
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-K

Annual report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended: **December 31, 2008**

Transition report under Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____

Commission file number: **000-52117**

IMPACT MEDICAL SOLUTIONS, INC.

(Exact Name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

20-5153331
(IRS Employer
Identification No.)

17011 Beach Blvd., Suite 900, Huntington Beach, CA
(Address of Principal Executive Offices)

92647
(Zip Code)

(714) 841-2670
(Issuer's Telephone Number, Including Area Code)

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Securities Registered Pursuant to Section 12(b) of the Act.

Common Stock, par value \$0.0001 per share
(Title of each class)

N/A
(Name of exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: None

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

Indicate by check mark if registrant is not required to file reports pursuant to Rule 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 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 No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) 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. 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 <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
<input type="checkbox"/> (Do not check if a smaller reporting company)	
Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input checked="" type="checkbox"/>

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

The registrant had no revenues for the fiscal year ended December 31, 2008.

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked price of such common equity, as a specified date within the past 60 days: \$12,408,849 based on a sales price of \$0.75 per share on June 30, 2008.

As of April 14, 2009 there were 20,718,466 shares of the registrant's Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Registrant's Proxy Statement for its Annual Meeting of Stockholders to be held on June 12, 2009 are incorporated by reference in Part III of this Report. Except as expressly incorporated by reference, the Registrant's Proxy Statement shall not be deemed to be part of this Form 10-K.

Transitional Small Business Disclosure Format (check one): Yes No

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DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements made in this Annual Report on Form 10-K are “forward-looking statements” (within the meaning of the Private Securities Litigation Reform Act of 1995) regarding the plans and objectives of management for future operations. Such statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements of Impact Medical Solutions, Inc. (the “Company”) to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The forward-looking statements included herein are based on current expectations that involve numerous risks and uncertainties. The Company’s plans and objectives are based, in part, on assumptions involving the continued expansion of business. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Company. Although the Company believes its assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate and, therefore, there can be no assurance the forward-looking statements included in this Report will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by the Company or any other person that the objectives and plans of the Company will be achieved.

PART I

As used in this annual report and unless otherwise indicated, the terms the “Company,” “Impact Medical,” “we,” “us,” and “our” refer to Impact Medical Solutions, Inc., a Delaware corporation.

Item 1. Business

Impact Medical Solutions, Inc. (a development stage company) (the “Company” or “IMS”), a Delaware corporation, was incorporated on October 20, 1997 as a Nevada corporation. On September 9, 2003, IMS acquired a patent from MPR Health Systems, Inc., a California corporation; a patented medical information system called Muscle Pattern Recognition (“MPR”) with a value of \$500,000. On December 27, 2006, IMS entered into a Plan and Agreement of Merger (the “reverse merger”) with Freedom 1, Inc., a Delaware corporation and a “blank check company,” as defined under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), whereby IMS was the surviving entity. Since December 2002 and continuing after the reverse merger, IMS has been involved in the development and pre-market clinical testing of the MPR System.

MPR is a non-invasive, bio-mechanically and mathematically based evaluation that objectively discriminates between normal and abnormal musculoskeletal function as it relates to the back and neck. MPR analyzes patterns of muscle recruitment - the engagement of muscles in order to perform specific body movements. MPR test results provide detailed physiological information on muscle function that we believe can assist in the diagnosis and treatment of back and neck injuries and illness. The results of an MPR evaluation are presented in a comprehensive report that confirms normal muscle recruitment patterns or provides clinically relevant information on the nature and severity of dysfunction at each recorded muscle site.

We believe that the capabilities of the MPR System are unique and that the system addresses an unmet market need for an objective, evidence-based test that can be used by physicians and other health care professionals to better assess and manage patients with impaired musculoskeletal function. We believe the MPR System supports the cost-containment and risk management goals of insurers, workers compensation carriers, self-insured employers and managed care providers by providing objective information to help control health care costs associated with back and neck injuries.

Central to the MPR System is the fact that muscles in the back and the neck function as an interactive system. In order to determine whether a particular muscle is functioning normally or abnormally, it must be examined in concert with all of the other muscle groups required for the body to make specific movements. Muscles also interact in a predictable manner that can be expressed in a kinesiological relationship. These principles have been

incorporated into the MPR test and form the basis of a unique system that measures the relationships among muscles in a given movement. By comparing relationships of muscles, MPR is able to normalize subjects against each other.

The standardized protocol of movements that make up the MPR test provides the ability to compare patients to a normal database. When patients replicate the same carefully administered, standardized movements performed by subjects in the normalized database, an accurate comparison can be made. Using a data analysis system (described in greater detail below), the comparison of a patient's patterns with those of the "normal" subjects in our database is the basis of the MPR System.

During the years ended December 31, 2008 and 2007, we incurred a net loss of \$1,589,500 and \$1,263,489, respectively, and had \$34,015 cash on hand as of December 31, 2008. We are in the development stage and have not earned any revenue since our inception. Due to the foregoing facts, our auditors have expressed their doubt as to our ability to continue as a going concern. Current funds available to us will not be adequate for us to complete our clinical program. Therefore, we will need to raise additional funds in order to fully implement our business plan. However, there can be no assurance that we will be successful in raising such additional funds. Regardless of whether our cash assets prove to be inadequate to meet our operational needs, we might seek to compensate providers of services by issuance of stock in lieu of cash.

Our continued operations therefore will depend upon our ability to raise additional funds through bank borrowings, equity or debt financing. There is no assurance that we will be able to obtain additional funding when needed, or that such funding, if available, can be obtained on terms acceptable to us. If we cannot obtain needed funds, we may be forced to curtail or cease our activities. We may encounter difficulty in obtaining these funds and/or credit lines. Moreover, even if additional financing or credit lines were to become available, it is possible that the cost of such funds or credit would be high and possibly prohibitive.

We continue to develop and enhance the features and performance of our technology with the goal of introducing new products based on our core research and development activities. Two of our four employees and two of our three independent consultants currently devote at least a portion of their time to our research and development activities. We anticipate increasing levels of resources will be dedicated to research and clinical development in the implementation of our business strategy within the next 12 months.

As our business grows, we anticipate hiring additional employees and retaining additional consultants.

Research and Development

We expense our research and developments expenses. Research and development expenses consisted of costs associated with the design, development, testing, and enhancement of the MPR System. The primary costs are salaries, consulting fees and non-recurring software development costs. Research and development expenses decreased to \$134,327 in 2008 from \$151,217 in 2007 primarily due to less working capital available to pursue our programs. Our pivotal clinical trial was suspended in 2005 due to lack of adequate funding. In February 2009, we initiated a smaller pilot clinical trial which is expected to be completed during the second half of 2009. We are currently working on securing new financing so that we can re-commence the pivotal trial in the second half of 2009 following the completion of the pilot study. Should our funding efforts be unsuccessful, the re-commencement of our pivotal clinical program would remain on hold until such time as appropriate financial resources were available.

Market Opportunity

Overview

Back pain is one of the most common and significant musculoskeletal medical problems in the world. Back injuries are the leading cause of disability in the United States for people younger than 45 years of age and have been the most expensive health care problem for the 20 to 50 year-old age group. Eighty percent (80%) of adults seek care at some time for low back pain, and approximately one third of all disability costs in the United States are due to back disorders.

For most patients, the cause or causes of persistent back pain remain poorly understood. Although imaging procedures, including computerized tomography (CT) and magnetic resonance imaging (MRI), are able to accurately define structural anomalies, the correlation of these anatomic findings with physiology, back pain, and other clinical complaints is imprecise.

Back pain is classified into three categories based on the duration of symptoms:

- *Acute* back pain is arbitrarily defined as pain that has been present for six weeks or less.
- *Sub acute* back pain has a six- to 12-week duration and
- *Chronic* back pain lasts longer than 12 weeks.

Acute low back pain is often recurrent, and most patients with a history of acute episodes eventually have more chronic symptoms. Also, persons who seek medical attention for back pain are thought to be at increased risk for chronic pain and disability. We believe patients in all three groups (acute, sub acute and chronic) are appropriate candidates for MPR.

Key Market Trends

Several trends have expanded the market for better solutions to diagnosing back problems:

- increased employer and payor aggressiveness in quantifying and seeking ways to reduce the economic toll of back injuries, one of the largest segments of health care costs;
- growing awareness of the need for objective information in medical-legal injury litigation;
- need for measuring patient treatment effectiveness and managing patients to successful outcomes;
- increased health care purchaser and provider attention to injury prevention; and
- increased patient awareness of treatment alternatives.

We believe the convergence of these trends has magnified the large business opportunity to provide clinically proven tools to reduce the costs and improve the outcomes of patients with back pain.

Target Markets for MPR

The target markets for MPR are large and include the following:

- Primary care physicians, who initially treat the majority of patients with back pain;
- Specialists including neurologists, orthopedic surgeons, physical medicine and rehabilitation physicians (PM&R) and occupational medicine practitioners (occmed);
- The employer market;
- The Workers' Compensation market;
- Health Maintenance Organizations (HMOs); and,
- Insurance companies.

Primary Care Physicians

Primary care physicians typically include family practice physicians, internists, obstetricians, gynecologists, and pediatricians. As back pain is extremely common, these physicians actually see most of these private patients and often have extensive experience in treating acute back pain due to muscle dysfunctions.

Primary care physicians provide a non-invasive (non-surgical) approach and often utilize prescription medications to help reduce pain and inflammation, as well as using the services of physical therapists to assist in maintaining range

of motion and muscle tone. Often, they may order a variety of spinal diagnostic procedures to more fully investigate the potential causes of persistent back and neck pain and refer patients to a specialist for further diagnosis and treatment.

Specialists

There are several areas of specialty medicine that we believe represent target markets for MPR. They include:

- *Neurologists* - A neurologist is a medical doctor who has trained in the diagnosis and treatment of nervous system disorders, which include diseases of the brain, the spinal cord, the nerves, and the muscles.
- *Orthopedic Surgeons* - Orthopedic surgeons treat the surgical diseases, conditions and injuries of the bones, muscles and joints.
- *Physical Medicine and Rehabilitation* - Physical Medicine and Rehabilitation (PM&R), also called physiatry, is the branch of medicine that emphasizes the prevention, diagnosis and non-surgical treatment of disorders - including those of the musculoskeletal system - that may produce temporary or permanent impairment.
- *Occupational Medicine* - Occupational Medicine is concerned with the treatment of patients with occupational and environmental illnesses and/or injuries.

Employers

We believe employers can directly benefit from reductions in the medical and income continuation costs due to better diagnosis and treatment of back problems.

The second component of this market, and a market segment unto its own, is the use of MPR as an occupational assessment tool to prevent injuries from occurring in the first place. For these employers, we believe screening new and veteran employees to identify those with positive MPR tests could improve job placement and identify high-risk groups for future injury that may benefit from back strengthening and flexibility exercises. This use of MPR as a preventative tool also blends well with the trend towards preventative medicine.

Additionally, the Company may look at other occupational medicine applications once MPR is fully tested for the back/neck.

Workers' Compensation Market

Work-related back and neck injuries, or musculoskeletal disorders, are caused or aggravated by the work environment. Work-related back and neck injuries can result in reduced worker productivity, inability to perform job tasks, work loss, and temporary or permanent disability.

We believe that Workers' Compensation carriers stand to generate savings and improve their competitive market position through the adoption of the MPR technology. Although state laws vary, carriers are usually able to dictate or influence the sources of care for back problems, particularly in the crucial early period. Increasingly, managed care organizations provide workers' compensation services through contractual relationships with physician groups. These organizations have the authority to recommend the incorporation of MPR into their assessment and treatment protocols.

Health Maintenance Organizations (HMOs)

HMOs contract with large medical groups to provide services under both health benefit and workers' compensation plans. We believe the use of MPR can reduce the need for more expensive tests, reduce the number of physician and non-essential therapy visits, and assist physicians in recommending appropriate rehabilitative therapy. For this

reason, we believe managed care organizations such as HMOs will be highly motivated to adopt the cost-effective MPR technology.

Insurance Companies

We believe the insurance companies are large targets because their reimbursement policies and practices have a profound impact on the medical diagnostic industry; they largely dictate pricing policies, methods of distribution and growth strategies. Insurance companies are also playing an increasingly important role as prescribers. We believe MPR has the potential to control direct medical costs and indirect costs such as lost time, disability claims, and litigation expenses and therefore we believe that MPR will be well received by insurers. We also believe they can become a major source of referrals, particularly in the workers' compensation market.

MPR has the potential to serve all of the above markets. Because these markets are inter-related, we believe marketing simultaneously to all markets will reduce the sales cycle, sales and marketing costs and increase market penetration in each segment.

A common trend in each of the market segments is increased competition based not solely on price but also on health outcomes. For employers, reduced toll of back injuries translates directly into higher employee productivity and enhanced profits. Health care risk-bearing and delivery organizations find that clients are demanding better health outcomes, which in turn translate into higher productivity and profitability. National organizations such as the National Committee for Quality Assurance (NCQA) and the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) are promoting outcome-oriented standards and requiring that organizations maintain records and report on outcomes in a growing range of health domains. In this environment, improved treatment of back injuries would provide a significant competitive advantage, with demonstrably improved health and economic outcomes. Given the potential use of MPR in measuring treatment outcomes, we believe our company is well positioned to benefit from the current health care environment.

Our Product Offerings

The MPR System

The MPR System is a clinical tool that performs a biomechanical and mathematical analysis of muscle function. Test results are based on the simultaneous measurement of surface electromyography (sEMG), signals produced by specific back and neck muscles during the execution of distinct body movements (an MPR Test). A patient's readings are digitized and processed by a proprietary data analysis system that generates graphic images of recognizable muscle activity patterns. A computer-assisted comparison of a patient's patterns with those produced by normal subjects is then provided in a report that forms the basis of the clinical evaluation.

The MPR System consists of three components:

- MPR Data Acquisition Device;
- MPR Data Analysis System; and
- MPR Report

The MPR Data Acquisition Device

The MPR Data Acquisition Device consists of a commercially available laptop computer system and a recording system equipped with a set of signal amplifiers. The amplifiers are attached to customized skin-surface electrodes that pick up the electrical signals produced by the underlying muscles. The recording system and signal amplifiers are purchased from one of several suppliers in the market place.

The Data Acquisition Device is controlled by proprietary data collection software developed and owned by IMS. The software prompts and guides the Technician (operator) in performing the required data collection tasks; it assists patient and operator in the execution of body movements by providing visual and audio prompts; and it provides a real-time graphical display of muscle activity. The MPR Technician is therefore assisted in completing

successfully and reliably the data collection process, and is further guided in archiving and transmitting the data for clinical analysis.

The MPR Data Analysis System

The data collected during each MPR Test is transmitted electronically to a central location (application server) for processing by our computerized Data Analysis System. Proprietary analytical software, also developed and owned by IMS, is used to assess the quality of the MPR data and to derive a number of complex measures which characterize the patient's muscle recruitment patterns. These measures are then compared to their respective equivalent derivations from a normative database of non-injured and pain-free subjects. The results of the analysis are presented in an MPR Report, which is electronically transmitted to the referring health care provider.

The MPR Report

The MPR Report provides the health care provider with findings that help to classify the patient as normal or with a graded level of muscle dysfunction (abnormal). The MPR Report includes graphic, statistical and narrative representations of each muscle group's recruitment patterns as compared to normative patterns and provides critical information about the muscle groups examined. This information includes:

Evidence of dysfunction:

Reports if muscle recruitment is normal or abnormal and if abnormal, the location of the abnormality.

Conditions of occurrence and severity of dysfunction:

Reports the severity of the dysfunction as compared to normal, and the motor movement(s) in which a dysfunction was observed. Also reports if the dysfunction is due to *hyperactivity* (muscle spasm) or *hypoactivity* (muscle weakness).

Patterns of abnormal muscle recruitment:

Provides a graphic presentation of the abnormal muscle patterns, including the patterns of abnormal muscle compensation.

MPR - based Clinical Evaluation

The MPR Report and a health care provider clinical examination would form the basis of an MPR - based evaluation. At the discretion of the referring health care provider, patients may be retested to measure the progress of treatment and assist in making a decision for discharge. We believe several other critical questions are implicitly addressed when a patient is retested to ascertain if additional treatment is advisable. For example:

- Is the patient's muscle recruitment pattern now within the range of normal?
- If not, have the patient's recruitment patterns improved through treatment?
- Should the payer continue to fund further (or alternative) treatment?

These questions address issues of rehabilitation, short and long term disability, and the ability of a person to return to work.

Manufacturing and Service

We use commercially available data recording equipment and disposable electrodes from Thought Technology Ltd., an unaffiliated biofeedback and psycho-physiological instrument manufacturer based in Montreal, Canada. Thought Technology maintains all relevant manufacturing facility registrations and Quality System certifications (ISO 13485) for the sEMG/ECG equipment and disposables used in the MPR System, and is in full compliance with FDA, Health Canada and European (CE Marking) requirements.

IMS currently performs the final assembly of the MPR Data Acquisition Device, which includes software installation, system configuration, and final system testing. The MPR software is produced and released by IMS. IMS is currently responsible for first-line service, including software support. Individual equipment is serviced by their corresponding manufacturers.

The MPR Data Analysis System (central application server and related software) is configured, maintained, and operated by IMS.

Regulatory Requirements

The Food and Drug Administration (FDA), under the authority of the Federal Food, Drug, & Cosmetic (FD&C) Act and the Safe Medical Devices Act (SMDA), regulates all medical devices manufactured in the United States. FDA's Center for Devices and Radiological Health (CDRH) is charged with assuring the public that a device is safe and effective for its intended use. CDRH is also responsible for regulating the firms who manufacture, re-package, re-label, and/or import medical devices sold in the United States.

The level of regulatory scrutiny is determined in good part by the class of a device. Device classification is risk-based, depending on the intended use of the device. Devices fall into three classes: Class I, II and III, with Class I devices requiring the least stringent controls and Class III devices requiring the most stringent controls. All classes of devices are subject to General Controls, which include establishment (manufacturing/assembly site) registration, device listing, labeling, and current Good Manufacturing Practices (GMP) in compliance with the Quality System Regulation.

