AXIS TECHNOLOGIES GROUP INC
Form 10-Q
April 30, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2009

o TRANSITION REPORT PURSUANT TO 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________ to ________

Commission file number: 000-53350

AXIS TECHNOLOGIES GROUP, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	26-1326434
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

2055 So. Folsom Street, Lincoln, NE 68522
(Address of principal executive offices)

(402) 476-6006
(Issuer’s telephone number)

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 o No x

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.

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 registrant has 64,446,779 shares of $0.001 par value common stock outstanding as of April 15, 2010.

1

INDEX

Axis Technologies Group, Inc.

FORM 10-Q
For The Nine-Month Period Ended September 30, 2009

INDEX

INDEX

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Axis Technologies Group, Inc.
Consolidated Balance Sheets

	September 30, 2009 (Unaudited)	December 31, 2008 (Audited)
ASSETS		
CURRENT ASSETS		
Cash	$ 9,286	$ 12,205
Accounts receivable	62,796	150,609
Inventory	231,173	337,566
Inventory deposits	96,397	58,497
Prepaid expenses	49,920	3,412
Total Current Assets	449,572	562,289
PROPERTY AND EQUIPMENT		
Property and equipment	18,668	18,188
Less: accumulated depreciation	(14,700)	(12,899)
Net Property and Equipment	3,968	5,289
OTHER ASSETS		
Patents, net of accumulated amortization of $3,266 and $2,627, respectively	13,771	14,410
Deferred financing costs, net	40,067	180,300
Total Other Assets	53,838	194,710
TOTAL ASSETS	$ 507,378	$ 762,288

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

INDEX

Axis Technologies Group, Inc.
Consolidated Balance Sheets (Conintued)

	September 30, 2009 (Unaudited)	December 31, 2008 (Audited)
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable	$146,188	$145,108
Accrued expenses	179,059	92,053
Notes payable	294,667	—
Convertible note payable, net of discount totaling $241,798 and $788,288, respectively	1,262,832	600,601
Accrued salary - officers/stockholders	622,613	485,637
Total Current Liabilities	2,505,359	1,323,399
STOCKHOLDERS' DEFICIT		
Common stock, $0.001 par value, 500,000,000 shares authorized, 64,446,779 and 62,267,767 shares issued and outstanding, respectively	64,447	62,268
Additional paid-in capital	3,622,542	3,202,261
Stock issuable	66,600	66,600
Accumulated deficit	(5,751,570)	(3,892,240)
Total Stockholders' Deficit	(1,997,981)	(561,111)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$507,378	$762,288

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

INDEX

Axis Technologies Group, Inc.
Consolidated Statements of Operations
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
Sales, net	$56,851	$183,769	$384,305	$469,561
Cost of goods sold	46,984	129,737	289,798	376,478
Gross profit	9,867	54,032	94,507	93,083
Operating expenses	174,788	333,292	585,695	697,640
Loss from operations	(164,921)	(279,260)	(491,188)	(604,557)
Other income (expense):				
Interest income	—	1,508	27	3,961
Interest expense	(614,352)	(312,576)	(1,368,169)	(528,274)
Total other income (expense)	(614,352)	(311,068)	(1,368,142)	(524,313)
Net loss before income taxes	(779,273)	(590,328)	(1,859,330)	(1,128,870)
Income tax provision	—	—	—	—
Net loss	$(779,273)	$(590,328)	$(1,859,330)	$(1,128,870)
Net loss per common share (basic and diluted)	$(0.012)	$(0.009)	$(0.029)	$(0.018)
Weighted average shares outstanding: basic and diluted	64,446,779	62,267,767	63,279,609	62,212,366

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

INDEX

Axis Technologies Group, Inc.
Consolidated Statements of Cash Flows
(Unaudited)

