidance did not have a material impact on our consolidated financial statements.

NOTE 2: INVENTORY

Inventory at March 31, 2010 and December 31, 2009, consisted of the following:

	2010	2009
Raw materials	$ 145,394	$ 88,533
Work in progress	23,400	23,700
	168,794	112,233
Reserve for obsolescence	(5,701)	(5,701)
Total Inventory	$ 163,093	$ 106,532

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NOTE 3: ASSET IMPAIRMENT

We continually monitor events and circumstances that could indicate carrying amounts of long-lived assets, including property, plant, equipment and intangible assets, may not be recoverable. When such events or changes in circumstances occur, we assess recoverability of long-lived assets, other than goodwill, by determining whether the carrying value of such assets will be recovered through undiscounted expected future cash flows. If the total of the undiscounted future cash flows is less than the carrying amount of those assets, we recognize an impairment loss based on the excess of the carrying amount over the fair value of the asset, or discounted estimated future cash flows if fair value is not readily determinable.

Due to a significant reduction in business volume and a decline in the quoted market price of our stock during the quarter ending March 31, 2010, management determined that the fair value of certain of our intangible assets had declined. Based on management s analysis, we recorded an impairment loss of $2,792,880 for the net carrying value of some of our patents, trade secrets and web site for the quarter ending March 31, 2010, which is included in general and administrative expenses in the statement of operations. We did not record any impairment losses in the first quarter of 2009.

NOTE 4: FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets and liabilities recorded at fair value in the consolidated balance sheets are categorized based upon the level of judgment associated with the inputs used to measure their fair value. The fair value hierarchy distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity s own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

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

The following table summarizes fair value measurements by level at March 31, 2010 for assets and liabilities measured at fair value on a recurring basis:

	Level I	**Level II**	**Level III**	**Total**
Cash and cash equivalents	$ 48,196			$ 48,196
Derivative liability				

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We have issued convertible secured notes in 2008. The convertible notes require us to record the value of the conversion feature as a liability, at fair value, pursuant to FASB accounting rules, including provisions in the notes that protect the holders from declines in our stock price, which is considered outside the control of the Company. The derivative liabilities are marked-to-market each reporting period and changes in fair value are recorded as a non-operating gain or loss in our statement of operations, until they are completely settled. The fair value of the conversion feature is determined each reporting period using the Black-Scholes option pricing model, and is affected by changes in inputs to that model including our stock price, expected stock price volatility, interest rates and expected term. The assumptions used in valuing the derivative liability during 2010 were as follows:

Risk free interest rate	0.45%
Expected life	0 0.5 years
Dividend Yields	0%
Volatility	121%

The following is a reconciliation of the derivative liability for 2010:

Value at January 1, 2010	$ 79,266
Decrease in Value	(79,266)
Value at March 31, 2010	$

NOTE 5: CONVERTIBLE PROMISSORY NOTES

As of March 31, 2010, the Company was in default with several of our convertible promissory notes. Convertible promissory notes consisted of the following at March 31, 2010 and December 31, 2009:

	2010	2009
Senior secured convertible promissory notes of $625,000 due March 31, 2010 with an option to extend for another 6 months at the discretion of the holders and $450,000 due September 30, 2009; interest payable at 12% per annum and a default rate of 18% per annum; secured by technology and patent rights; principal and accrued interest convertible into common stock at $0.15 per share (subject to adjustment if the Company sells stock or grants conversion rates at a lower price); accrued interest due on March 31, 2010 (13 holders) and accrued interest due on January 1, April 1, July 1 and Oct 1, 2009 (11 holders) not paid	$ 1,075,000	$ 1,075,000
Convertible loan from Migami due September 22, 2009 with interest at 10% payable quarterly; secured; convertible into common stock at $0.10 per share; interest due December 22, 2008, March 22, 2009 and June 22, 2009, principal and interest not paid due to litigation involving Migami and SMI Manufacturing, LLC (litigation does not involve the Company)	100,000	100,000
Convertible promissory note to an individual due December 24, 2010 including interest at 8% per annum; unsecured; convertible into common stock at $0.15 per share; interest due February 1, 2009, not paid	48,000	48,000
Convertible promissory note to the Company s former counsel due April 11, 2011 including interest at 8% per annum; unsecured; convertible into common stock at $0.15 per share; accrued interest due March 29, 2009, not paid	144,646	144,646
	51,450	51,450

Convertible promissory note to a company due November 15, 2010 including interest at 12% per annum; unsecured; convertible into common stock at $0.15 per share; accrued interest due monthly commencing December 1, 2008, not paid		
Convertible promissory note to a company due December 24, 2010 including interest at 10% per annum; unsecured; convertible into common stock at $0.20 per share; accrued interest due semi-annually commencing November, 21, 2009	112,500	112,500
Convertible promissory note to an individual dated October 21, 2008 and due October 21, 2009 including interest at 12% per annum; unsecured; convertible into common stock at $0.15 per share, not paid	5,000	5,000
Convertible promissory note to a company due March 11, 2010 including interest at 6% per annum; unsecured; convertible into common stock at $0.20 per share; accrued interest due March 11, 2010, not paid	2,500	