The FDA does not actually test devices, but through various committees, it reviews pre-marketing applications for devices to assure their safety and effectiveness in accordance with their classification.

For Class I and Class II diagnostic devices, a manufacturer must first demonstrate that the device is "substantially equivalent" to a legally marketed device that has already been classified (known as a "predicate" device). This is accomplished by submitting a Premarket Notification under Section 510(k) of the FD&C Act. If after the 510(k) review the new device is found to be "substantially equivalent" to its "predicate" device, the FDA will allow the sale of the new device.

For Class III devices, a premarket approval (PMA) is required. PMA is the most stringent type of device marketing application required by FDA. Class III devices are those that support or sustain human life, are of substantial importance in preventing impairment of human health, or which present a potential, unreasonable risk of illness or injury. Due to the level of risk associated with Class III devices, FDA has determined that general and special controls alone are insufficient to assure the safety and effectiveness of Class III devices. Therefore, these devices require a PMA application under section 515 of the FD&C Act in order to obtain marketing clearance.

Thought Technology's EMG equipment used in the Data Acquisition Device of the MPR System is a Class II device and has been cleared by the FDA under Section 510(k). The MPR Data Analysis System has not yet been cleared and may be treated as a Class III medical device by FDA. IMS is working with experienced FDA/regulatory consultants and plans to meet with the FDA in 2009 to determine the classification of the MPR System. The Company believes the MPR System will be treated as a Class II device and has already identified suitable predicate devices which it believes are substantially equivalent to the MPR System and will support a new 510(k) submission. There is however no certainty at this time that the FDA supports this belief.

Additional performance and marketing claims will be filed with the FDA after the completion of an independent clinical trial - the results of which will determine the degree of clinical utility for the MPR test as a diagnostic tool in its own right. *(For more information on the clinical trial, see Major Medical Market)*

Reimbursement for MPR - CPT Coding

When billing insurance companies for services like MPR, health practitioners use "codes". Reimbursement claims require the use of two coding systems: one that identifies the patient's disease or medical condition (the

International Classification of Diseases, 9th Revision, Clinical Modification, or ICD-9-CM, codes) and another that describes the procedures, services or supplies a practitioner provides to their patients (the *Current Procedural Terminology*, or CPT, codes).

CPT coding was developed by the American Medical Association (AMA) in 1966 in response to the increasing need for standardized terminology and clarity so that physicians and other health care providers could describe their work for purposes of billing health insurers. CPT is also used for administrative management purposes such as claims processing and developing guidelines for medical care review.

The process for requesting a new CPT code is well defined and the AMA has developed a formal process for evaluating coding suggestions. Requests are sent to the CPT Editorial Panel and reviewed by appropriate members of the CPT Advisory Committee. Coding proposals must contain detailed information on the procedure described, including a clinical vignette of the typical patient and, if a surgical procedure, an operative report. Copies of peer-reviewed articles published in U.S. journals describing the safety and effectiveness of the procedure must also be included.

MPR has been reimbursed in the past under a general CPT code for “Alternative Neuromuscular Disorders” (Code #95999). We believe that to obtain broad acceptance of the MPR System with health care practitioners, it may be important for us to obtain a more specific CPT code for the test than Code #95999. We are working with a leading specialized consulting firm that provides financial and regulatory services to companies like ours and we expect to complete a thorough analysis of this issue before a decision is made regarding a specific reimbursement code.

Patents and Trademarks

Our technology is protected by the following patent:

Patent	Information	Dates	Status	US Serial	Expiration
Muscle Pattern Recognition	Full application	August, 2001	Approved	6,280,395	January, 2020

Our Muscle Pattern Recognition patent protects the *method* for determining muscle dysfunction of a subject; the *system* for determining muscle dysfunction of a subject; the *computer readable medium having stored instructions* (computer programs) for analyzing the muscle dysfunction of a subject; a *muscle dysfunction evaluation network* (data collection, analysis, reporting and communications links) for determining muscle dysfunction of subjects; and a *muscle dysfunction report*.

We have not applied for patent protection for the MPR technology in any country other than the United States, although we anticipate doing so if and when any U.S. patents are issued.

Sales and Marketing

Overview

We believe today’s health care environment in the U.S. is very complex, and the development and introduction of a new medical device such as MPR involves not just an FDA approval process, but overcoming significant reimbursement hurdles and complex commercial challenges associated with training and educating physicians, patients and payors.

We believe the traditional delivery of health care, when decision-making was based on the sole discretion of the treating physicians, has evolved toward a more financially based, protocol-driven medical care that is now known as evidence-based medicine. We believe this new healthcare paradigm has created new and complex relationships between all organizations that populate every point of the health care compass - integrated insurers, self-insured

employers, managed care organizations, third party administrators, risk managers and physician networks. We believe complicated new relationships have evolved and must all be considered as part of the marketing effort of MPR.

The Marketing Plan

We believe there are three broad markets for MPR under which all other target markets fall. The three markets are the Major Medical market, the Workers' Compensation market and the Medical/Legal market. Our initial target market for MPR is the Major Medical market because we believe successfully penetrating this market will allow us to reach the largest audience of potential users and referrers of the test.

Major Medical Market

The target markets for MPR within the medical profession include Neurologists, Orthopedic Surgeons, Physical Medicine and Rehabilitation Specialists (Physiatrists), Occupational Medicine Practitioners (OccMed), Primary Care Physicians (GPs) and Physical Therapists.

For MPR to be accepted by this market we believe there are three important conditions that must be met:

1. The clinical effectiveness of MPR must be demonstrated in independent clinical studies and the results must be published in one or more peer-reviewed journals;
2. Medical professionals must be certain that they will be reimbursed if they prescribe the test; and,
3. There must be minimal disruption in the way physicians treat their patients when introducing MPR into their practice.

To meet the first condition, we have started an independent clinical trial of MPR at two North American sites with plans to expand to four. Patient recruitment to this trial is currently on hold and will remain so until we obtain further funding.

Integrated medical practices (physicians with rehabilitation capability) and independent rehabilitation hospitals and clinics were approached to participate in our clinical trial. Site selection was important and was ultimately based on three criteria:

1. The participating site should be, in our view, recognized as a leading center for the treatment of back and neck injuries;
2. Each site must meet certain commitments regarding patient recruitment; and,
3. Each site must have the potential of becoming an MPR customer after the trial has been completed.

We believe each of the four participating centers also has the potential to serve as a provider of the technical services (i.e. perform the MPR test) for potential new customers such as Workers' Compensation members and local employers.

We believe successful completion of the clinical trial will allow us to receive all necessary regulatory bodies' clearance for the U.S., Canadian and European markets. Concomitantly, we believe it will provide all necessary data for the preparation and submission of independent scientific papers to peer-reviewed journals and the participation in selected scientific and medical conferences.

Following the clinical trial, we intend to use the recognition and influence of our Medical Advisory Board (MAB) members to assist in the process of MPR methodology acceptance in the medical community at key scientific and medical conferences.

We anticipate target marketing will follow from industry and trade awareness campaigns to specific executions directed at specific customers and customer segments. We expect individual physicians and occupational clinic settings involved in Workers' Compensation will be an early initiative under our marketing plan.

The Workers' Compensation system is a legally-driven medical delivery system and we believe that many physicians do not wish to become involved in litigated matters and defer such cases to those specialists who are familiar with the compensation laws. It is this latter group of health care providers who take care of the overwhelming majority of such cases. The specialties of Occupational Medicine, Orthopedic Surgery, Neurology and Physical Medicine and Rehabilitation (Physiatry) are the most common care providers to the injured worker. It is to these groups of providers that we will initially concentrate our efforts. Through publications in medical journals, presentations at national medical conferences, lectures at smaller local medical societies and hospitals, discussions with selected teaching hospitals and universities, and the writings and endorsements of the members of our MAB members, we believe we can appropriately present the MPR technology to a wide audience of users. As the members of a medical community tend to speak freely amongst themselves about emerging technologies, we believe we can also expect a greater awareness of MPR from simple doctor-to-doctor word of mouth.

We believe that as the awareness of the MPR technology increases, it will be easier for a physician to request a test just as he/she can request an x-ray or an MRI. And because it is only the physician who can institute a rehabilitative treatment program for an injured patient, he/she can also order follow-up MPR testing to monitor a patient's progress during their rehabilitative recovery phase and assist in bringing that case to closure.

At approximately the same time, we expect to contact and begin all of the necessary activity to join with other high-profile providers of healthcare and work with them as beta-sites to help spread the word and independently demonstrate the benefits of the MPR technology in the diagnosis and treatment of back and neck injuries.

Discussions have already begun with healthcare providers and large key national employers and insurers. They have all indicated their interest and intention to become involved with us both as users and buyers of the MPR services upon completion of the clinical trial and with our FDA clearance, if obtained.

Under these 'joint ventures', we believe that we will soon thereafter generate the support and data necessary to obtain our own CPT code (reimbursement code), a key, we believe, to more widely spreading the awareness and utilization of the MPR technology and a key, we believe, to meeting the second condition in obtaining acceptance by the medical profession.

Finally, we believe that it is well-known that health care providers, specifically medical doctors, use testing and examination methodologies that they have learned through their years of training and practice and that changing the way in which they treat their patients is a difficult challenge for companies like ours. To overcome this challenge (the third condition listed above), we expect to start contacting medical schools after the completion of the clinical trial to begin training those specialists that have been identified as the main prospective users of MPR (i.e. occupational medicine doctors, physiatrists, neurologists, and orthopedic surgeons). We intend to approach influential medical schools to start such a program that we believe will allow the MPR methodology to become a part of the training curriculum for the clinical evaluation of patients with non-surgical back and /or neck injuries.

Workers' Compensation

History and Overview

In almost all states, employers are required to purchase insurance for their employees from a workers' compensation insurance company - also called an insurance carrier. In some states, larger employers who are clearly solvent are allowed to self-insure or act as their own insurance company, while smaller companies (with fewer than three or four employees) are not required to carry workers' compensation insurance at all. When a worker is injured, his or her claim is filed with the insurance company - or self-insuring employer - who pays medical and disability benefits according to a state-approved formula.

The workers' compensation system provides replacement income, medical expenses and sometimes vocational rehabilitation benefits (i.e. on the job training, schooling or job placement assistance). An employee temporarily unable to work due to work-related injury is often entitled to receive two-thirds of their average wage up to a fixed ceiling. These payments are tax-free, so they would fare reasonably well in most states. Many employees are eligible for these wage-loss replacement benefits as soon as they've lost a few days of work because of an injury (i.e. back injury) that is covered by workers' compensation.

Although state laws vary, insurance carriers are usually able to dictate or influence the sources of care for back problems, particularly in the crucial early period. These organizations have the authority to recommend the use of MPR in their assessment and treatment protocols. We believe Workers' Compensation boards and self-insured companies stand to generate substantial savings by using MPR because of the enormous costs involved in lost productivity associated with employee time away from work.

There are many players involved in the many facets of the implementation of the workers' compensation system. They include:

- the medical profession in the broadest definition of 'medical' ;
- insurance companies;
- employers and employer organizations;
- injured workers;
- labor unions and workers' organizations;
- attorneys and their organizations; and
- the state agencies that regulate and implement the workers' compensation program.

We believe all of the players are in some way linked to each other under the workers' compensation system, and we believe each stakeholder represents a distinct market for MPR and requires a unique marketing approach. The one common element, however, that underscores each of these markets is that to be successful, we believe MPR must gain the acceptance of the medical profession and the insurance companies.

Insurance Companies and Medical/Legal Market

Addressing the needs of the insurance companies will be one of the other prime focuses of our marketing plan. Their reimbursement policies and practices may have a profound impact on our methods of distribution, our growth strategy and ultimately on our revenues because their reimbursement procedures largely dictate the pricing policies for our product. We believe that by addressing the needs of the insurance companies, we are also addressing the needs of the medical professionals who use MPR. Third party payers can be very controlling and onerous for physicians to deal with on a day-to-day basis and if we are successful in establishing clear reimbursement policies for MPR, we believe physicians will be more likely to use the test because they may be saved the aggravation of fighting the insurance company over billing and payment for the test.

When billing insurance companies for services like MPR, health practitioners use reimbursement codes. Reimbursement claims require the use of a coding system: one that identifies the patient's disease or medical condition and another that describes the procedures, services or supplies a practitioner provides to their patients (the Current Procedural Terminology, or CPT code).

The process for requesting a new CPT code is well defined by the American Medical Association which has developed a formal process for evaluating coding suggestions for products like MPR. In the past, MPR has been reimbursed under a general CPT code for "Alternative Neuromuscular Disorders" (Code #95999). To obtain broad acceptance of the MPR System with insurance companies and other third party payers, we believe it may be necessary to obtain a more specific CPT code for the test than Code #95999. To help us achieve this goal, we are working with a leading specialized consulting firm that provides financial and regulatory services to companies that operate in regulated industries.

If we are successful in obtaining a CPT code for MPR, the marketing emphasis with the insurance companies is likely to shift from proving the safety and effectiveness of MPR to demonstrating the economic benefits associated with using the test to identify and treat muscle dysfunction of the back and the neck. We believe this shift can be accomplished through one or more independent cost/benefit studies which we plan on beginning after the current clinical trial has been completed.

We believe the value of these cost/benefit studies to us is great because insurance companies are also playing an increasingly important role as prescribers. And because we believe MPR has the potential to control direct medical costs and indirect costs such as lost time, disability claims, and litigation expenses, we believe that MPR will be well received by insurers who have the potential to become a major source of referrals, particularly in the workers' compensation market. The cost of these studies is expected to be less than those associated with the current clinical trial and may be absorbed by one or more potential customers.

Other Target Markets

Employers

Most employers are experience-rated for workers' compensation. They can directly benefit from reductions in the medical and income continuation costs due to better discernment in the diagnosis and treatment of back problems. In addition, many employers retain significant financial risk for disability and lost wages as well as health care costs under health benefit plans they purchase on behalf of their employees and dependents. We believe these employers stand to reduce their health care costs by using MPR.

Self-insurance, in the context of workers' compensation (WC), is a program under which an employer assumes the risk for the vast majority of its WC liabilities, and purchases some form of excess, or stop-loss coverage, designed to protect the employer from catastrophic losses. We will initially focus our sales and marketing efforts with those employers where we believe the MPR System's strengths and economic advantages are most easily recognized and quantified. Some of these employers include previous users of MPR.

We will also target specific employers where MPR has the ability to serve as an occupational health assessment tool that we believe can be used not only to reduce the overall cost of health care and health care insurance but also as an assessment tool to prevent back injuries in those employees who may have a pre-existing condition. Examples of these employers include those companies working in the automobile manufacturing sector, airlines, ground transportation and heavy manufacturing.

Health Care Plan Administrators will also be targeted. These large organizations provide services to public and private self-insured employers. In their role to manage private plans, they can influence care strategies and/or treatment selection criteria, and they may have authority to commit funds for evaluation and treatment. Most of them have financial incentives to contain costs and limit payors' exposure related to ongoing treatment and disability.

Other target markets include firms servicing insurance companies, third-party plan administrators for self-insured employers, and risk and case management companies. We plan on targeting the medical care providers that service these markets such as hospitals, rehabilitation clinics, industrial clinics, diagnostic centers, physical therapists and MRI imaging centers. We feel this second group is also an important component of our strategy because, in addition to its capacity to prescribe MPR, it may serve as a delivery vehicle for the test.

Health Maintenance Organizations (HMOs) are expected to be of vital importance to us due to their leadership role in the cost containment drive and the considerable market share they enjoy.

We will also attempt to recruit hospitals, independent clinics and diagnostic centers as evaluation centers for MPR evaluations. We believe these providers have the potential to become the delivery system for corporate clients and insurance companies. They have the ability to service the medical/legal market and may later become the sites for entry into the medical back pain and physical medicine market.

We also believe that the MPR technology can have a significant impact on the cost containment related to the conservative management of back and neck patients in the rehabilitation industries. The large increase in the cost of treatments over the last decade has resulted in more and more reimbursement being based on capitation. Under the capitation system, health care providers are awarded a fixed maximum in their fees for services. At this time, we believe there are no known objective measures that can monitor if a patient needs more treatment or not. We believe we can provide this objective evidence, and we are planning to build relationships with major national rehabilitation organizations that we believe will result in the establishment of best care practices for the delivery of back and neck rehabilitation protocols.

We also expect to enter into agreements with local and regional medical product distributors to reinforce the sales and marketing of MPR, and to act as service providers to their customers and to other strategic partners. We believe that developing longer sales cycle opportunities will be accomplished through more comprehensive strategic marketing and foreign and domestic partnerships. We anticipate that this combination of efforts will establish the product awareness and acceptance.

Growth through Partnership

We are in the process of developing corporate alliances for the development, sales and marketing of MPR in a number of important markets. Initially, we are targeting strategic alliances with corporate partners to gain 'footholds' in specific markets outside the United States.

The second level of partnerships is expected to be with U.S. corporate partners to gain access to our key domestic markets. Together we hope to encourage pilot projects with carefully selected customers - employers, workers' compensation carriers, managed care organizations and physicians groups that deliver significant services under workers' compensation.

We have entered into discussions with a European-based company for the sales, marketing and distribution of MPR in the European Union (EU) but no agreement has been reached. We have also entered into discussions with another company for a similar deal in Canada but no agreement has been reached.

Research and Development

We continue to develop and enhance the features and performance of our technology with the goal of introducing new products based on our research and development activities. Two of our four employees, one of which spends 100% of his time on research and development activities and the other who spends a portion of his time on such activities, and two of our three independent consultants who devote 100% of their time on research and development activities. We engage consultants on an as needed basis and pay them on an hourly basis. In 2008, we paid our consultants an aggregate of \$9,527, compared to \$22,016 in 2007. We anticipate increasing our research and development activities upon our obtainment of additional funds, of which there can be no assurances.

Employees

We have four full-time employees including one research and development employee, one medical and clinical employee who devotes a portion of his time to research and development activities, and two administrative employees. Three of our employees are members of management. To the best of our knowledge, we are in compliance with local prevailing wage, contractor licensing and insurance regulations. None of our employees is represented by any collective bargaining agreement, and our relationship with our employees is good.