	For the Nine Months Ended September 30, 2009	2008
Cash flows from operating activities:		
Net loss	$ (1,859,330)	$ (1,128,870)
Adjustments to reconcile net loss to net cash used in operations:		
Depreciation and amortization	2,440	3,016
Share-based compensation	8,448	7,029
Issuance of common stock for services	47,500	18,600
Accretion of loan default interest charges	384,723	—
Amortization of original issue discount	55,889	37,537
Amortization of debt issuance costs	140,233	85,857
Non-cash interest expense related to issuance of warrants and beneficial conversion features	625,631	337,838
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	87,813	(98,911)
(Increase) decrease in inventory and inventory deposits	68,493	(147,819)
(Increase) in prepaid expenses	(46,508)	(4,212)
Decrease in accounts payable	1,080	79,961
Increase in accrued salary-officers/stockholders	136,976	47,610
Increase in accrued expenses	87,006	15,169
Net cash used in operating activities	(259,606)	(747,195)
Cash flows from investing activities:		
Purchase of property and equipment	(480)	(1,094)
Net cash used in investing activities	(480)	(1,094)
Cash flows from financing activities:		
Cash proceeds from convertible notes payable, net of original issue discount of $138,889 and transaction fees of $32,000	—	1,218,000
Debt issuance costs	—	(203,572)
Net repayments on note payable	—	(195,074)
Repayments on notes payable	(42,833)	—
Proceeds from issuance of notes payable	300,000	—
Net cash provided by financing activities	257,167	819,354
Net (decrease) increase in cash and cash equivalents	(2,919)	71,065
Cash and cash equivalents at beginning of period	12,205	14,528
Cash and cash equivalents at end of period	$ 9,286	$ 85,593
Supplemental cash and non-cash flow information:		

Cash paid for interest	$	82,814	$	42,084
Deferred financing costs paid with the issuance of common stock	$	—	$	82,100
Convertible debt discount recorded for warrant and beneficial conversion feature	$	—	$	1,250,000
Conversion of convertible note payable to common stock	$	231,482	$	—

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

INDEX

Axis Technologies Group, Inc.
Notes to Consolidated Financial Statements

NOTE 1:
BASIS OF PRESENTATION

The accompanying unaudited consolidated financial information has been prepared by Axis Technologies Group, Inc. (the "Company") in accordance with accounting principles generally accepted in the United States of America for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities and Exchange Commission (SEC). Accordingly, it does not include all of the information and notes required by accounting principles generally accepted in the Untied States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair statement of this financial information have been included. Financial results for the interim period presented are not necessarily indicative of the results that may be expected for the fiscal year as a whole or any other interim period. This financial information should be read in conjunction with the consolidated financial statements and notes for the year ended December 31, 2008.

NOTE 2:
NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Riverside Entertainment, Inc ("Riverside") was incorporated in the State of Delaware. On September 18, 2006, Riverside entered into a Share Exchange and Acquisition Agreement whereby it agreed to issue 45,000,000 shares of its common stock to acquire all of the outstanding shares of Axis Technologies, Inc. ("Axis"), a private corporation incorporated in 2003 in the State of Delaware. At the time of the share exchange transaction, Riverside was a non-reporting public company and had no current operations. Axis has developed and sells a daylight harvesting fluorescent lighting ballast that uses natural lighting to reduce electricity consumption. The Company's market for advertising and selling the product currently lies within North America.

Upon completion of the transaction on October 25, 2006, Axis became a wholly-owned subsidiary of Riverside and Riverside changed its name to Axis Technologies Group, Inc. (the "Company"). Since this transaction resulted in the existing shareholders of Axis acquiring control of Riverside, the share exchange transaction has been accounted for as an additional capitalization of Riverside (a reverse acquisition, with Axis being treated as the accounting acquirer for financial statement purposes.)

The operations of Axis are the only continuing operations of the Company. In accounting for this transaction, Axis was deemed to be the purchaser and parent company for financial reporting purposes. Accordingly, its net assets were included in the consolidated balance sheet at their historical value.

Principles of Consolidation: The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Axis Technology, Inc. All inter-company transactions and balances have been eliminated in the consolidation.

Management Estimates: The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the period. Actual results could differ from those estimates.

Customer Concentrations and Accounts Receivable: The accounts receivable arise in the normal course of business of providing services to customers. Accounts are written-off as they are deemed uncollectible based upon a periodic review of the accounts. As of September 30, 2009, we have estimated that accounts receivable is fully collectible, and thus, have not established an allowance for doubtful accounts.

INDEX

Concentrations of credit risk with respect to accounts receivable arise because the Company grants unsecured credit in the form of trade accounts receivable to its customers.

At September 30, 2009, one customer accounted for 37% of sales and three customers accounted for 71% of outstanding accounts receivable. At September 30, 2008, two customers accounted for 56% of sales and 76% of outstanding accounts receivable.

Supplier Concentrations and Inventory: The Company maintains its inventory, consisting primarily of finished goods, on a perpetual basis utilizing the first-in first-out (FIFO) method. Inventories have been valued at the lower of cost or market. Management has not recorded an obsolescence reserve for inventory at September 30, 2009, and December 31, 2008, as all inventory is considered usable and market value is above cost.

The Company purchases 100% of its inventory from suppliers located in China.