We also engage independent consultants on an "as needed" basis. In 2008, we paid our consultants an aggregate of \$9,527, compared to \$22,016 in 2007.

Available Information

Our website is www.impactmedsol.com. On our website, we make available at no cost our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished as soon as reasonably practicable after we electronically file such material with, or furnish them to, the United States Securities and Exchange Commission ("SEC"). These documents are also publicly available free of charge at the SEC's website. www.sec.gov. The information contained on our website is not a part of this annual report on Form 10-K nor is it incorporated herein.

Item 1A. Risk Factors.

You should carefully consider the risks described below before making an investment decision in our securities. These risk factors are effective as of the date of this Form 10-K and shall be deemed to be modified or superseded to the extent that a statement contained in our future filings incorporated herein by reference modifies or replaces such statement. All of these risks may impair our business operations. The forward-looking statements in this Form 10-K and in the documents incorporated herein by reference involve risks and uncertainties and actual results may differ materially from the results we discuss in the forward-looking statements. If any of the following risks actually occur, our business, financial condition or results of operations could be materially adversely affected.

We are a development stage company with a limited operating history and no revenues.

As a development stage company, our operations are subject to all the risks inherent in launching a new business enterprise, in developing and marketing a new product or service, and in establishing a name and a business reputation. The likelihood of our success must be considered in light of problems, expenses, difficulties and delays frequently encountered in converting prototype designs into viable production designs, and in achieving market acceptance with a new type of product or service. We have had no product revenues to date, have operated at a loss since inception, and will likely sustain operating losses for an indeterminate time period. There can be no assurance that we will ever generate material revenues or that we will ever be profitable.

We may need to raise additional capital in the future, but that capital may not be available.

During the years ended December 31, 2008 and 2007, we incurred a net loss of \$1,589,500 and \$1,263,489, respectively, and had \$34,015 cash on hand as of December 31, 2008. We are in the development stage and have not earned any revenue since our inception. Due to the foregoing facts, our auditors have expressed their doubt as to our ability to continue as a going concern. Current funds available to us will not be adequate for us to complete our clinical program. Therefore, we will need to raise additional funds in order to fully implement its business plan. However, there can be no assurance that we will be successful in raising such additional funds. Regardless of whether our cash assets prove to be inadequate to meet our operational needs, we might seek to compensate providers of services by issuance of stock in lieu of cash.

Our continued operations therefore will depend upon our ability to raise additional funds through equity or debt financing. There is no assurance that we will be able to obtain additional funding when needed, or that such funding, if available, can be obtained on terms acceptable to us. If we cannot obtain needed funds, we may be forced to curtail or cease our activities. We may encounter difficulty in obtaining these funds and/or credit lines. Moreover, even if additional financing or credit lines were to become available, it is possible that the cost of such funds or credit would be high and possibly prohibitive.

A large portion of our financing to date has been through the issuance of shares or through equity financing. There can be no assurances that we will become self-sufficient. Therefore, we may continue to issue shares to further the business, and existing shareholders may suffer a dilutive effect on the price of their shares as well as a loss of voting power in the Company.

We operate in a new and uncertain market.

Until now, muscle injuries have always been diagnosed and evaluated subjectively by physicians through physical examination. Accordingly, there is no established demand for a computer assisted procedure to assist in the

diagnosis of such injuries, and it is difficult to predict if, and when, the procedure will gain wide acceptance by prescribers. A prerequisite to our success will be our ability to establish MPR as a standard medical practice for use in the diagnosis of muscle dysfunction. We believe it will take a minimum of three to five years for such awareness to be achieved, if it can be achieved at all. Factors that may affect market acceptance could include resistance to change, concerns over the lack of track record of the procedure, and the risk for insurance companies to use the results of the procedure to challenge or overrule the diagnostic or treatment decisions of a physician.

We may not be able to protect important intellectual property, and we could incur substantial costs defending against claims that our products infringe on the proprietary rights of others.

We currently hold one United States patent on the MPR technology. While we believe that we have a proprietary position for our product, we believe that our ability to be successful will be contingent on our ability to protect the MPR technology, its future developments and its knowhow. There can be no assurance, however, that this patent will provide substantial protection of the MPR technology or that its validity will not be challenged. We could incur substantial costs in prosecuting or defending patent infringement suits or otherwise protecting our intellectual property rights. While we have attempted to safeguard and maintain our proprietary rights, we do not know whether we have been or will be completely successful in doing so.

We presently have no patent protection of the MPR technology outside the United States.

We have only developed a single product which has no sales. The failure of such product to achieve market acceptance would result in our having to raise additional funds for research and development for new products.

Since our incorporation, we have been involved in the research and development of a single product: the Muscle Pattern Recognition System. The MPR System uses patented technology to analyze muscle function in the back and neck. To date, we have achieved no sales of this product and it has yet to achieve market acceptance. Unless we are able to successfully market its MPR System, we will need to raise additional funds to engage in the research and development of new products. We may be unable to raise additional funds on terms acceptable to us, if at all. We have a limited operating history and will continue to incur costs in launching our products.

We may not be able to grow at a rapid pace.

There is no established demand for the MPR System and we may be unable to create such a demand. We cannot predict whether or not the MPR System will gain acceptance by doctors, chiropractors or other health professionals. In the event we are unable to create such acceptance, we will be unable to achieve significant revenues and may have to raise additional funds for research and development of additional products.

Our management controls a substantial percentage of our stock and therefore has the ability to exercise substantial control over our affairs.

As of the date of December 31, 2008, our directors and executive officers owned or controlled an aggregate of 8,300,000 shares, or approximately 44.22%, of our outstanding common stock. . Because of the large percentage of stock held by our directors and executive officers, these persons could influence the outcome of any matter submitted to a vote of our stockholders and resist any takeover bids, thereby precluding our stockholders from receiving a premium bid price on their common stock.

The loss of our executive officers and certain other key personnel could hurt our business.

Our success wholly depends upon the personal efforts and abilities of our executive officers, Wayne Cockburn, Alan Goldman and Steve Asselin. The loss of or unavailability of the services of any one of these individuals would have a material adverse effect on our business prospects and/or potential earning capacity.

We may not be able to hire and retain qualified personnel.

Competition for qualified personnel in the healthcare industry is intense, and we may not be successful in attracting and retaining such personnel. Failure to attract qualified personnel could harm the proposed growth of our business. In addition, companies in our industry whose employees accept positions with competitors frequently claim that the competitors have engaged in unfair hiring practices. We may receive such notices in the future as we seek to hire qualified personnel and such notices may result in material litigation and related disruption to our operations.

Because we became public by means of a reverse merger, we may not be able to attract the attention of major brokerage firms.

There may be risks associated with our becoming public through a “reverse merger.” Securities analysts of major brokerage firms may not provide coverage of us because there is no incentive to brokerage firms to recommend the purchase of our common stock. We cannot assure you that brokerage firms will ever want to conduct any secondary offerings on our behalf.

The limited prior public market and trading market may cause possible volatility in our stock price.

To date, there has only been a limited public market for our securities and there can be no assurance that we can attain an active trading market for our securities. Our common stock trades on the OTC Bulletin Board (“OTCBB”) under the ticker symbol, IMSU.OB. The OTCBB is an unorganized, inter-dealer, over-the-counter market that provides significantly less liquidity than the national securities exchanges.

Quotes for securities quoted on the OTCBB are not listed in the financial sections of newspapers as are those for the national securities exchanges. Moreover, in recent years, the overall market for securities has experienced extreme price and volume fluctuations that have particularly affected the market prices of many smaller companies. The trading price of our common stock is expected to be subject to significant fluctuations including, but not limited to, the following:

- Quarterly variations in operating results and achievement of key business metrics;
- Changes in earnings estimates by securities analysts, if any;
- Any differences between reported results and securities analysts’ published or unpublished expectations;
- Announcements of new products by us or our competitors;
- Market reaction to any acquisitions, joint ventures or strategic investments announced by us or our competitors;
- Demand for our products;
- Shares sold pursuant to Rule 144 or upon exercise of warrants and options; and
- General economic or stock market conditions unrelated to our operating performance.

These fluctuations, as well as general economic and market conditions, may have a material or adverse affect on the market price of our common stock.

The OTCBB is a quotation system, not an issuer listing service, market or exchange. Therefore, buying and selling stock on the OTCBB is not as efficient as buying and selling stock through an exchange. As a result, it may be difficult for you to sell your common stock or you may not be able to sell your common stock for an optimum trading price.

The OTCBB executes trades and quotations using a manual process and cannot guarantee the market information for securities. In some instances, quote information, or even firm quotes, may not be available. The OTCBB’s manual execution process may delay order processing and as a result, a limit order may fail to execute or a market order may execute at a significantly different price due to intervening price fluctuations. Trade execution, execution reporting and legal trade confirmation delivery may be delayed significantly. Consequently, one may not be able to sell shares of our common stock at the optimum trading prices.

OTCBB securities are frequent targets of fraud or market manipulation not only because of their generally low price, but also because the OTCBB reporting requirements for these securities are less stringent than for listed or Nasdaq traded securities, and no exchange requirements are imposed. Dealers may dominate the market and set prices that are not based on competitive forces. Individuals or groups may create fraudulent markets and control the sudden, sharp increase of price and trading volume and the equally sudden collapse of the market price for shares of our common stock.

When fewer shares of a security are being traded on the OTCBB, the security's market price may become increasingly volatile and price movement may outpace the ability to deliver accurate quote information. Due to lower trading volumes of our common stock, there may be a lower likelihood that one's orders for our common stock will be executed, and current prices may differ significantly from the price one was quoted by the OTCBB at the time of one's order entry.

Orders for OTCBB securities may be canceled or edited like orders for other securities. All requests to change or cancel an order must be submitted to, received and processed by the OTCBB. As mentioned earlier in this document, the OTCBB executes trades using a manual process, which could cause delays in order processing and reporting, and could hamper one's ability to cancel or edit one's order. Consequently, selling shares of our common stock at the optimum trading prices may be impossible.

The dealer's spread (the difference between the bid and ask prices) may be large and may result in substantial losses to the seller of our common stock on the OTCBB if the stock must be sold immediately. Further, purchasers of our common stock may incur an immediate "paper" loss due to the price spread. Moreover, dealers may not have a bid price for our common stock on the OTCBB. Due to the foregoing factors, demand for our common stock on the OTCBB may be decreased or eliminated.

Our common stock is considered a "penny stock." The application of the "penny stock" rules to our common stock could limit the trading and liquidity of the common stock, adversely affect the market price of our common stock and increase your transaction costs to sell those shares.

The Commission has adopted regulations which generally define a "penny stock" to be any equity security that has a market price (as defined) of less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exceptions. As a result, our shares of common stock are subject to rules that impose additional sales practice requirements on broker-dealers who sell such securities to persons other than established clients and "accredited investors". For transactions governed by these rules, the broker-dealer must make a special suitability determination for the purchase of such securities, must obtain the purchaser's written consent to the transaction, and must deliver to the purchaser a SEC-mandated, penny stock risk disclosure document, all prior to the purchase. The broker-dealer must also disclose the commission payable to both the broker-dealer and the registered representative, current quotations for the securities and, if the broker-dealer is the sole market maker, the broker-dealer must disclose this fact and the broker-dealer's presumed control over the market. Finally, monthly statements must be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks. Consequently, the "penny stock" rules may restrict the ability of broker-dealers to sell our shares of common stock and may affect the ability of investors to sell such shares of common stock in the secondary market and may affect the price at which investors can sell such shares.

Investors should be aware that the market for penny stocks has suffered in recent years from patterns of fraud and abuse, according to the Commission. Such patterns include:

- Control of the market for the security by one or a few broker-dealers that are often related to the promoter or issuer;
- Manipulation of prices through prearranged matching of purchases and sales and false and misleading press releases;
- "Boiler room" practices involving high pressure sales tactics and unrealistic price projections by inexperienced sales persons;
- Excessive and undisclosed bid-ask differentials and markups by selling broker-dealers; and
- The wholesale dumping of the same securities by promoters and broker-dealers after prices have been

manipulated to a desired level, along with the inevitable collapse of those prices with consequent investor losses.

Our management is aware of the abuses that have occurred historically in the penny stock market.

Future sales of our common stock could put downward selling pressure on our common stock, and adversely affect the per share price. There is a risk that this downward pressure may make it impossible for an investor to sell shares of common stock at any reasonable price, if at all.

From time to time, certain of our stockholders may be eligible to sell all or some of their shares of common stock by means of ordinary brokerage transactions in the open market pursuant to Rule 144, promulgated under the Securities Act of 1933 (Securities Act), subject to certain limitations. In general, Rule 144 permits the unlimited sale of securities by our stockholders that are non-affiliates that have satisfied a six month holding period and affiliates of our Company may sell within any three month period a number of securities that does not exceed 1% of our then outstanding shares of common stock. Any substantial sale of our common stock pursuant to Rule 144 or pursuant to any resale prospectus may have material adverse effect on the market price of our securities.

Limitations on director and officer liability and our indemnification of officers and directors may discourage shareholders from bringing suit against a director.

Our certificate of incorporation and bylaws provide, with certain exceptions as permitted by governing Delaware law, that a director or officer shall not be personally liable to us or our shareholders for breach of fiduciary duty as a director, except for acts or omissions which involve intentional misconduct, fraud or knowing violation of law, or unlawful payments of dividends. These provisions may discourage shareholders from bringing suit against a director for breach of fiduciary duty and may reduce the likelihood of derivative litigation brought by shareholders on our behalf against a director. In addition, our certificate of incorporation and bylaws provide for mandatory indemnification of directors and officers to the fullest extent permitted by Delaware law.

We may experience difficulties in the future in complying with Sarbanes-Oxley Section 404.

In this Annual Report, we are required to evaluate our internal controls under Section 404 of the Sarbanes-Oxley Act of 2002. If we fail to maintain the adequacy of our internal controls, we could be subject to regulatory scrutiny, civil or criminal penalties and/or stockholder litigation. Any inability to provide reliable financial reports could harm our business. Section 404 of the Sarbanes-Oxley Act will require that for the year ending December 31, 2009 that our independent registered public accounting firm issue an attestation report on management's evaluation of our system of internal controls. The auditor attestation requirement does not apply to the current fiscal year. Furthermore, any failure to implement required new or improved controls, or difficulties encountered in the implementation of adequate controls over our financial processes and reporting in the future, could harm our operating results or cause us to fail to meet our reporting obligations.

If we fail to maintain proper and effective internal controls in future periods, it could adversely affect our operating results, financial condition and our ability to run our business effectively and could cause investors to lose confidence in our financial reporting.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

We lease approximately 200 square feet of office space from Premier Business Centers at 17011 Beach Boulevard, Suite 900, Huntington Beach, California, 92647 pursuant to a month-to-month lease. We paid an aggregate amount of \$25,924 under this lease in 2008, which is subject to adjustments every six months. The space can house approximately two employees. We leased approximately 300 square feet of office space at 181 University Avenue,

Suite 1812, Toronto, Ontario, M5H 3M7, Canada pursuant to a month-to-month lease. We paid an aggregate amount of \$4,387 under this lease in 2008. In August 2008, we leased approximately 300 square feet of office and clinical space at 5250 Commerce Drive, Suite 200, Murray, Utah 84107 pursuant to a month-to-month lease. We paid an aggregate amount of \$12,500 under this lease in 2008. In December 2008, we leased approximately 500 square feet at 2020 University Street, Suite 2000, Montreal, Quebec, H3A 2A5, Canada pursuant to a General Services Agreement with Roy Bonnell & Associates. Under the terms of the General Services Agreement, the lease payments for 2009 are deemed to be paid in full against a payment of 342,858 shares of common stock to Roy Bonnell & Associates.

Item 3. Legal Proceedings.

The Company is not a party to any material legal proceedings and to our knowledge, there are no material legal proceedings pending or threatened with respect to our company. The Company is not aware of any legal proceedings contemplated by any governmental authorities involving either us or our property. None of our directors, officers or affiliates is an adverse party in any legal proceedings involving us, or has an interest in any proceeding which is adverse to us.

Item 4. Submission of Matters to a Vote of Security Holders.

None during the fourth quarter of the 2008 fiscal year covered by this report.

Item 4A. Executive Officers of the Company.

The following table sets forth certain information regarding the executive officers of the Company.

Name	Position	Age at 3/31/2009
Wayne D. Cockburn	President and Chief Executive Officer	52
Alan Goldman, MD	Vice President, Clinical and Medical Affairs	63
Steeve Asselin	Vice President, Research and Development	46

There are no family relationships between any of the executive officers.

Mr. Cockburn was elected President and Chief Executive Officer in September 2003.

Dr. Goldman has served as Vice President, Clinical and Medical Affairs for more than five years.

Mr. Asselin has served as Vice President, Research and Development for more than five years.

PART II

Item 5. Market for Common Equity and Related Stockholder Matters, and Issuer Purchases of Equity Securities

Since September 4, 2007, our common shares have been quoted on the Over-the-Counter Bulletin Board (OTCBB) administered by the Financial Regulatory Authority (FINRA), formerly the NASD, under the symbol IMSU.OB, as well as the Pink Sheets under the symbol IMSU.PK. Stocks traded on the OTCBB and Pink Sheets are usually thinly traded, highly volatile, and not followed by analysts. Investors in our common stock may experience a loss or liquidity problem with their share holdings. The table below gives the range of high low bid information for our common stock in 2008. The source of the data is Finance 500, Inc. and the quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not represent actual transactions.

Fiscal Year 2009	High Bid	Low Bid
First Quarter 01-1-09 to 03-31-09	\$ 0.51	\$ 0.15

Fiscal Year 2008	High Bid	Low Bid
Fourth Quarter 10-1-08 to 12-31-08	\$ 0.50	\$ 0.20
Third Quarter 7-1-08 to 9-30-08	\$ 0.85	\$ 0.55
Second Quarter 4-1-08 to 6-30-08	\$ 1.01	\$ 0.45
First Quarter 1-1-08 to 3-31-08	\$ 0.95	\$ 0.42

Fiscal Year 2007	High Bid	Low Bid
Fourth Quarter 10-1-07 to 12-31-07	\$ 1.24	\$ 0.60
Third Quarter 9-4-07 to 9-30-07	\$ 0.75	\$ 0.45

The ability of individual stockholders to trade their shares in a particular state may be subject to various rules and regulations of that state. A number of states require that an issuer's securities be registered in their state or appropriately exempted from registration before the securities are permitted to trade in that state. Presently, the Company has no plans to register its securities in any particular state. Further, the Company's shares are subject to the provisions of Section 15(g) and Rule 15g-9 of the Exchange Act, commonly referred to as the "penny stock" rule. Section 15(g) sets forth certain requirements for transactions in penny stocks and Rule 15g-9(d)(1) incorporates the definition of penny stock as that used in Rule 3a51-1 of the Exchange Act.

The SEC generally defines penny stock to be any equity security that has a market price less than \$5.00 per share, subject to certain exceptions. Rule 3a51-1 provides that any equity security is considered to be a penny stock unless that security is: registered and traded on a national securities exchange meeting specified criteria set by the SEC; authorized for quotation on The NASDAQ Stock Market; issued by a registered investment company; excluded from the definition on the basis of price (at least \$5.00 per share) or the issuer's net tangible assets; or exempted from the definition by the SEC. Broker-dealers who sell penny stocks to persons other than established customers and accredited investors (generally persons with assets in excess of \$1,000,000 or annual income exceeding \$200,000, or \$300,000 together with their spouse), are subject to additional sales practice requirements.

For transactions covered by these rules, broker-dealers must make a special suitability determination for the purchase of such securities and must have received the purchaser's written consent to the transaction prior to the purchase. Additionally, for any transaction involving a penny stock, unless exempt, the rules require the delivery, prior to the first transaction, of a risk disclosure document relating to the penny stock market. A 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 to clients disclosing recent price information for the penny stocks held in the account and information on the limited market in penny stocks. Consequently, these

rules may restrict the ability of broker-dealers to trade and/or maintain a market in the Company's common stock and may affect the ability of stockholders to sell their shares.

Issuer Purchases of Equity Securities

The Company has not purchased any equity securities.

Shares Held by Affiliates.

Of the 18,768,466 shares issued and outstanding as of December 31, 2008, 8,300,000 are held by affiliates and are therefore "restricted" and can be sold only in compliance with the resale restrictions of Rule 144 under the Securities Act. This means that there are 10,468,466 shares that are free trading.

Holders

As of the date of this Annual Report, we have 63 holders of record of our Common Stock.

Description of Our Securities

Our authorized capital stock consists of 100,000,000 shares of common capital stock, \$0.0001 par value, of which 18,768,466 shares are considered issued and outstanding as of our fiscal year-end, December 31, 2008, and 10,000,000 shares of "blank check" preferred stock, \$0.0001 par value, of which none are outstanding. "Blank check" preferred stock may be issued in any one or more series, and any series shall be comprised of such number of shares and may have such voting powers and such designations, preferences and rights as shall be stated and expressed in resolutions of the Board of Directors of the Company, without stockholder approval. To date, the Board has not designated any series of preferred stock.

Voting Rights

Stockholders are entitled to one vote on all matters to be voted upon for each share of common stock held. The shares do not have the right to cumulative voting for directors, meaning that holders of more than 50 percent of the shares voting for the election of directors can elect all of the directors if they choose to do so.

Liquidation Rights

In the event of liquidation, dissolution or a winding up of us or our affairs, holders of common stock would be entitled to receive pro rata all of our remaining assets that are available and distributable to the shareholders after first satisfying claims of creditors and anyone else having rights that are superior to those of the common stockholders (e.g., Preferred Stockholder).

Preemptive Rights

Stockholders do NOT have a preemptive right to acquire our unissued shares of common stock.

Dividends and Dividend Policy

To date, we have neither declared nor paid any dividends on our common stock nor do we anticipate that such dividends will be paid in the foreseeable future. Rather, we intend to retain any earnings to finance the growth and development of our business. Any payment of cash dividends on our common stock in the future will be dependent, among other things, upon our earnings, financial condition, capital requirements and other factors which the board of directors deems relevant. In addition, restrictive covenants contained in any financing agreements entered into in the future may preclude us from paying any dividends.

Securities Issuances/Recent Sales of Unregistered Securities

Since 2003, we have funded the Company through the issuance of various securities including borrowings from certain shareholders and related parties. All securities have been issued pursuant to exemptions from registration requirements of the Securities Act of 1933, as amended (the “Securities Act”), afforded the Company by Section 4(2) promulgated under the Securities Act in light of the fact that the issuances did not involve a public offering of securities of the Company.

The following table sets forth information on loans to the Company, including the name of the lender, the lender’s affiliation, the aggregate principal amount of the issued loan, the maturity date of the loan, the number and series of warrants granted, and the fair value of the warrants (1). All loans carry an annualized interest rate of 10.0%.

Name	Affiliation	Loan Amount	Issue or Renewal Date	Maturity Date	Warrant Series (1)	Wts. Granted	Fair Value
George Angelidis	Director	\$25,000	March 21, 2007	June 1, 2007	B	25,000	\$11,291
			June 1, 2007	August 1, 2007	B	25,000	\$11,121
			August 1, 2007	December 31, 2007	B	50,000	\$22,320
			December 31, 2007	March 31, 2008	B	25,000	\$8,656
			March 31, 2008	July 1, 2008	B	25,000	\$7,198
			July 1, 2008	October 31, 2008	B	25,000	\$4,752
			October 31, 2008	January 31, 2009	B	25,000	\$1,154
Frans Berndsen (2)	Shareholder	\$13,815	May 31, 2007	September 27, 2007	B	13,815	\$6,100
		\$51,185	June 8, 2007	September 27, 2007	B	51,185	\$22,600
		\$35,000	July 17, 2007	September 27, 2007	B	35,000	\$15,454
			September 27, 2007	December 27, 2007	B	100,000	\$18,023
			December 27, 2007	March 31, 2008	B	100,000	\$34,624
			March 31, 2008	July 1, 2008	B	100,000	\$28,793
			July 1, 2008	October 31, 2008	B	100,000	\$19,008
			October 31, 2008	January 31, 2009	B	100,000	\$4,616
Cavandale Corporation	Affiliate	CDN\$145,000	(3)	November 1, 2004	A	211,270	\$4,225
			November 1, 2004	July 1, 2005	B	100,000	\$19,246
			July 1, 2005	July 1, 2006	B	100,000	\$16,450
			July 1, 2006	July 1, 2007	B	100,000	\$39,095

			July 1, 2007	July 1, 2008	B	100,000	\$44,484
			July 1, 2008	October 1, 2008	B	145,000	\$27,562
			October 1, 2008	January 1, 2009	B	145,000	\$12,642
Wayne Cockburn	Officer, Director	\$10,000	October 26, 2007	January 26, 2008	B	10,000	\$3,148
			January 26, 2008	April 30, 2008	B	10,000	\$1,901
			April 30, 2008	July 1, 2008	B	10,000	\$1,167
			July 1, 2008	October 31, 2008	B	10,000	\$1,901
			October 31, 2008	January 31, 2009	B	10,000	\$462
Wayne Cockburn	Officer, Director	\$10,000	April 1, 2008	July 1, 2008	B	10,000	\$2,879
			July 1, 2008	October 31, 2008	B	10,000	\$1,901
			October 31, 2008	January 31, 2009	B	10,000	\$462
Wayne Cockburn	Officer, Director	\$10,000	June 2, 2008	September 2, 2008	B	10,000	\$3,695
			September 2, 2008	December 2, 2008	B	10,000	\$2,582
			December 2, 2008	April 30, 2009	B	10,000	\$389
Wayne Cockburn	Officer, Director	\$1,500	June 17, 2008	September 17, 2008	B	1,500	\$470
			September 17, 2008	December 17, 2008	B	1,500	\$144
			December 17, 2008	April 30, 2009	B	1,500	\$77
Alan Goldman	Officer	\$40,000	December 3, 2007	March 3, 2008	B	40,000	\$14,126
			March 3, 2008	June 3, 2008	B	40,000	\$11,920
			June 3, 2008	October 31, 2008	B	40,000	\$14,780
			October 31, 2008	January 31, 2009	B	40,000	\$1,846

- (1) Series 'A' common stock purchase warrants allow holders to purchase shares of common stock at \$0.50 per share until June 30, 2009. Series 'B' common stock purchase warrants allow holders to purchase shares of common stock at \$1.00 per share until December 31, 2009. The fair value of the Series 'A' and Series 'B' warrants that were granted to the lenders has been calculated using the Black-Scholes valuation method based on the time of issuance and is reflected as a discount on the loan in the accompanying financial statements and has been amortized over the original life of the loan as an interest expense. The following weighted average assumptions were used to calculate the warrants issued in 2008: term of 1 - 2 years, risk-free interest rate of 1.125% - 3.25%, volatility ranging from 70% - 94% and a weighted fair value ranging from \$0.0389 - \$0.3695.

- (2) During 2007, the Company borrowed a total of \$100,000 from Frans Berndsen, one of its shareholders. During the second quarter, \$65,000 of these loans were issued and treated as 12% convertible notes payable as described in note 5 to the financial statements. As such, the shareholder was granted one Series B warrant for every \$2.00 loaned for a total of 32,500 Series B common stock purchase warrants to purchase 32,500 shares of common stock at \$1.00 per share until December 31, 2009, and a total debt discount of \$23,599 was recorded to be amortized over the life of the loan. On September 27, 2007 the Company and the lender agreed there had been a misunderstanding and a debt restructuring occurred. The original \$65,000 in loans were restructured to modify the original terms, as well as for the remaining \$35,000 which was received in the third quarter and for which 17,500 Series B warrants had been issued. These loans, evidenced by short-term promissory notes issued on May 31, 2007, June 8, 2007 and July 17, 2007, bear interest at 10% per annum and matured on September 27, 2007. The 50,000 Series B warrants previously issued were cancelled and in connection with the short-term promissory notes, the shareholder was granted 100,000 Series B common stock purchase warrants to purchase 100,000 shares of common stock at \$1.00 per share until December 31, 2009. The fair value of the warrants using the Black-Scholes valuation method totaled \$44,154 at the time of issuance, and was reflected as a discount on the loan in the accompanying financial statements and was amortized over the original life of the loan as interest expense. The future cash payments of the new loan exceed the carrying value of the loan as of the restructuring date, so no gain was recorded.
- (3) Various days from July to October 2004.

Convertible Debt and Other loans

During 2008, the Company issued convertible promissory notes totaling \$120,000 to two individuals, each of whom qualifies as an "accredited investor" under Regulation D of the Securities Act. The notes bear interest at 12%, mature on April 30, 2009 and are convertible into common shares at a rate of \$1.00 per share until December 31, 2009. The note holders were granted one Series B warrant for every \$2.00 loaned, for a total of 60,000 Series B warrants. The value attributed to the warrants totaled \$8,707 at the issuance dates and are being amortized to interest expense over the life of the loans.

See Note 5 Convertible Debt in the financial statements for the 2007 convertible promissory notes information and the extension of these notes in 2008. An additional 302,244 Series B warrants were issued to extend the notes throughout 2008 with a current maturing date of April 30, 2009. The value attributed to the warrants totaled \$35,558 at the issuance dates and was amortized over the extended life of the loans as interest expense.

During 2008, the Company borrowed a total of \$10,000 from an individual who has also loaned the Company \$100,000 in the convertible note program. This loan, evidenced by a short-term promissory note issued on April 22, 2008, bears interest at 10% per annum and matures on July 22, 2008. The note holder was also granted 10,000 Series B common stock purchase warrants to purchase 10,000 shares of common stock at \$1.00 per share until December 31, 2009. An additional 20,000 Series B warrants were issued to extend the note throughout 2008 with a current maturing date of April 30, 2009. The value attributed to the warrants totaled \$6,311 at the issuance date and is being amortized over the extended life of the loan as interest expense.

Common Stock Issued

On June 12, 2008, the Board authorized a private placement of 1,000,000 units of common stock and Series C and D purchase warrants. The unit price was \$0.75 and each unit was comprised of one share of common stock, one Series C warrant and one half Series D warrant. In addition, for each Series D warrant exercised, the holder will receive an additional Series C warrant. In June and July 2008, the Company sold 400,001 units of its private placement for gross proceeds of \$300,000 less issuance costs of \$30,000.

In July 2008, the Company negotiated a settlement with one of its creditors. The creditor agreed to take \$75,000 cash and 100,000 of the Company's common shares valued at \$70,000 (the trading price on the date of settlement was \$.70) to settle a \$117,400 account payable, resulting in a \$27,600 loss on settlement of debt. The loss on settlement of debt is included in general and administrative expenses in the accompanying statement of operations.

On August 1, 2008, the Company entered into a one year consulting contract. Payment for consulting services will be 240,000 shares of the Company's common stock and 300,000 Series C common stock purchase warrants. At September 30, 2008, the consultant had not begun work, so the commencement of the contract was re-negotiated from August 1, 2008 to December 1, 2008. The services were valued at \$.40 per share for the common stock and \$31,472 for the entire amount of the warrants (using the Black-Scholes method) for a total of \$127,472, and the value of the services is being amortized over the period of the consulting agreement.

On December 9, 2008, the Company issued a total of 1,300,000 shares of the Company's common stock to three vendors for consulting services. The services were valued at \$.20 per share for a total of \$260,000, and the value of the services is being amortized over the period of the consulting agreements. These vendors have the ability to earn an additional 1,000,000 shares upon reaching a certain milestone defined in the agreements.

On December 13, 2008, the Board granted 250,000 shares of the Company's common stock to a consultant for services rendered. The services were valued at \$.45 per share for a total of \$112,500 and was expensed to general and administrative expenses in the accompanying statement of operations.

Stock options

In October 2003, the Company adopted the Stock Option Plan (the "2003 Plan"), which was also approved by its stockholders in October 2003. The 2003 Plan expired on December 31, 2007. The maximum number of shares of common stock that could be issued pursuant to awards granted under the 2003 Plan was increased on March 19, 2004 from 2,250,000 to 4,850,000, subject to certain adjustments to prevent dilution. Any shares of common stock subject to an award, which for any reason expires or terminates unexercised, are again available for issuance under the 2003 Plan. On March 10, 2004, a total of 4,173,600 options were granted. The grant price was \$0.25, with 2,120,000 options vesting immediately and the remaining 2,053,600 options vesting on March 10, 2005. 305,000 options were cancelled in 2006 and the remaining 3,868,600 options expire on March 10, 2014. Options under the 2003 Plan were granted under Item 701 of the Securities Act.

In February 2008, the Company adopted the 2008 Equity Incentive Plan (the "2008 Plan"). The purpose of the 2008 Plan is to attract, retain, and motivate certain key employees of the Company by giving them incentives which are linked directly to increases in the value of the common stock of the Company. Each director, officer, employee, or consultant of the Company is eligible to be considered for the grant of awards under the 2008 Plan. The maximum number of shares of common stock that may be issued pursuant to awards granted under the 2008 Plan 1,000,000, subject to certain adjustments to prevent dilution. Any shares of common stock subject to an award, which for any reason expires or terminates unexercised, are again available for issuance under the 2008 Plan. Grants under the 2008 Plan are exercisable at the market value of the Company's stock on the date of such grant. All options under the 2008 Plan are exercisable at times as determined by the board of directors, not to exceed 10 years from the date of grant. No options were granted during 2008.

Securities Authorized for Issuance under Equity Compensation Plans

As described above, 3,868,600 shares of our common stock are authorized for issuance upon the exercise of 3,868,600 outstanding options awards granted under the 2003 Plan at \$0.25 per share. The 2003 Plan, which was approved by stockholders in October 2003, expired on December 31, 2007.

In February 2008, we adopted the 2008 Plan. Under the 2008 Plan, there are 1,000,000 shares authorized for issuance as awards. To date, no awards have been granted under the 2008 Plan.

We have not registered the shares issuable upon the exercise of options granted under our 2003 Plan.

The table below sets forth information regarding our equity compensation awards issued as of December 31, 2008:

EQUITY COMPENSATION PLAN INFORMATION

AS OF DECEMBER 31, 2008

	Number of securities to be issued upon the exercise of outstanding option, warrants and rights (a)	Weighted average exercise price of outstanding options, option, warrants and rights (b)	Number of securities remaining available for issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	3,868,600	\$0.25	0
Equity compensation plans not approved by securities holders	0	0	0
Total	3,868,600	\$0.25	0

Item 6. Selected Financial Data.

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information required under this item.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operation.

The information set forth and discussed in this Management’s Discussion and Analysis of Financial Condition and Results of Operations is derived from the Financial Statements of Impact Medical Solutions, Inc. and the related notes thereto which are included as exhibits to this current report. The following information and discussion should be read in conjunction with such Financial Statements and notes. Additionally, this Management’s Discussion and Analysis of Financial Condition and Results of Operations constitutes forward-looking statements. We encourage you to review our “Cautionary Note Regarding Forward-Looking Statements” at the front of this current report, and our “Risk Factors” set forth above.

Overview

We were formed on October 20, 1997 to pursue a business combination. We purchased the assets of MPR Health Systems, Inc. on September 9, 2003, including a patent and trademark for the Muscle Pattern Recognition (MPR) System. On December 27, 2006, we entered into a Plan and Agreement of Merger (the “Merger Agreement”) with Freedom 1, Inc. (“Freedom 1”), a “blank check company,” as defined under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Since December 2002 and continuing after the Merger, we have been involved in the development and pre-market clinical testing of the MPR System.

Plan of Operations

In the next 12 months, we will strive to implement our business strategy described in Item 1. Description of Business, included in this Annual Report on Form 10-K. Our efforts to implement our business strategy are dependent on our ability to obtain sufficient capital to fund our operations, of which there can be no assurances.

Today’s health care environment is very complex, and the development and introduction of a new medical device such as MPR involves not just an onerous FDA approval process, but overcoming significant reimbursement hurdles and complex commercial challenges associated with training and educating physicians, patients and payors. The traditional delivery of health care, when decision-making was based on the sole discretion of the treating physicians, has evolved toward a more financially based, protocol-driven medical care that is known as *evidence-based*

medicine. This new healthcare paradigm has created new and complex relationships between all organizations involved in the delivery of, and payment for healthcare products and services.