Revenue Recognition: The Company recognizes revenue when persuasive evidence of an arrangement exists, transfer of title has occurred or services have been rendered, the selling price is fixed or determinable, collectibility is reasonably assured and delivery has occurred per the contract terms.

Warranty and return costs are estimated and accrued based on historical rates. Management has determined that a warranty reserve of $6,000 is required at September 30, 2009, and no warranty reserve was recorded at December 31, 2008.

Deferred Financing Costs: Deferred financing costs relate to the convertible debt instrument issued by the Company on April 25, 2008. The financing costs are being amortized using the effective interest method over the term of the debt instrument to April 2010.

Income Taxes: The Company accounts for deferred tax assets and liabilities under the liability method. Deferred tax liabilities are recognized for temporary differences that will result in taxable amounts in future years. Deferred tax assets are recognized for deductible temporary differences and tax operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the periods in which the deferred tax asset or liability is expected to be realized or settled. We assess the likelihood that our deferred tax assets will be recovered from future taxable income and record a valuation allowance to reduce our deferred tax assets to the amounts we believe to be realizable. We concluded that a full valuation allowance against our U.S. deferred tax assets was appropriate as of September 30, 2009 and December 31, 2008. The Company's 2006, 2007 and 2008 tax years are open for examination by the IRS.

Effect of Recently Issued Accounting Standards: Effective September 15, 2009, the Company adopted a new accounting standard that establishes the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") as the exclusive reference to be applied in the preparation of financial statements in conformity with GAAP. Accordingly, all references to legacy guidance issued under previously recognized authoritative literature have been removed in the third quarter of fiscal 2009. As the ASC was not intended to change or alter existing GAAP, it did not have any impact on the Company's results of consolidated operations or financial position.

NOTE 3:
LIQUIDITY/GOING CONCERN

The Company has incurred significant operating losses during its periods of operation. At September 30, 2009, the Company reports a negative working capital position of $2,055,787 and an accumulated deficit of $5,751,570. It is management's opinion that these facts raise substantial doubt about the Company's ability to continue as a going concern without additional financing through debt or equity.

INDEX

In order to meet its working capital needs through the next twelve months, the Company plans to seek additional outside debt or equity financing to support the planned increase in revenues via new channels and products over the next year. However, the Company is uncertain such financing will be available on terms favorable to the Company if at all. If adequate funds are not available or not available on acceptable terms, we may have to curtail our operations and may be unable to fund expansion, develop or enhance products or respond to competitive pressures.

NOTE 4:
ACCRUED SALARY – OFFICERS/STOCKHOLDERS

Certain officers/stockholders of the Company have elected to forego a certain portion of their salary due to limited operating funds over the past several years. These amounts do not accrue interest and are due and payable to these officers/stockholders as funds become available in the future. The total balance owed as of September 30, 2009 and December 31, 2008 is $622,613 and $485,637, respectively.

NOTE 5:
NOTES PAYABLE

On March 25, 2009, the Company entered into a debt instrument security agreement with Gemini Master Fund, Ltd. (“Gemini”), pursuant to which the Company issued a 10% Senior Secured Note in the principal amount of $150,000 (the “Note”) for working capital funds. The note was past due at September 30, 2009; however, the note was refinanced on December 30, 2009 by adding the obligation with the convertible note payable as discussed in Note 6. The note has a mandatory default amount where the principal of the obligation increases 25% and the stated interest rate increases to 24% if the note is in default. The note was deemed in default in July 2009 and an interest charge of $37,500 was recorded for the three month period ended September 30, 2009. The note balance increased to $187,500.

On May 20, 2009, the Company issued a promissory note with Mid-America Funding Company generating net cash proceeds of $150,000 for working capital purposes. In connection with the note payable, the Company issued 1,000,000 shares of its common stock to be held in escrow as collateral for the loan. Additionally, the Company assigned a customer purchase order totaling $247,500 to the issuer as additional collateral on the note. The note bears interest at a monthly rate of 2% of the outstanding balance. The note is past due and demand can be made for payment in full. The note has a balance of $107,167 at September 30, 2009.

NOTE 6:
CONVERTIBLE NOTE PAYABLE

On April 25, 2008, the Company entered into a debt instrument security agreement with Gemini Master Fund LTD (“Gemini”), pursuant to which Gemini was issued a 10% Senior Secured Convertible Promissory Note in the principal amount of $1,388,889 (the “Note”). The face amount of the Note of $1,388,889 was reduced by an original issue discount of $138,889 and other issuance costs of $32,000 to arrive at net proceeds of $1,218,000.