Regulatory

As mentioned earlier in this Annual Report on Form 10-K, the Food and Drug Administration's Center for Devices and Radiological Health (CDRH) regulates all medical devices manufactured in the United States, including our MPR System. The CDRH is charged with assuring the public that a device is safe and effective for its intended use and is also responsible for regulating companies who manufacture, re-package, re-label, and/or import medical devices sold in the United States.

We believe we will be required to submit an application to the CDRH under Section 510(k) of the Food and Drug Act to have our MPR System cleared for marketing and sales in the US, and there can be no assurance that this clearance will be obtained.

Reimbursement

When billing insurance companies for services like MPR, health practitioners use reimbursement "codes". Reimbursement claims require the use of two coding systems: one that identifies the patient's disease or medical condition and another that describes the procedures, services or supplies a practitioner provides to their patients (the *Current Procedural Terminology*, or CPT codes).

In the past, MPR has been reimbursed under a general CPT code for "Alternative Neuromuscular Disorders" (Code #95999). To obtain broad acceptance of the MPR System with health care practitioners, it may be important for us to obtain a more specific CPT code for the test. The process for requesting a new CPT code is well defined and the American Medical Association has developed a formal process for evaluating coding suggestions however there can be no assurance that a specific CPT code will be obtained for the MPR System.

Competition

The market for the MPR System is competitive and is constantly changing and our competitors vary in the size and scope of the products and services they offer. We believe we will encounter competition from a number of sources, including much larger companies whose resources are far greater than ours. Even if we are successful in receiving regulatory clearance and reimbursement for the MPR System, there can be no assurance that we will be successful in the sales and marketing of the device.

Strategic Plan

There are many challenges that we will encounter as we build our business. To meet these challenges, we believe it is important to assemble a team of experienced healthcare executives and medical opinion leaders to work with us to carry out the business and marketing plans of the Company. We also believe that to be successful in the development and commercialization of the MPR System, we must specifically do the following:

- Successfully complete the independent clinical trial to establish the medical and scientific credibility required for broad acceptance of MPR, and to support our filings with the FDA;
- Develop an awareness of MPR with physicians, employers, insurance companies, HMOs and other potential users of the MPR System;
- Develop a template for consistent usage patterns of MPR in key reference accounts;
- Form relationships with key strategic partners with access to insurers, self insured employers and other health care organizations that could use the MPR System;
- Establish MPR in selected key reference accounts in geographic markets throughout the U.S., creating a delivery system to perform the tests as and where needed; and,
- Form corporate alliances for the development, sales and marketing of MPR in a number of important foreign markets.

Current funds available to us will not be adequate for us to complete these programs. During the years ended December 31, 2008 and 2007, we incurred a net loss of \$1,589,500 and \$1,263,489, respectively, and had \$34,015 cash on hand as of December 31, 2008. We are in the development stage and have not earned any revenue since our inception. Therefore, we will need to raise additional funds in order to fully implement our business plan. However, there can be no assurance that we will be successful in raising such additional funds on favorable terms if at all. Regardless of whether our cash assets prove to be inadequate to meet our operational needs, we might seek to compensate providers of services by issuance of stock in lieu of cash.

Our continued operations therefore will depend upon our ability to raise additional funds through bank borrowings, equity or debt financing. Given the turbulence and volatility in the capital markets since the second half of 2008, and the general global economic slowdown in all sectors – including the medical technology field - there is no assurance that we will be able to obtain additional funding when needed, or that such funding, if available, can be obtained on terms acceptable to us. If we cannot obtain needed funds, we may be forced to curtail or cease our activities. We may encounter difficulty in obtaining these funds and/or credit lines. Moreover, even if additional financing or credit lines were to become available, it is possible that the cost of such funds or credit would be high and possibly prohibitive.

We continue to develop and enhance the features and performance of our technology with the goal of introducing new products based on our core research and development activities. Two of our four employees and our two of our three independent consultants currently devote at least a portion of their time to our research and development activities. We anticipate increasing levels of resources will be dedicated to research and clinical development in the implementation of our business strategy within the next 12 months.

As our business grows, we anticipate hiring additional employees and retaining additional consultants.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted 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 revenue and expenses during the reporting period. We rely on historical experience and on other assumptions we believe to be reasonable under the circumstances in making our judgment and estimates. Actual results could differ from those estimates. We consider our critical accounting policies to be those that are complex and those that require significant judgments and estimates, including the following: recognition of revenue, expensing of software development costs and valuation of our intangible assets and the determination of the valuation allowance of our deferred income taxes.

Development Stage Company

We are a development stage company as defined in Statement of Financial Accounting Standards ("SFAS") 7, "Accounting and Reporting by Development Stage Enterprises." We are devoting substantially all of our present efforts to establish a new business, and our planned principal operations have not yet commenced. We have not generated any material revenues throughout our history and our ability to continue in business is dependent upon obtaining sufficient financing or attaining future profitable operations.

Patent

Patent consists of U.S. Patent No. 6,280,395 and legal fees incurred in maintaining the patent for our product. These costs are amortized over a period of seventeen years using the straight-line method.

Long Lived Assets

Long-lived assets (primarily furniture and equipment and patents) are reviewed annually for impairment whenever events or changes in circumstances indicate that carrying amount of an asset may not be recoverable. Impairment is necessary when the undiscounted cash flows estimated to be generated by the asset are less than the carrying amount of the asset.

Research and Development Costs

Costs and expenses that can be clearly identified as research and development are charged to expense as incurred in accordance with FASB Statement 2, "Accounting for Research and Development Costs".

Stock-based Compensation

We have adopted the provisions of SFAS 123(R) and have measured compensation cost related to stock options issued to employees at their fair value using the Black-Scholes method. Stock based compensation issued to persons other than employees is also reflected in the financial statements at fair value computed using the Black-Scholes method.

Results of Operations

Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

Net Losses; Revenues

We incurred net losses of \$1,589,500 for the year ended December 31, 2008 and \$1,263,489 for the year ended December 31, 2007. We had no revenues for the year ended December 31, 2008 and no revenues for the year ended December 31, 2007.

Research and Development

We expense our research and developments costs as occurred. Research and development expenses consisted of costs associated with the design, development, testing, and enhancement of the MPR System. The primary costs are salaries, consulting fees and non-recurring software development costs. Research and development expenses decreased to \$134,327 in 2008 from \$151,217 in 2007 primarily due to less working capital available to pursue our programs.

Medical and Clinical

Medical and clinical expenses consisted of costs associated with the preparation for the clinical trials for the MPR System. The primary costs are salaries, consulting fees, clinical trial protocol development costs and clinical research organization costs. Medical and clinical expenses increased to \$123,852 in 2008 from \$105,767 in 2007. The increase from 2007 to 2008 is primarily due to the opening of the Utah office in August 2008. Our clinical trial was suspended in 2005 due to lack of adequate funding. We are currently working on securing new financing so that we can re-commence the clinical trial in the second half of 2009. Should our funding efforts be unsuccessful, the re-commencement of our clinical program would remain on hold until such time as appropriate financial resources were available.

General and Administrative Expenses

General and administrative expenses increased to \$960,683 in 2008 from \$666,632 in 2007 primarily due to an increase of \$341,693 in common stock issued for corporate finance, M&A and fiscal advisory services. We expect that we will require approximately \$2.0 million of cash for operating activities in 2009. This increase will be due primarily to the work required to complete the MPR analytical software and the recommencement of the clinical trial for MPR system.

Interest Income and Expense

During 2008 and 2007, we relied heavily on short term borrowings to finance our operating activities. The interest expense for the year ended December 31, 2008 increased to \$369,775 as compared with \$338,294 for the year ended December 31, 2007 primarily due to this increase in short term borrowings. The actual "cash" interest accrual for 2008 was \$82,513 versus \$48,067 for 2007. The increase in the interest expense was due to the fact we accrued an entire year of interest on over \$500,000 in loans and a partial year on \$151,500 of new debt in 2008. The remaining interest of \$287,262 in 2008, versus \$290,227 in 2007, comes from the discounts for the warrants that were issued to the lenders and the beneficial conversion feature of the convertible debt. No interest has been paid to date.

The assumptions used to calculate the discounts and beneficial conversion features vary from year to year. Since our share price was lower for most of 2008 versus 2007, and the time frame that the lenders have to exercise the warrants continues to decline, the amount of the discount also declines and the beneficial conversion feature was negative and therefore not reported.

The average borrowing was approximately \$28,026 in 2008 and \$29,809 in 2007, and when discounts from warrants and conversion features are taken into account, the average interest expense for each note was approximately \$12,716 in 2008 and \$18,200 in 2007. The weighted average interest rate for the short term borrowings outstanding at December 31, 2008 is 17.19% in 2008 and 126.00% in 2007, after taking into account the discounts from warrants and conversion features.

Liquidity and Capital Resources; Going Concern

We are in the development stage and have not earned any revenue since our inception. These factors have caused our auditors to express substantial doubt as to our ability to continue as a going concern. During the years ended December 31, 2008 and 2007, we incurred a net loss of \$1,589,500 and \$1,263,489, respectively.

At December 31, 2008 and 2007, we had cash on hand of \$34,015 and \$15,144, respectively. We utilized cash of approximately \$368,956 in the period ended December 31, 2008 compared to \$530,510 for the same period ended December 31, 2007. The cash used in operating activities in 2008 is lower than 2007 due to less working capital available for our research and clinical programs. We have funded our operations primarily through private placements of equity securities. In 2008, we raised gross proceeds of approximately \$21,500 from loans from related parties, \$10,000 from an accredited investor, approximately \$120,000 from convertible debt from 2 accredited investors and \$270,000 from issuance of common stock net of \$30,000 in costs.

We will need to raise additional capital to support our projected increases in staffing and other operating expenses, which we cannot give any assurance we will be able to accomplish. If we are unable to raise additional capital, it will be necessary for us to significantly reduce expenses to stay in business. In addition, any new equity or debt financing which we secure may not be available to us at prices that would be acceptable. Our failure to reduce expenses or obtain necessary financing could impair our ability to stay in business. See "Risk Factors -- We may need to raise additional capital in the future, but that capital may not be available."

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

None.

Item 8. Financial Statements.

Our audited financial statements are included after the signature page of this Annual Report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A(T). Controls and Procedures.

Disclosure Controls and Procedures

Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, our management evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act), as of the end of the period covered by this Annual Report on Form 10-K (the "Evaluation Date"). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the Evaluation Date, our disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

Impact Medical Solutions' management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. As required by Rule 13a-15(c) under the Exchange Act, Impact Medical Solutions' management carried out an evaluation, with the participation of Impact Medical Solutions' Chief Executive Officer and Chief Financial Officer, of the effectiveness of its internal control over financial reporting as of the end of the last fiscal year. The framework on which such evaluation was based is contained in the report entitled "Internal Control—Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO Report").

Impact Medical Solutions' system of internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on its assessment, management has concluded that Impact Medical Solutions maintained effective internal control over financial reporting as of December 31, 2008, based on criteria in "Internal Control - Integrated Framework" issued by the COSO.

Change in Internal Controls

There has been no change in our internal control over financial reporting that occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Attestation Report of the Registered Public Accounting Firm

This annual report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. We were not required to have, nor have we, engaged our independent registered public accounting firm to perform an audit of internal control over financial reporting pursuant to the rules of the Commission that permit us to provide only management's report in this annual report.

Item 9B. Other Information

None

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Reference is made to the disclosure required by Items 401, 405, 406 and 407(c)(3), (d)(4) and (d)(5) of Regulation S-K to be contained in the Registrant's definitive proxy statement to be mailed to shareholders on or about May 10, 2009, and to be filed with the Securities and Exchange Commission.

Item 11. Executive Compensation.

Summary Compensation Table

Reference is made to the disclosure required by Items 402 and 407 (e) (4) and (e) (5) of Regulation S-K to be contained in the Registrant's definitive proxy statement to be mailed to shareholders on or about May 10, 2009, and to be filed with the Securities and Exchange Commission.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholders Matters.

Reference is made to the disclosure required by Item 403 of Regulation S-K to be contained in the Registrant's definitive proxy statement to be mailed to shareholders on or about May 10, 2009, and to be filed with the Securities Exchange Commission.

Item 13. Certain Relationships and Related Transactions and Directors Independence.

Reference is made to the disclosure required by Item 404 of Regulation S-K to be contained in the Registrant's definitive proxy statement to be mailed to shareholders on or about May 10, 2009, and to be filed with the Securities and Exchange Commission.

Item 14. Principal Accountant Fees and Service.

Reference is made to the proposal regarding the approval of the Registrant's independent accountants to be contained in the Registrant's definitive proxy statement to be mailed to shareholders on or about May 10, 2009, and to be filed with the Securities and Exchange Commission.

Audit Fees

The aggregate fees billed by the Company's auditors for professional services rendered in connection with the audit of the Company's annual consolidated financial statements and quarterly reviews for the fiscal years ended December 31, 2007 and 2008 were approximately \$58,000 and \$64,000, respectively.

Audit-Related Fees

The Company's auditors did not bill any additional fees for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements.

Tax Fees

The aggregate fees billed by the Company's auditors for professional services for tax compliance, tax advice, and tax planning were \$0 for each of the fiscal years ended December 31, 2007 and 2008.

All Other Fees

The aggregate fees billed by the Company's auditors for all other non-audit services, such as attending meetings and other miscellaneous financial consulting, for each of the fiscal years ended December 31, 2007 and 2007 were \$nil.

Pre-Approval Policies and Procedures

The Company's audit committee currently has a policy in place that requires its review and pre-approval of all audit and permissible non-audit services provided by its independent auditors. These services requiring pre-approval by the audit committee may include audit services, audit related services, tax services and other services.

PART IV

Item 15. Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
3.2 (1)	Bylaws of Impact Medical Solutions, Inc.
10.3(1)	Code of Ethics
31.1(2)	Certification of the Company's Principal Executive Officer and Principal Financial and Accounting Officer pursuant to Section 302 of Sarbanes Oxley Act of 2002, with respect to the registrant's Annual Report on Form 10-K for the year ended December 31, 2008.
32.1(2)	Certification of the Company's Principal Executive Officer and Principal Financial and Accounting Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002.
(1)	Filed as an exhibit to the Registrant's Current Report on Form 8-K filed with the Commission on December 29, 2006 and incorporated by reference herein.
(2)	Not deemed to be "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section.

Impact Medical Solutions, Inc.
Financial Statements
For the fiscal year ended December 31, 2008
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Impact Medical Solutions, Inc.

We have audited the accompanying balance sheet of Impact Medical Solutions, Inc., a development stage company (the "Company") as of December 31, 2008 and December 31, 2007, and the related statements of operations, shareholders' equity (deficit), and cash flows for each of the years ended December 31, 2008, 2007 and 2006 and October 20, 1997 (date of inception) to December 31, 2008. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company has determined that it 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 financial position of Impact Medical Solutions, Inc. as of December 31, 2008, and the results of its operations and its cash flows for each of the years ended December 31, 2008, 2007 and 2006, and October 20, 1997 (date of inception) to December 31, 2008, in conformity with generally accepted accounting principles in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company's significant operating losses raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Farber Hass Hurley, LLP
April 14, 2009
Camarillo, California

Impact Medical Solutions, Inc.
(A Development Stage Company)
Balance Sheets

	December 31,	
	2008	2007
ASSETS		
Current assets		
Cash	\$ 34,015	\$ 15,144
Prepaid expenses	5,218	26,686
Total current assets	39,233	41,830
Furniture and equipment, net of accumulated depreciation of \$58,119 and \$43,704 at December 31, 2008 and 2007, respectively	17,270	27,171
Patent, net of accumulated amortization of \$156,864 and \$127,452 at December 31, 2008 and 2007, respectively	343,136	372,548
	\$ 399,639	\$ 441,549
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities		
Loans from related parties, net of unamortized discount of \$3,258 and \$65,447 at December 31, 2008 and 2007, respectively	\$ 311,896	\$ 257,366
Convertible debt, net of unamortized discount of \$4,267 and \$16,910 at December 31, 2008 and 2007, respectively	448,724	316,081
Other loan payable, net of unamortized discount of \$116 at December 31, 2008	9,884	-
Note payable	34,613	34,613
Accounts payable	279,282	269,875
Accrued interest	153,229	83,391
Accrued vacation	64,133	64,133
Accrued salaries, bonuses and other payroll related items	589,600	330,350
Other accrued liabilities	30,000	-
Total current liabilities	1,921,361	1,355,809
Commitments and contingencies	-	-
Shareholders' deficit		
Preferred stock, 10,000,000 shares authorized, \$.0001 par value, no shares issued and outstanding	-	-
Common stock, 100,000,000 shares authorized, \$.0001 par value, 18,768,466 and 16,478,465 shares issued and outstanding at December 31, 2008 and 2007, respectively	1,877	1,648
Additional paid-in capital	6,432,631	5,226,178
Deferred option and warrant costs	(612,081)	(387,437)
Deficit accumulated during the development stage	(7,344,149)	(5,754,649)
Total shareholders' deficit	(1,521,722)	(914,260)
	\$ 399,639	\$ 441,549

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

Impact Medical Solutions, Inc.
(A Development Stage Company)
Statements of Operations

	Year ended December 31,			Cumulative from inception (October 20, 1997) to December 31,
	2008	2007	2006	2008
Costs and expenses:				
Research and development	\$ 134,327	\$ 151,217	\$ 212,060	\$ 872,052
Medical and clinical	123,852	105,767	249,165	1,229,565
General and administrative	960,683	666,632	1,368,915	4,231,987
Operating loss	<u>(1,218,862)</u>	<u>(923,616)</u>	<u>(1,830,140)</u>	<u>(6,333,604)</u>
Other income (expense):				
Interest expense	(369,775)	(338,294)	(246,450)	(1,004,601)
Interest income	-	15	20	290
	<u>(369,775)</u>	<u>(338,279)</u>	<u>(246,430)</u>	<u>(1,004,311)</u>
Loss before provision for taxes	(1,588,637)	(1,261,895)	(2,076,570)	(7,337,915)
Provision for taxes	<u>863</u>	<u>1,594</u>	<u>577</u>	<u>6,234</u>
Net loss	<u>\$ (1,589,500)</u>	<u>\$ (1,263,489)</u>	<u>\$ (2,077,147)</u>	<u>\$ (7,344,149)</u>
Basic and diluted net loss per share	<u>\$ (0.09)</u>	<u>\$ (0.08)</u>	<u>\$ (0.13)</u>	
Basic and diluted weighted average number of common shares outstanding	<u>16,833,629</u>	<u>15,996,205</u>	<u>15,426,710</u>	

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

Impact Medical Solutions, Inc.
(A Development Stage Company)
Statements of Cash Flow

	Year ended December 31,			Cumulative from inception (October 20, 1997) to December 31,
	2008	2007	2006	2008
Cash flows from operating activities:				
Net loss	\$ (1,589,500)	\$ (1,263,489)	\$ (2,077,147)	\$ (7,344,149)
Adjustments to reconcile net loss to net cash used by operating activities:				
Depreciation and amortization	43,827	43,970	43,584	215,279
Amortization of loan discount	287,262	290,227	233,708	822,899
Issuance of common stock for services	440,259	81,464	50,000	631,883
Issuance of stock options and warrants for services	59,233	64,119	927,257	1,179,837
Decrease (increase) in prepaid expenses	21,468	(21,677)	(2,410)	(5,218)
Increase (decrease) in accounts payable	9,407	103,402	61,486	279,282
Increase (decrease) in accrued expenses	359,088	171,474	51,778	836,962
Net cash used by operating activities	<u>(368,956)</u>	<u>(530,510)</u>	<u>(711,744)</u>	<u>(3,383,225)</u>
Cash flows from investing activities:				
Capital expenditures	(4,514)	(564)	(3,358)	(75,685)
Net cash used by investing activities	<u>(4,514)</u>	<u>(564)</u>	<u>(3,358)</u>	<u>(75,685)</u>
Cash flows from financing activities:				
Proceeds from loans from related parties	21,500	175,000	-	341,500
Proceeds from convertible debt	120,000	332,991	-	452,991
Proceeds from loans from others	10,000	-	-	10,000
Payments on note payable	-	-	(4,000)	(65,387)
Issuance of common stock, net of costs	270,000	-	517,305	2,780,168
Net cash provided by financing activities	<u>421,500</u>	<u>507,991</u>	<u>513,305</u>	<u>3,519,272</u>
Effect of exchange rate changes	<u>(29,159)</u>	<u>27,320</u>	<u>-</u>	<u>(26,347)</u>
Net increase (decrease) in cash	18,871	4,237	(201,797)	34,015
Cash, beginning of period	<u>15,144</u>	<u>10,907</u>	<u>212,704</u>	<u>-</u>
Cash, end of period	<u>\$ 34,015</u>	<u>\$ 15,144</u>	<u>\$ 10,907</u>	<u>\$ 34,015</u>
Non-cash investing and financing activities:				
Issuance of common stock & note payable for patent	\$ -	\$ -	\$ -	\$ 500,000
Issuance of warrants with debt	\$ 212,546	\$ 353,036	\$ 244,282	\$ 830,539

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

Impact Medical Solutions, Inc.
(A Development Stage Company)
Statements of Changes in Shareholders' Equity (Deficit)
From Inception (October 20, 1997) to December 31, 2008

	Common Stock		Additional Paid-in Capital	Deferred Share, Option & Warrant Cost	Deficit Accumulated During the Development Stage	Total Shareholders' Equity (Deficit)
	Number of Shares	Total				
Initial capitalization	3,000,000	\$ 1,500	\$ 1,250	\$ -	\$ -	\$ 2,750
Net loss for 1997	-	-	-	-	(2,750)	(2,750)
Balance, December 31, 1997	3,000,000	1,500	1,250	-	(2,750)	-
Net loss for 1998	-	-	-	-	-	-
Balance, December 31, 1998	3,000,000	1,500	1,250	-	(2,750)	-
Net loss for 1999	-	-	-	-	-	-
Balance, December 31, 1999	3,000,000	1,500	1,250	-	(2,750)	-
Net loss for 2000	-	-	-	-	-	-
Balance, December 31, 2000	3,000,000	1,500	1,250	-	(2,750)	-
Net loss for 2001	-	-	-	-	-	-
Balance, December 31, 2001	3,000,000	1,500	1,250	-	(2,750)	-
Net loss for 2002	-	-	-	-	-	-
Balance, December 31, 2002	3,000,000	1,500	1,250	-	(2,750)	-
Net loss for 2003	-	-	-	-	(181,023)	(181,023)
Shares issued for patent	8,000,000	4,000	396,000	-	-	400,000
Shares issued for cash net of share issue costs of \$86,096	2,086,000	1,043	434,361	-	-	435,404
Balance, December 31, 2003	13,086,000	6,543	831,611	-	(183,773)	654,381
Net loss for 2004	-	-	-	-	(733,248)	(733,248)
Stock option costs	-	-	5,009	-	-	5,009
Warrants issued with loans payable	-	-	4,225	-	-	4,225
Shares issued for cash net of share issue costs of \$17,602	895,000	448	561,950	-	-	562,398
Balance, December 31, 2004	13,981,000	6,991	1,402,795	-	(917,021)	492,765
Net loss for 2005	-	-	-	-	(1,496,992)	(1,496,992)
Stock warrant costs	-	-	238,892	(199,946)	-	38,946
Amortization of stock warrant costs	-	-	-	85,273	-	85,273
Warrants issued with loans payable	-	-	16,450	-	-	16,450
Shares issued for services	60,160	30	60,130	-	-	60,160
Shares issued for cash net of share issue costs of \$52,689	1,045,000	522	991,789	-	-	992,311
Balance, December 31, 2005	15,086,160	\$ 7,543	\$ 2,710,056	\$ (114,673)	\$ (2,414,013)	\$ 188,913

(continued)

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

Impact Medical Solutions, Inc.
(A Development Stage Company)
Statements of Changes in Shareholders' Equity (Deficit)
From Inception (October 20, 1997) to December 31, 2008

	Common Stock		Additional Paid-in Capital	Deferred Share, Option & Warrant Cost	Accumulated During the Development Stage	Total Shareholders' Equity (Deficit)
	Number of Shares	Total				
Balance, December 31, 2005	15,086,160	\$ 7,543	\$ 2,710,056	\$ (114,673)	\$ (2,414,013)	\$ 188,913
Shares issued for cash	517,305	259	517,046	-	-	517,305
Shares issued for services	50,000	25	49,975	-	-	50,000
Impact shares converted to Freedom 1 at 1 to 1	-	(6,262)	6,262	-	-	-
Shares issued upon merger	200,000	20	(20)	-	-	-
Value of warrants issued	-	-	1,101,523	(430,046)	-	671,477
Amortization of stock warrant costs	-	-	-	500,062	-	500,062
Net loss for 2006	-	-	-	-	(2,077,147)	(2,077,147)
Balance, December 31, 2006	15,853,465	1,585	4,384,842	(44,657)	(4,491,160)	(149,390)
Shares issued for services	625,000	63	454,937	(455,000)	-	-
Value of warrants issued	-	-	386,399	(33,363)	-	353,036
Amortization of share, option and warrant cost	-	-	-	145,583	-	145,583
Net loss for 2007	-	-	-	-	(1,263,489)	(1,263,489)
Balance, December 31, 2007	16,478,465	1,648	5,226,178	(387,437)	(5,754,649)	(914,260)
Shares issued for cash, net of issuance costs of \$30,000	400,001	40	269,960	-	-	270,000
Settlement of liability	100,000	10	69,990	-	-	70,000
Shares issued for services	1,790,000	179	468,321	(356,000)	-	112,500
Value of warrants issued	-	-	398,182	(185,636)	-	212,546
Amortization of share, option and warrant cost	-	-	-	316,992	-	316,992
Net loss for 2008	-	-	-	-	(1,589,500)	(1,589,500)
	18,768,466	\$ 1,877	\$ 6,432,631	\$ (612,081)	\$ (7,344,149)	\$ (1,521,722)

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

Impact Medical Solutions, Inc.
(A Development Stage Company)
Notes to Financial Statements
December 31, 2008

1. Organization and summary of significant accounting policies

Organization and Line of Business

Impact Medical Solutions, Inc. (a development stage company) (the "Company" or "IMS"), a Nevada corporation, was incorporated on October 20, 1997. On September 9, 2003, IMS acquired a patent from MPR Health Systems, Inc., a California corporation; a patented medical information system called Muscle Pattern Recognition ("MPR") with a value of \$500,000. Since inception, Impact Medical has been involved in the development and pre-market clinical testing of the MPR system.

Merger of Impact Medical Solutions, Inc. into Freedom 1, Inc.

On December 27, 2006, Freedom 1, Inc., a Delaware corporation ("Freedom 1"), entered into a Plan and Agreement of Merger (the "Merger Agreement") with Impact Medical Solutions, a privately held Nevada corporation ("Impact Medical"), pursuant to which Impact Medical purchased 1 share of Freedom 1 for \$1.00, and Freedom 1 became a wholly owned subsidiary of Impact Medical (the "Sale"). Following the Sale, Freedom 1 effected a short-form parent-subsidary merger pursuant to the Merger Agreement of Impact Medical with and into Freedom 1, pursuant to which the separate existence of Impact Medical terminated and Freedom 1 changed its name to "Impact Medical Solutions, Inc."

Concurrently with the merger, stockholders of Impact Medical received 1 share of Freedom 1's common stock for each issued and outstanding share of Impact Medical's common stock. As a result, at closing Freedom 1 issued 15,653,465 shares of its common stock to the stockholders of Impact Medical, representing 100% of Freedom 1's outstanding common stock immediately following the Merger. In addition, 200,000 shares of the Company's stock were issued to the former shareholder of Freedom 1.

Common stock options and warrants exercisable into 11,010,241 shares of Impact Medical before the merger will be exercisable into the same number of shares of IMS after the merger.

Development Stage Company

The Company is a development stage company as defined in Statement of Financial Accounting Standards ("SFAS") 7, *Accounting and Reporting by Development Stage Enterprises*. The Company is devoting substantially all of its present efforts to establish a new business, and its planned principal operations have not yet commenced. The Company has not generated any material revenues throughout its history. The Company's ability to continue in business is dependent upon obtaining sufficient financing or attaining future profitable operations.

Going Concern

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States that contemplate continuation of the Company as a going concern. However, during the years ended December 31, 2008, 2007 and 2006, the Company incurred a net loss of \$1,588,487, \$1,263,489 and \$2,077,147, respectively, and is in the development stage at December 31, 2008. The Company has not earned any revenue since inception. These factors raise substantial doubt about the Company's ability to continue as a going concern.

1. Organization and summary of significant accounting policies (continued)

Recovery of the Company's assets is dependent upon future events, the outcome of which is indeterminable. In addition, successful completion of the Company's clinical development program and its transition to the attainment of profitable operations is dependent upon obtaining adequate financing to fulfill its development activities and achieving a level of sales adequate to support the Company's cost structure. In view of these matters, realization of a major portion of the assets in the accompanying balance sheets is dependent upon the Company's ability to meet its financing requirements and the success of its plans to sell its products. The Company is attempting to raise approximately \$2,000,000 in additional funds over the next year through private placements. However, there can be no assurance that the Company will be successful in raising such additional funds. The Company may also seek to compensate providers of services by issuance of stock in lieu of cash.

Cash and cash equivalents, other cash flow statement supplemental information and concentration of risk

The Company considers all liquid investments with a maturity of three months or less from the date of purchase that are readily convertible into cash to be cash equivalents. Balances in bank accounts may, from time to time, exceed insured limits. The Company believes that its loss exposure is limited due to quality of the financial institutions that hold its deposits.

Income taxes of \$863, \$1,594 and \$800 were paid in 2008, 2007 and 2006, respectively. No interest payments were made in 2008, 2007 and 2006.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Furniture and Equipment

Furniture and equipment are stated at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets, which is 5 years.

Expenditures for maintenance and repairs are charged to operations as incurred while renewals and betterments are capitalized. When furniture and equipment are retired or disposed of, the related costs and accumulated depreciation are eliminated from the accounts, and any gain or loss on such disposition is reflected in operations.

Patent

Patent consists of U.S. Patent No. 6,280,395 and legal fees incurred in maintaining the patent for the Company's product. These costs are amortized over a period of seventeen years using the straight-line method.

Long-lived assets

Long-lived assets (primarily furniture and equipment and patents) are reviewed annually for impairment whenever events or changes in circumstances indicate that carrying amount of an asset may not be recoverable. Impairment is necessary when the undiscounted cash flows estimated to be generated by the asset are less than the carrying amount of the asset.

1. Organization and summary of significant accounting policies (continued)

Research and Development Costs

Costs and expenses that can be clearly identified as research and development are charged to expense as incurred in accordance with SFAS 2, *Accounting for Research and Development Costs*.

Income Taxes

The Company accounts for income taxes under the liability method required by SFAS 109 which requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each period end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. The provision for income taxes represents the tax payable for the period and the change during the period in deferred tax assets and liabilities.

Share-based payments

The Company adopted the provisions of SFAS 123(R), *Share-Based Payments*, on January 1, 2006. Accordingly, compensation costs for all share-based awards to employees are measured based on the grant date fair value of those awards and recognized over the period during which the employee is required to perform service in exchange for the award (generally over the vesting period of the award). The Company has no awards with market or performance conditions. Excess tax benefits, as defined by SFAS 123(R), are recognized as an addition to additional paid-in-capital.

Share-based compensation expense recognized during the period is based on the value of the portion of share-based payment awards that is ultimately expected to vest during the period. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Based on the Company's historical experience, the Company expects no forfeitures.

The Company had no share-based compensation expenses for the years ended December 31, 2008, 2007 and 2006.

Since the Company has a net operating loss carryforward as of December 31, 2008, no excess tax benefits for the tax deductions related to share-based awards were recognized in the statement of operations. Additionally, no incremental tax benefits were recognized from stock options exercised in the years ended December 31, 2008, 2007 and 2006 which would have resulted in a reclassification to reduce net cash provided by operating activities with an offsetting increase in net cash provided by financing activities.

Fair Value of Financial Instruments

The Company measures its financial assets and liabilities in accordance with accounting principles generally accepted in the United States. For certain of the Company's financial instruments, including cash, accounts payable and accrued expenses, the carrying amounts approximate fair value due to their short maturities. The amounts shown for convertible debt, note payable, loans from related parties and other loans also approximate fair value because current interest rates offered to the Company for notes payable of similar maturities are substantially the same.

1. Organization and summary of significant accounting policies (continued)

Net Loss Per Share

Basic loss per common share is computed by dividing net loss by the weighted-average number of shares of common stock outstanding during the period. Diluted loss per share is computed similar to basic loss per share except that the denominator is increased to include dilutive options, warrants and other potential common stock outstanding during the period. None of the outstanding options or warrants were included in the computation of loss per share because they were anti-dilutive.

Reclassifications

Certain items in the 2007 and 2006 financial statements have been reclassified to conform to the 2008 presentation.

Recent accounting pronouncements

In February 2007, the FASB issued SFAS 159 – *The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115* (SFAS 159). SFAS 159 permits entities to choose to measure eligible items at fair value at specified election dates and report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. SFAS 159 is effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The Company has implemented this statement in the current fiscal year and there is no material effect.

In September 2006, the FASB issued Statement of Financial Accounting Standards 157 (“SFAS 157”), *Fair Value Measurements*, which defines fair value, establishes guidelines for measuring fair value and expands disclosures regarding fair value measurements. SFAS 157 does not require any new fair value measurements but rather eliminates inconsistencies in guidance found in various prior accounting pronouncements. SFAS 157 is effective for fiscal years beginning after November 15, 2007 with earlier adoption permitted. The Company has implemented this statement in the current fiscal year and there is no material effect.

In October 2008, the FASB issued Financial Staff Position 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active*, (“FSP 157-3”). FSP 157-3 clarifies the application of SFAS 157 in a market that is not active, and addresses application issues such as the use of internal assumptions when relevant observable data does not exist, the use of observable market information when the market is not active, and the use of market quotes when assessing the relevance of observable and unobservable data. FSP 157-3 is effective for all periods presented in accordance with SFAS 157. The adoption of FSP 157-3 did not have a significant impact on our consolidated financial statements or the fair values of our financial assets and liabilities.

In December 2008, the FASB issued Financial Staff Position (“FSP”) Financial Accounting Standard No. 140-4 and FASB Interpretation 46(R)-8, *Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities* (“FSP FAS 140-4” and “FIN 46(R)-8”). The document increases disclosure requirements for public companies and is effective for reporting periods (interim and annual) that end after December 15, 2008. FSP FAS 140-4 and FIN 46(R)-8 became effective for us on December 31, 2008. The adoption of FSP FAS 140-4 and FIN 46(R)-8 did not have a significant impact on our consolidated financial statements.

2. Furniture and equipment

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Furniture and equipment	\$ 75,389	\$ 70,875	\$ 70,311
Less accumulated depreciation	<u>(58,119)</u>	<u>(43,704)</u>	<u>(29,146)</u>
	<u>\$ 17,270</u>	<u>\$ 27,171</u>	<u>\$ 41,165</u>
Depreciation expense	<u>\$ 14,415</u>	<u>\$ 14,558</u>	<u>\$ 14,172</u>

3. Patents

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Patents			
Gross carrying amount	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 500,000</u>
Accumulated amortization	<u>\$ 156,864</u>	<u>\$ 127,452</u>	<u>\$ 98,040</u>
Amortization expense	<u>\$ 29,412</u>	<u>\$ 29,412</u>	<u>\$ 29,412</u>

Amortization of patents is expected to be \$29,412 in each of the next five years.