In connection with the Note, the Company also incurred additional financing costs of $203,572 which were paid out of the net proceeds to third-party placement agents and issued 50,000 shares of common stock valued at $0.31 per share to these same agents. The Company is obligated to issue to the placement agents for this transaction an additional 180,000 shares valued at $0.37 per share totaling $66,600 which have not been issued as of September 30, 2009. The share price of which was based on the five day average closing price of the Company’s common stock prior to the closing date of the Note.

INDEX

The Note has a maturity date of April 25, 2010, and is secured by all assets of the Company. The Note accrues interest at a rate of 10% per annum, and such interest is payable on a quarterly basis commencing July 26, 2008, with the principal balance of the Note, together with any accrued and unpaid interest thereon, due in twelve monthly installments beginning May 1, 2009. The Company has the option to make the installment payments in cash or in common stock shares at a conversion price equal to the lesser of $0.26 or 80% of the lowest closing bid price occurring 10 trading days immediately preceeding the date at which the price is determined. The May and June 2009 installment payments were made through issuance of common stock. This resulted in an additional beneficial conversion feature valued at $135,031 being charged as non-cash interest expense for the three-month period ended June 30, 2009 due to the variable conversion price.

The note has a mandatory default amount where the principal of the obligation increases by 30% and the stated interest rate increases to 24% if the note payments are in default. The note was deemed in default in July 2009. The principal balance of the note was increased by $347,223 due to this default.

The Note is convertible at the option of the holder at any time into shares of the Company's common stock at an initial conversion price of $0.26 per share. The conversion price is subject to a weighted-average anti-dilution adjustment in the event the Company issues equity or equity-linked securities at a price below the then-applicable conversion price. The Note can be converted into a maximum of 4.9% of the Company's outstanding common stock on the date of conversion.

Additionally, the terms of the Securities Purchase Agreement issued in connection with the Note provides that until such time as Gemini no longer holds any of the securities or underlying securities purchased, the Company cannot issue shares of common stock, securities convertible into common stock, or debt obligations involving a variable rate transaction (meaning there is a conversion, exercise or exchange price that is contingent on trading prices or other factors) or a transaction where a purchaser of securities is granted the right to receive additional securities in the future on terms better than those presently being granted to the purchaser. Further, until such time as Gemini no longer holds any of the securities or underlying securities purchased, if the Company issues common stock or securities convertible into common stock on terms that Gemini deems to be more favorable than the terms received by Gemini, Gemini may require the Company to amend the Securities Purchase Agreement and related documents to give Gemini the benefit of the more favorable terms.

Under the terms of the Note and as additional consideration for the loan, the Company issued Gemini a five-year warrant to purchase up to 5,341,880 shares of its common stock at an exercise price of $0.26 per share (the "Warrant") which was deemed to have a fair value of $861,778. The Company used the Black-Scholes-Merton pricing model as a method for determining the estimated fair value of the Warrant issued. The following assumptions were used to estimate the fair value of the Warrant:

risk free interest rate of 3.2%;

expected life of 2 years;

no expected dividends;

and volatility of 147%.

The expected life of the Warrant was determined to be the full-term of the warrant. The risk-free interest rate is based on the Federal Reserve Board's constant maturities of U.S. Treasury bond obligations with terms comparable to the expected life of the Warrant valued. The Company's volatility is based on the historical volatility of the Company's stock.

The fair value of the Warrant was recorded as a discount to the Note and is being amortized to interest expense over the term of the Note using the effective interest method. Due to the Company not having an effective Form 10 registration statement by February 25, 2009, the Warrant provides for a cashless exercise in which the holder will be entitled to the number of shares equal to the difference between the volume weighted average price as defined in the Note agreement, and the exercise price of the Warrant multiplied by the number of shares issuable upon exercise of the Warrant divided by the volume weighted average price. The Warrant also provides for a weighted-average anti-dilution adjustment to the exercise price in the event the Company issues equity or equity-linked securities at a price below the then-applicable exercise price.

INDEX

The Company may be obligated to issue an additional five-year warrant at an exercise price of $0.26 per share to a placement agent if all or a portion of the shares in the underlying Warrant attached to the Note are exercised by the holder. For every 100 shares exercised by the holder, the placement agent will receive a warrant to purchase 7 additional shares up to a maximum of 373,932 shares. The fair value for these conditional warrants will be recorded by the Company if and when the original Warrant is exercised by the holder.

The proceeds of the loan were allocated based on the relative fair value of the loan and warrants as of the commitment date. Then the Company calculated the intrinsic value of the beneficial conversion feature embedded in the Note. As the amount of the beneficial conversion feature exceeded the fair value allocated to the loan, the amount of the beneficial conversion feature to be recorded was limited to the proceeds allocated to the loan. Accordingly, the beneficial conversion feature was calculated to be $388,222 and was recorded as an additional discount on the Note and will be recognized over the term of the Note using the effective interest method.