4. Loans from related parties

During 2008, the Company borrowed a total of \$1,500 from Wayne Cockburn, its CEO. This loan, evidenced by a short-term promissory note issued on June 17, 2008, bears interest at 10% per annum and matured on September 17, 2008. Mr. Cockburn was also granted 1,500 Series B common stock purchase warrants to purchase 1,500 shares of common stock at \$1.00 per share until December 31, 2009. The fair value of the warrants using the Black-Scholes valuation method totaled \$470 at the time of issuance, and was reflected as a discount on the loan in the accompanying financial statements and was amortized over the life of the loan as interest expense. On September 17, 2008, the maturity date of the \$1,500 promissory note to Mr. Cockburn was extended to December 17, 2008. Mr. Cockburn was granted an additional 1,500 Series B common stock purchase warrants to purchase 1,500 shares of common stock at \$1.00 per share until December 31, 2009 for the extension. The fair value of the warrants using the Black-Scholes valuation method totaled \$144 at the time of issuance, and was reflected as a discount on the loan in the accompanying financial statements and was amortized over the life of the loan as interest expense. On December 17, 2008, the maturity date of the \$1,500 promissory note to Mr. Cockburn was extended to April 30, 2009. Mr. Cockburn was granted an additional 1,500 Series B common stock purchase warrants to purchase 1,500 shares of common stock at \$1.00 per share until December 31, 2009 for the extension. The fair value of the warrants using the Black-Scholes valuation method totaled \$77 at the time of issuance, and is reflected as a discount on the loan in the accompanying financial statements and is being amortized over the life of the loan as interest expense.

During 2008, the Company borrowed a total of \$10,000 from Wayne Cockburn, its CEO. This loan, evidenced by a short-term promissory note issued on June 2, 2008, bears interest at 10% per annum and matured on September 2, 2008. Mr. Cockburn was also granted 10,000 Series B common stock purchase warrants to purchase 10,000 shares of common stock at \$1.00 per share until December 31, 2009. The fair value of the warrants using the Black-Scholes valuation method totaled \$3,695 at the

4. Loans from related parties (continued)

time of issuance, and was reflected as a discount on the loan in the accompanying financial statements and was amortized over the life of the loan as interest expense. On September 2, 2008, the maturity date of the \$10,000 promissory note to Mr. Cockburn was extended to December 2, 2008. Mr. Cockburn was granted an additional 10,000 Series B common stock purchase warrants to purchase 10,000 shares of common stock at \$1.00 per share until December 31, 2009 for the extension. The fair value of the warrants using the Black-Scholes valuation method totaled \$2,582 at the time of issuance, and was reflected as a discount on the loan in the accompanying financial statements and was amortized over the life of the loan as interest expense. On December 2, 2008, the maturity date of the \$10,000 promissory note to Mr. Cockburn was extended to April 30, 2009. Mr. Cockburn was granted an additional 10,000 Series B common stock purchase warrants to purchase 10,000 shares of common stock at \$1.00 per share until December 31, 2009 for the extension. The fair value of the warrants using the Black-Scholes valuation method totaled \$389 at the time of issuance, and is reflected as a discount on the loan in the accompanying financial statements and is being amortized over the life of the loan as interest expense.

During 2008, the Company borrowed a total of \$10,000 from Wayne Cockburn, its CEO. This loan, evidenced by a short-term promissory note issued on April 1, 2008, bears interest at 10% per annum and matured on July 1, 2008. Mr. Cockburn was also granted 10,000 Series B common stock purchase warrants to purchase 10,000 shares of common stock at \$1.00 per share until December 31, 2009. The fair value of the warrants using the Black-Scholes valuation method totaled \$2,879 at the time of issuance, and was reflected as a discount on the loan in the accompanying financial statements and was amortized over the life of the loan as interest expense. On July 1, 2008, the maturity date of the \$10,000 promissory note to Mr. Cockburn was extended to October 31, 2008. Mr. Cockburn was granted an additional 10,000 Series B common stock purchase warrants to purchase 10,000 shares of common stock at \$1.00 per share until December 31, 2009 for the extension. The fair value of the warrants using the Black-Scholes valuation method totaled \$1,901 at the time of issuance, and was reflected as a discount on the loan in the accompanying financial statements and was amortized over the life of the loan as interest expense. On October 31, 2008, the maturity date of the \$10,000 promissory note to Mr. Cockburn was extended to January 31, 2009. Mr. Cockburn was granted an additional 10,000 Series B common stock purchase warrants to purchase 10,000 shares of common stock at \$1.00 per share until December 31, 2009 for the extension. The fair value of the warrants using the Black-Scholes valuation method totaled \$462 at the time of issuance, and is reflected as a discount on the loan in the accompanying financial statements and is being amortized over the life of the loan as interest expense. On January 31, 2009, this loan was extended to April 30, 2009 and Mr. Cockburn was granted 10,000 Series B warrants for extending the due date. The fair value of the warrants using the Black-Scholes valuation method will be reflected as a discount on the loan and will be amortized over the extended life of the loan as interest expense.

During 2007, the Company borrowed a total of \$40,000 from Alan Goldman, one of its officers. This loan, evidenced by a short-term promissory note issued on December 3, 2007, bears interest at 10% per annum and matured on March 3, 2008. Mr. Goldman was also granted 40,000 Series B common stock purchase warrants to purchase 40,000 shares of common stock at \$1.00 per share until December 31, 2009. The fair value of the warrants using the Black-Scholes valuation method totaled \$14,126 at the time of issuance, and was reflected as a discount on the loan in the accompanying financial statements and was amortized over the life of the loan as interest expense. On March 3, 2008, the maturity date of the \$40,000 promissory note to Mr. Alan Goldman was extended to June 3, 2008. Mr. Goldman was granted an additional 40,000 Series B common stock purchase warrants

4. Loans from related parties (continued)

to purchase 40,000 shares of common stock at \$1.00 per share until December 31, 2009 for the extension. The fair value of the warrants using the Black-Scholes valuation method totaled \$11,920 at the time of issuance, and was reflected as a discount on the loan in the accompanying financial statements and was amortized over the life of the loan as interest expense. On June 3, 2008, the maturity date of the \$40,000 promissory note to Mr. Alan Goldman was extended to October 31, 2008. Mr. Goldman was granted an additional 40,000 Series B common stock purchase warrants to purchase 40,000 shares of common stock at \$1.00 per share until December 31, 2009 for the extension. The fair value of the warrants using the Black-Scholes valuation method totaled \$14,780 at the time of issuance, and was reflected as a discount on the loan in the accompanying financial statements and was amortized over the life of the loan as interest expense. On October 31, 2008, the maturity date of the \$40,000 promissory note to Mr. Alan Goldman was extended to January 31, 2009. Mr. Goldman was granted an additional 40,000 Series B common stock purchase warrants to purchase 40,000 shares of common stock at \$1.00 per share until December 31, 2009 for the extension. The fair value of the warrants using the Black-Scholes valuation method totaled \$1,846 at the time of issuance, and is reflected as a discount on the loan in the accompanying financial statements and is being amortized over the life of the loan as interest expense. On January 31, 2009, this loan was extended to April 30, 2009 and Mr. Goldman was granted 40,000 Series B warrants for extending the due date. The fair value of the warrants using the Black-Scholes valuation method will be reflected as a discount on the loan and will be amortized over the extended life of the loan as interest expense.

During 2007, the Company borrowed a total of \$10,000 from Wayne Cockburn, its CEO. This loan, evidenced by a short-term promissory note issued on October 26, 2007, bears interest at 10% per annum and matured on January 26, 2008. Mr. Cockburn was also granted 10,000 Series B common stock purchase warrants to purchase 10,000 shares of common stock at \$1.00 per share until December 31, 2009. The fair value of the warrants using the Black-Scholes valuation method totaled \$3,148 at the time of issuance, and was reflected as a discount on the loan in the accompanying financial statements and was amortized over the life of the loan as interest expense. On January 26, 2008 the maturity date of the promissory note was extended to April 30, 2008. Mr. Cockburn was granted an additional 10,000 Series B common stock purchase warrants to purchase 10,000 shares of common stock at \$1.00 per share until December 31, 2009 for the extension. The fair value of the warrants using the Black-Scholes valuation method totaled \$1,901 at the time of issuance, and was reflected as a discount on the loan and was amortized over the extended life of the loan as interest expense. On April 30, 2008 the maturity date of the promissory note was extended to July 1, 2008. Mr. Cockburn was granted an additional 10,000 Series B common stock purchase warrants to purchase 10,000 shares of common stock at \$1.00 per share until December 31, 2009 for the extension. The fair value of the warrants using the Black-Scholes valuation method totaled \$1,167 at the time of issuance, and was reflected as a discount on the loan and was amortized over the extended life of the loan as interest expense. On July 1, 2008, the maturity date of the \$10,000 promissory note to Mr. Cockburn was extended to October 31, 2008. Mr. Cockburn was granted an additional 10,000 Series B common stock purchase warrants to purchase 10,000 shares of common stock at \$1.00 per share until December 31, 2009 for the extension. The fair value of the warrants using the Black-Scholes valuation method totaled \$1,901 at the time of issuance, and was reflected as a discount on the loan in the accompanying financial statements and was amortized over the life of the loan as interest expense. On October 31, 2008, the maturity date of the \$10,000 promissory note to Mr. Cockburn was extended to January 31, 2009. Mr. Cockburn was granted an additional 10,000 Series B common stock purchase warrants to purchase 10,000 shares of common stock at \$1.00 per share until December 31, 2009 for the extension. The fair value of the warrants using the Black-

4. Loans from related parties (continued)

Scholes valuation method totaled \$462 at the time of issuance, and was reflected as a discount on the loan in the accompanying financial statements and was amortized over the life of the loan as interest expense. On January 31, 2009, this loan was extended to April 30, 2009 and Mr. Cockburn was granted 10,000 Series B warrants for extending the due date. The fair value of the warrants using the Black-Scholes valuation method will be reflected as a discount on the loan and will be amortized over the extended life of the loan as interest expense.

During 2007, the Company borrowed a total of \$100,000 from Frans Berndsen, one of its shareholders. During the second quarter, \$65,000 of these loans were issued and treated as 12% convertible notes payable as described in note 5. As such, the shareholder was granted one Series B warrant for every \$2.00 loaned for a total of 32,500 Series B common stock purchase warrants to purchase 32,500 shares of common stock at \$1.00 per share until December 31, 2009, and a total debt discount of \$23,599 was recorded to be amortized over the life of the loan. On September 27, 2007 the Company and the lender agreed there had been a misunderstanding and a debt restructuring occurred. The original \$65,000 in loans were restructured to modify the original terms, as well as for the remaining \$35,000 which was received in the third quarter and for which 17,500 Series B warrants had been issued. These loans, evidenced by short-term promissory notes issued on May 31, 2007, June 8, 2007 and July 17, 2007, bear interest at 10% per annum and matured on September 27, 2007. The 50,000 Series B warrants previously issued were cancelled and in connection with the short-term promissory notes, the shareholder was granted 100,000 Series B common stock purchase warrants to purchase 100,000 shares of common stock at \$1.00 per share until December 31, 2009. The fair value of the warrants using the Black-Scholes valuation method totaled \$44,154 at the time of issuance, and was reflected as a discount on the loan in the accompanying financial statements and was amortized over the original life of the loan as interest expense. The future cash payments of the new loan exceed the carrying value of the loan as of the restructuring date, so no gain was recorded. On September 27, 2007 the maturity date of the promissory note was extended to December 27, 2007. The shareholder was granted an additional 100,000 Series B common stock purchase warrants to purchase 100,000 shares of common stock at \$1.00 per share until December 31, 2009 for the extension. The fair value of the warrants using the Black-Scholes valuation method totaled \$18,023 at the time of issuance, and was reflected as a discount on the loan in the accompanying financial statements and was amortized over the extended life of the loan as interest expense. On December 27, 2007, the maturity date of the promissory note was extended to March 31, 2008. Mr. Berndsen was granted an additional 100,000 Series B common stock purchase warrants to purchase 100,000 shares of common stock at \$1.00 per share until December 31, 2009 for the extension. The fair value of the warrants using the Black-Scholes valuation method totaled \$34,624 at the time of issuance, and was reflected as a discount on the loan and was amortized over the extended life of the loan as interest expense. On March 31, 2008, the maturity date of the promissory note was extended to July 1, 2008. Mr. Berndsen was granted an additional 100,000 Series B common stock purchase warrants to purchase 100,000 shares of common stock at \$1.00 per share until December 31, 2009 for the extension. The fair value of the warrants using the Black-Scholes valuation method totaled \$28,793 at the time of issuance, and was reflected as a discount on the loan and was amortized over the extended life of the loan as interest expense. On July 1, 2008, the maturity date of the \$100,000 promissory note to Mr. Berndsen was extended to October 31, 2008. Mr. Berndsen was granted an additional 100,000 Series B common stock purchase warrants to purchase 100,000 shares of common stock at \$1.00 per share until December 31, 2009 for the extension. The fair value of the warrants using the Black-Scholes valuation method totaled \$19,008 at the time of issuance, and was reflected as a discount on the loan in the accompanying financial statements and was amortized over the life of the loan as interest expense. On October 31, 2008, the maturity date of the \$100,000

4. Loans from related parties (continued)

promissory note to Mr. Berndsen was extended to January 31, 2009. Mr. Berndsen was granted an additional 100,000 Series B common stock purchase warrants to purchase 100,000 shares of common stock at \$1.00 per share until December 31, 2009 for the extension. The fair value of the warrants using the Black-Scholes valuation method totaled \$4,616 at the time of issuance, and was reflected as a discount on the loan in the accompanying financial statements and was amortized over the life of the loan as interest expense. On January 31, 2009, this loan was extended to April 30, 2009 and Mr. Berndsen was granted 100,000 Series B warrants for extending the due date. The fair value of the warrants using the Black-Scholes valuation method will be reflected as a discount on the loan and will be amortized over the extended life of the loan as interest expense.

During 2007, the Company borrowed \$25,000 from George Angelidis, one of its directors. This loan, evidenced by a short-term promissory note issued on March 21, 2007, bears interest at 10% per annum and matured on June 1, 2007. Mr. Angelidis was also granted 25,000 Series B common stock purchase warrants to purchase 25,000 shares of common stock at \$1.00 per share until December 31, 2009. The fair value of the warrants using the Black-Scholes valuation method totaled \$11,291 at the time of issuance, and was reflected as a discount on the loan in the accompanying financial statements and was amortized over the original life of the loan as interest expense. On June 1, 2007 the maturity date of the promissory note was extended to August 1, 2007. Mr. Angelidis was granted an additional 25,000 Series B common stock purchase warrants to purchase 25,000 shares of common stock at \$1.00 per share until December 31, 2009 for the extension. The fair value of the warrants using the Black-Scholes valuation method totaled \$11,121 at the time of issuance, and was reflected as a discount on the loan in the accompanying financial statements and was amortized over the extended life of the loan as interest expense. On August 1, 2007 the maturity date of the promissory note was extended to December 31, 2007. Mr. Angelidis was granted an additional 50,000 Series B common stock purchase warrants to purchase 50,000 shares of common stock at \$1.00 per share until December 31, 2009 for the extension. The fair value of the warrants using the Black-Scholes valuation method totaled \$22,320 at the time of issuance, and was reflected as a discount on the loan in the accompanying financial statements and was amortized over the extended life of the loan as interest expense. Effective January 1, 2008, the maturity date of the promissory note was extended to March 31, 2008. Mr. Angelidis was granted an additional 25,000 Series B common stock purchase warrants to purchase 25,000 shares of common stock at \$1.00 per share until December 31, 2009 for the extension. The fair value of the warrants using the Black-Scholes valuation method totaled \$8,656 at the time of issuance, and was reflected as a discount on the loan and amortized over the extended life of the loan as interest expense. On March 31, 2008, the maturity date of the promissory note was extended to July 1, 2008. Mr. Angelidis was granted an additional 25,000 Series B common stock purchase warrants to purchase 25,000 shares of common stock at \$1.00 per share until December 31, 2009 for the extension. The fair value of the warrants using the Black-Scholes valuation method totaled \$7,198 at the time of issuance, and was reflected as a discount on the loan and amortized over the extended life of the loan as interest expense. On July 1, 2008, the maturity date of the \$25,000 promissory note to Mr. Angelidis was extended to October 31, 2008. Mr. Angelidis was granted an additional 25,000 Series B common stock purchase warrants to purchase 25,000 shares of common stock at \$1.00 per share until December 31, 2009 for the extension. The fair value of the warrants using the Black-Scholes valuation method totaled \$4,752 at the time of issuance, and was reflected as a discount on the loan in the accompanying financial statements and was amortized over the life of the loan as interest expense. On October 31, 2008, the maturity date of the \$25,000 promissory note to Mr. Angelidis was extended to January 31, 2009. Mr. Angelidis was granted an additional 25,000 Series B common stock purchase warrants to purchase 25,000 shares of common stock at \$1.00 per share until December 31, 2009 for the

4. Loans from related parties (continued)

extension. The fair value of the warrants using the Black-Scholes valuation method totaled \$1,154 at the time of issuance, and was reflected as a discount on the loan in the accompanying financial statements and was amortized over the life of the loan as interest expense. On January 31, 2009, this loan was extended to April 30, 2009 and Mr. Angelidis was granted 25,000 Series B warrants for extending the due date. The fair value of the warrants using the Black-Scholes valuation method will be reflected as a discount on the loans and will be amortized over the extended life of the loans as interest expense.