The following summarizes the convertible note balance as of September 30, 2009:

Original gross proceeds received in 2008	$1,388,889
Less: original issue discount at time of issuance of notes	(138,889)
Net proceeds prior to paying transaction costs	1,250,000
Less: value assigned to beneficial conversion feature and warrants	(1,250,000)
Add: amortization of original issue discount, beneficial conversion feature and warrants	1,147,091
Add: mandatory default charge	347,223
Less: amounts converted to common stock	(231,482)
Balance at September 30, 2009 (face value of $1,504,630)	$1,262,832

The effective interest rate of the Note was 119% as of September 30, 2009.

On December 30, 2009, the Company entered into an Amendment Agreement and an Amended and Restated 10% Senior Secured Convertible Note with Gemini. The Gemini Note Payable, as discussed in Note 5, accrued interest to date, and the increase in principal for the default terms were consolidated into this agreement. This resulted in the stated value of the consolidated loan to be $1,884,097 on December 30, 2009. In addition, the new agreement fixed the conversion share price of the debt to equity at a price of $0.10 per share and is now convertible on or after February 1, 2010. Previously, the note had a variable conversion rate. All other terms remained consistent with those described above.

NOTE 7:
STOCKHOLDERS' DEFICIT

On June 24, 2009, the Company issued 964,506 shares of common stock for the conversion of $115,741 in principal on the Gemini Convertible Note at a conversion price of $0.12 per share per the terms of the agreement.

On May 4, 2009, the Company issued 964,506 shares of common stock for the conversion of $115,741 in principal on the Gemini Convertible Note at a conversion price of $0.12 per share per the terms of the agreement.

On May 1, 2009, the Company issued 250,000 shares of its common stock at a fair value of $0.19 per share to a consultant for prepaid marketing services with a total value of $47,500.

Restricted Stock: For the three month period ended March 31, 2008, the Company awarded 60,000 shares of time-based restricted stock (non-vested) shares to certain employees of the Company. As a condition of the award, the employees must be employed with the Company in order to continue to vest in their shares over an 18-month period. The fair value of the non-vested shares is equal to the fair market value on the date of grant which was estimated to be $0.31 and will be amortized ratably over the vesting period.

INDEX

The Company recorded $1,536 and $8,448 of compensation expense in the consolidated statements of operations related to vested shares (restricted stock) for the three and nine month periods ended September 30, 2009. For the three and nine month periods ended September 30, 2008, the Company recorded $3,123 and $7,029 of related compensation expense.

A summary of the status of non-vested restricted shares and remaining unearned compensation as of September 30, 2009, is set forth below:

	Restricted Shares	Weighted Average Fair Value	Unrecognized Compensation	Weighted Average Recognition Period (Months)
Outstanding, December 31, 2008	27,261	$0.31	$ 8,448	
Granted	—	—	—	
Vested	(27,261)	0.31	(8,448)	
Outstanding, September 30, 2009	—	$—	$ —	—

NOTE 8:
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

The Company computes earnings (loss) per share under two different methods, basic and diluted, and presents per share data for all periods in which statements of operations are presented. Basic earnings (loss) per share are computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding. Diluted earnings (loss) per share are computed by dividing net income (loss) by the weighted average number of common stock and common stock equivalents outstanding.

The following table provides a reconciliation of the numerators and denominators used in calculating basic and diluted earnings per share for the quarters ended September 30, 2009 and 2008.

	Three Months Ended September 30 2009	Three Months Ended September 30 2008	Nine Months Ended September 30 2009	Nine Months Ended September 30 2008
Basic earnings per share calculation:				
Net loss to common shareholders	$(779,273)	$(590,328)	$(1,859,330)	$(1,128,870)
Weighted average of common shares outstanding	64,446,779	62,267,767	63,279,609	62,212,366
Basic net loss per share	$(0.012)	$(0.009)	$(0.029)	$(0.018)
Diluted earnings per share calculation:				
Net loss to common shareholders	$(779,273)	$(590,328)	$(1,859,330)	$(1,128,870)
Weighted average of common shares outstanding	64,446,779	62,267,767	63,279,609	62,212,366
Stock warrants, and convertible debt (1)	—	—	—	—
Diluted weighted average common shares outstanding	64,446,779	62,267,767	63,279,609	62,212,366
Diluted net loss per share	$(0.012)	$(0.009)	$(0.029)	$(0.018)