In 2004, the Company borrowed a total of CD\$145,000 from Cavandale Corporation, a Company owned by one of the directors. The loans bear interest at 10% and matured November 1, 2004. Cavandale was also granted 211,270 Series A warrants at \$.50 per share. The fair value of the warrants using the Black-Scholes valuation method totaled \$4,225 at the time of issuance, and was reflected as a discount on the loans, and amortized over the life of the loan as interest expense. In February 2005, the due date of the loans was extended to July 1, 2005 in exchange for 100,000 Series B warrants. The fair value of the warrants using the Black-Scholes valuation method totaled \$19,246 at the time of issuance, and was reflected as a discount on the loans and amortized over the extended life of the loan as interest expense. In August 2005, the due date of the loans was extended to July 1, 2006 in exchange for 100,000 Series B warrants. The fair value of the warrants using the Black-Scholes valuation method totaled \$16,450 at the time of issuance, and was reflected as a discount on the loans in the accompanying financial statements and amortized over the extended life of the loan as interest expense. In July 2006, the due date of the loans was extended to July 1, 2007 in exchange for 100,000 Series B warrants. The fair value of the warrants using the Black-Scholes valuation method totaled \$39,095 at the time of issuance, and was reflected as a discount on the loans in the accompanying financial statements and amortized over the extended life of the loan as interest expense. In July 2007, the due date of the loans was extended to July 1, 2008. Cavandale was granted an additional 100,000 Series B common stock purchase warrants to purchase 100,000 shares of common stock at \$1.00 per share until December 31, 2009 for the extension. The fair value of the warrants using the Black-Scholes valuation method totaled \$44,484 at the time of issuance, and was reflected as a discount on the loan in the accompanying financial statements and was amortized over the extended life of the loan as interest expense. On July 1, 2008, the due date of the loans was extended to October 1, 2008. Cavandale was granted an additional 145,000 Series B common stock purchase warrants to purchase 145,000 shares of common stock at \$1.00 per share until December 31, 2009 for the extension. The fair value of the warrants using the Black-Scholes valuation method totaled \$27,562 at the time of issuance, and was reflected as a discount on the loan in the accompanying financial statements and was amortized over the extended life of the loan as interest expense. On October 1, 2008, the due date of the loans was extended to January 1, 2009. Cavandale was granted an additional 145,000 Series B common stock purchase warrants to purchase 145,000 shares of common stock at \$1.00 per share until December 31, 2009 for the extension. The fair value of the warrants using the Black-Scholes valuation method totaled \$12,642 at the time of issuance, and was reflected as a discount on the loan in the accompanying financial statements and was amortized over the extended life of the loan as interest expense. On January 1, 2009, this loan was extended to July 1, 2009 and Cavendale was granted 290,000 Series B warrants for extending the due date. The fair value of the warrants using the Black-Scholes valuation method will be reflected as a discount on the loans and will be amortized over the extended life of the loans as interest expense.

5. Convertible debt

On December 22, 2008, the Company issued a convertible promissory note totaling \$50,000 to an individual who qualifies as an accredited investor under Regulation D of the Securities Act of 1933, as amended. The note bears interest at 12%, matures on April 30, 2009 and is convertible into common shares at a rate of \$1.00 per share. The note holder was also granted one Series B warrant for every \$2.00 loaned, for a total of 25,000 Series B warrants. In accordance with emerging Issues Task Force Issue 00-27, Application of Issue No. 98-5 to Certain Convertible Instruments (“EITF 00-27”), the Company recognized the value attributable to the warrants in the amount of \$1,283 to additional paid-in capital and a discount against the convertible promissory notes. The debt discount is being amortized to interest expense over the life of the loan. The Company valued the warrants in accordance with EITF 00-27 using the Black-Scholes valuation method and the following weighted average assumptions: term of 1 year, risk-free interest rate of 1.125%, volatility of 85% and a weighted fair value of \$.0513.

On January 4, 2008, the Company issued a convertible promissory note totaling \$70,000 to an individual who qualifies as an accredited investor under Regulation D of the Securities Act of 1933, as amended. The note bears interest at 12%, matured on January 25, 2008 and is convertible into common shares at a rate of \$1.00 per share. The note holder was also granted one Series B warrant for every \$2.00 loaned, for a total of 35,000 Series B warrants. In accordance with EITF 00-27, the Company recognized the value attributable to the warrants in the amount of \$7,424 to additional paid-in capital and a discount against the convertible promissory notes. The debt discount was amortized to interest expense over the life of the loan. The Company valued the warrants in accordance with EITF 00-27 using the Black-Scholes valuation method and the following weighted average assumptions: term of 1.92 years, risk-free interest rate of 3.25%; volatility of 84% and a weighted fair value of \$.2121.

During 2007, the Company issued convertible promissory notes totaling \$332,991 to eleven individuals (after restructuring), each of whom qualifies as an accredited investor under Regulation D of the Securities Act of 1933, as amended. The notes bear interest at 12%, matured on January 25, 2008 and are convertible into common shares at a rate of \$1.00 per share. The note holders were also granted one Series B common stock purchase warrant for every \$2.00 loaned, for a total of 166,496 Series B warrants. In accordance with guidance issued by the Financial Accounting Standards Board and the Emerging Issues Task Force regarding Accounting for Convertible Securities with a Beneficial Conversion Feature or Contingently Adjustable Conversion Ratios, the company recognized an embedded beneficial conversion feature present in the convertible promissory notes. The Company recognized and measured an aggregate of \$72,511 of the proceeds, which is equal to the intrinsic value of embedded beneficial conversion feature, to additional paid-in capital and a discount against the convertible promissory notes. In accordance with EITF 00-27, the Company recognized the value attributable to the warrants in the amount of \$78,248 to additional paid-in capital and a discount against the convertible promissory notes. The Company valued the warrants in accordance with EITF 00-27 using the Black-Scholes valuation method and the following assumptions: term of 2-2.92 years, risk-free interest rate of 3.25% - 4.875%; volatility of 63-83% and a weighted fair value of \$.3190- \$.4533. The total debt discount of \$149,745 was amortized to interest expense over the life of the loan.

During the quarter ended September 30, 2007, \$65,000 of this debt was restructured. See note 4.

On January 25, 2008, the due date of the convertible loans issued to that time was extended to April 30, 2008 in exchange for 100,748 Series B warrants. The fair value of the warrants using the Black-

5. Convertible debt (continued)

Scholes valuation method totaled \$19,150 at the time of issuance, and was reflected as a discount on the loan and was amortized over the extended life of the loan as interest expense.

On April 30, 2008, the due date of the convertible loans issued to that time was extended to October 31, 2008 in exchange for 100,748 Series B warrants. The fair value of the warrants using the Black-Scholes valuation method totaled \$11,758 at the time of issuance, and was reflected as a discount on the loan and was amortized over the extended life of the loan as interest expense.

On October 31, 2008, the due date of the convertible loans issued to that time was extended to April 30, 2009 in exchange for 100,748 Series B warrants. The fair value of the warrants using the Black-Scholes valuation method totaled \$4,650 at the time of issuance, and is reflected as a discount on the loan and is being amortized over the extended life of the loan as interest expense.

6. Other loan payable

On April 22, 2008, the Company borrowed a total of \$10,000 from Gregory Harrison, an individual who has also loaned the Company \$100,000 in the convertible note program. This loan, evidenced by a short-term promissory note issued on April 22, 2008, bears interest at 10% per annum and matures on July 22, 2008. Mr. Harrison was also granted 10,000 Series B common stock purchase warrants to purchase 10,000 shares of common stock at \$1.00 per share until December 31, 2009. The fair value of the warrants using the Black-Scholes valuation method totaled \$3,346 at the time of issuance, and was reflected as a discount on the loan and was amortized over the life of the loan as interest expense. On July 22, 2008, the maturity date of the \$10,000 promissory note to Mr. Harrison was extended to October 1, 2008. Mr. Harrison was granted an additional 10,000 Series B common stock purchase warrants to purchase 10,000 shares of common stock at \$1.00 per share until December 31, 2009 for the extension. The fair value of the warrants using the Black-Scholes valuation method totaled \$2,503 at the time of issuance, and was reflected as a discount on the loan in the accompanying financial statements and was amortized over the life of the loan as interest expense. On October 1, 2008, the maturity date of the \$10,000 promissory note to Mr. Harrison was extended to January 31, 2009. Mr. Harrison was granted an additional 10,000 Series B common stock purchase warrants to purchase 10,000 shares of common stock at \$1.00 per share until December 31, 2009 for the extension. The fair value of the warrants using the Black-Scholes valuation method totaled \$462 at the time of issuance, and was reflected as a discount on the loan in the accompanying financial statements and was amortized over the life of the loan as interest expense. On January 31, 2009, this loan was extended to April 30, 2009 and Mr. Harrison was granted 10,000 Series B warrants for extending the due date. The fair value of the warrants using the Black-Scholes valuation method will be reflected as a discount on the loans and will be amortized over the extended life of the loans as interest expense.

7. Note payable

In 2003, the Company purchased a patent from MPR Health Systems, Inc. for 8,000,000 shares of the Company's common stock and a 5-year \$100,000 Demand Promissory Note (the "Note"). The Note bears interest at 2% and was due and payable on August 23, 2008. On August 23, 2008, the due date of the note was extended to January 31, 2009 with the same terms. On January 31, 2009 the due date of the note was extended to April 30, 2009 with the same terms.

8. Shareholders' equity

Stock splits

In April 2000, the Board of Directors approved a 7 for 1 stock split. In March 2003, the Board approved a 3 for 7 reverse stock split. Per-share amounts in the accompanying financial statements have been adjusted for these splits.

Preferred stock

Preferred stock may be issued in any one or more series, and any series shall be comprised of such number of shares and may have such voting powers and such designations, preferences and rights as shall be stated and expressed in resolutions of the Board of Directors of the Company. To date, the Board has not designated any series of preferred stock.

Common stock issuances

In 1997, the Company issued 3,000,000 shares of common stock for \$2,750.

In 2003, the Company sold 2,086,000 shares of common stock for \$.25 per share or a total of \$521,500 in connection with a private placement. Costs relating to these shares totaled \$86,096. A Series A Warrant was issued with each share sold. Holders of the Series A Warrants are entitled to purchase additional shares of common stock at \$0.50 per common share prior to June 30, 2009.

During 2003, the Company also issued 8,000,000 shares of common stock and a \$100,000 Promissory Note for a patent of MPR Health Systems, Inc.

Between January and June of 2004, the Company sold 420,000 shares of common stock for \$.25 per share, for a total of \$105,000 in a private placement. A Series A Warrant was issued with each share sold. Holders of the Series A Warrants are entitled to purchase additional shares of common stock at \$0.50 per common share prior to June 30, 2009. Between September and November of 2004, the Company sold 475,000 shares for \$1.00 per share or a total of \$475,000 in a private placement. A Series B Warrant was issued with each share sold. Holders of the Series B Warrants are entitled to purchase additional shares of common stock at \$1.00 per common share prior to December 31, 2009. Costs relating to shares sold in 2004 totaled \$17,602.

During 2005, the Company sold 1,045,000 shares for \$1.00 per share or a total of \$1,045,000 in a private placement. A Series B Warrant was issued with each share sold. Holders of the Series B Warrants are entitled to purchase additional shares of common stock at \$1.00 per common share prior to December 31, 2009. Costs relating to shares sold in 2005 totaled \$52,689.

During April and May 2005, the Company issued a total of 60,160 shares to two vendors for services. The services were valued at \$1.00 per share.

During 2006, the Company sold 517,305 shares for \$1.00 per share or a total of \$517,305 in a private placement. A Series B Warrant was issued with each share sold. Holders of the Series B Warrants are entitled to purchase additional shares of common stock at \$1.00 per common share prior to December 31, 2009.

In September 2006, the Company issued a total of 50,000 shares to an individual to settle a dispute. The shares were valued at \$1.00 per share.

8. Shareholders' equity (continued)

Common stock issuances (continued)

In December 2006, the Company issued a total of 200,000 shares to the former shareholder of Freedom 1 as part of the merger agreement described in Note 1.

During 2007, the Company issued a total of 625,000 shares to three vendors for consulting services. The services were valued at \$.71 - \$1.00 per share for a total of \$455,000, and the value of the services is being amortized over the period of the consulting agreements.

On June 12, 2008, the Board authorized a private placement of 1,000,000 units of common stock and Series C and D purchase warrants. The unit price is \$0.75 and each unit is comprised of one share of common stock, one Series C warrant and one half Series D warrant. In addition, for each Series D warrant exercised, the holder will receive an additional Series C warrant. In June and July 2008, the Company sold 400,001 units of its private placement for gross proceeds of \$300,000 less issuance costs of \$30,000.

In July 2008, the Company negotiated a settlement with one of its creditors. The creditor agreed to take \$75,000 cash and 100,000 of the Company's common shares valued at \$70,000 (the trading price on the date of settlement was \$.70) to settle a \$117,400 account payable, resulting in a \$27,600 loss on settlement of debt. The loss on settlement of debt is included in general and administrative expenses in the accompanying statement of operations.

In August 2008, the Company entered into a consulting contract for the period August 5, 2008 to December 31, 2008. Payment for the consulting services will be 30,000 shares of the Company's common stock. At September 30, 2008, the consultant had not begun work, so the commencement of the contract was re-negotiated from August 5, 2008 to December 1, 2008. This contract was ultimately cancelled and no shares were issued.

On August 1, 2008, the Company entered into a one year consulting contract. Payment for consulting services will be 240,000 shares of the Company's common stock and 300,000 Series C common stock purchase warrants. At September 30, 2008, the consultant had not begun work, so the commencement of the contract was re-negotiated from August 1, 2008 to December 1, 2008. The services were valued at \$.40 per share for the common stock and \$31,472 for the entire amount of the warrants (using the Black-Scholes method) for a total of \$127,472, and the value of the services is being amortized over the period of the consulting agreement.

On December 9, 2008, the Company issued a total of 1,300,000 shares of the Company's common stock to two vendors and a related party for consulting services. The services were valued at \$.20 per share for a total of \$260,000, and the value of the services is being amortized over the period of the consulting agreements. These vendors have the ability to earn an additional 1,000,000 shares upon reaching a certain milestone defined in the agreements.

On December 13, 2008, the Board granted 250,000 shares of the Company's common stock to a related party, for services rendered. The services were valued at \$.45 per share for a total of \$112,500 and was expensed to general and administrative expenses in the accompanying statement of operations.

8. Shareholders' equity (continued)

Warrants

During 2003, the Company issued 2,086,000 Series A common stock purchase warrants in connection with a private placement.

During 2004, the Company issued 420,000 Series A common stock purchase warrants and 475,000 Series B common stock purchase warrants in connection with private placements.

In addition, the Company issued 211,270 Series A common stock purchase warrants along with loans payable from July to October 2004. See note 4.

The Company also issued 250,000 Series A common stock purchase warrants to an individual for corporate finance consulting services in July 2004.

During 2005, the Company issued 1,045,000 Series B common stock purchase warrants in connection with private placements.

In addition, the Company issued 100,000 Series B common stock purchase warrants in February 2005 and 100,000 in August 2005 to extend the due date of loans payable to July 2005. See note 4.

Other 2005 issuances include 1,100,000 Series B common stock purchase warrants in connection with three, two year consulting agreements and 41,250 Series B common stock purchase warrants as share issuance costs. The warrants issued for consulting fees were valued at \$238,892 using the Black-Scholes method and are being amortized over the life of the consulting agreement. The warrants issued as share issuance costs were valued at \$7,939.

The following weighted average assumptions were used to calculate the warrants issued in 2005: term of 2.5 years, risk-free interest rate of 3.255%; volatility of 25% and a weighted fair value of \$.0011.

Between January and July 2006, the Company issued 517,305 Series B common stock purchase warrants in connection with private placements.

In September 2006, the Company extended the expiration dates of both the Series A and Series B common stock purchase warrants. The Series A expiration date was extended from September 9, 2008 to June 30, 2009 and the Series B expiration date was extended from July 31, 2007 to December 31, 2009.

As a result of the due date extensions, the 250,000 Series A and 1,100,000 Series B warrants issued for consulting fees were re-valued at \$580,324 and the resulting expense is included in general and administrative expenses in the accompanying statement of operations. In addition, the 211,270 Series A and 200,000 Series B warrants issued to extend the loan due date were re-valued at \$205,187 and the resulting expense is included in interest expense in the accompanying statement of operations.

The following weighted average assumptions were used to calculate the warrants re-valued in 2006: term of 2.75 - 3.25 years, risk-free interest rate of 4.625%; volatility of 49% and a weighted fair value of \$.39 - \$.60.

8. Shareholders' equity (continued)

Warrants (continued)

Other 2006 Series B common stock purchase warrant issuances include 100,000 warrants issued in July to extend the due date of loans payable (see note 4), 50,000 issued to settle a dispute and 658,316 issued for consulting fees. The 100,000 shares were valued at \$39,095, as described in note 4. The remaining warrants were valued at a total of \$276,917 and expensed as general and administrative expenses in the accompanying statements of operations.

The following weighted average assumptions were used to calculate the warrants issued in 2006: term of 3.25 years, risk-free interest rate of 4.625%; volatility of 49% and a weighted fair value of \$.39.

During 2007, the Company issued 550,000 Series B warrants in connection with loans to related parties or the extension of due dates for those loans. See note 4. In addition, the Company issued 166,496 Series B warrants in connection with convertible debt. See note 5.

Other 2007 Series B common stock purchase warrant issuances include 75,000 issued for consulting fees. These warrants were valued at a total of \$33,363 and are being expensed as general and administrative expenses in the accompanying statements of operations.

The following weighted average assumptions were used to calculate the warrants issued in 2007: term of 2 – 2.92 years, risk-free interest rate of 3.25% - 4.875%, volatility ranging from 66% - 83% and a weighted fair value ranging from \$.1802 - \$.4533.

During 2008, the Company issued 944,500 Series B warrants in connection with loans or the extension of due dates for loans. See note 4. In addition, the Company issued 362,244 Series B warrants in connection with convertible debt or the extension of due dates for convertible debt. See note 5.

The following weighted average assumptions were used to calculate the warrants issued in 2008: term of 1-2 years, risk-free interest rate of 1.125% - 3.25%, volatility ranging from 70% - 94% and a weighted fair value ranging from \$.0389 - \$.3695.

During 2008, the Board passed resolutions to authorize 1,500,000 Series C warrants and 500,000 Series D warrants. The Series C warrants may be used to purchase an equivalent number of common shares at \$1.25 per share and expire September 1, 2011, while the Series D warrants may be used to purchase an equivalent number of common shares at \$0.95 per share and expire on September 1, 2009.

During 2008, the Company issued 1,000,000 Series C common stock purchase warrants for three consulting contracts to be provided over the next two years. These warrants were valued at a total of \$185,636 and were classified as deferred warrants on the accompanying balance sheet and are being amortized to general and administrative expenses over the lives of the contracts. The following weighted average assumptions were used to calculate the Series C warrants issued: term of 2.75 - 3.25 years, risk-free interest rate of 1.25% - 2.625%; volatility of 72% – 85% and a weighted fair value of \$.1049 - \$.2202.

During 2008, the Company issued 400,001 Series C common stock purchase warrants and 200,001 Series D warrants in connection with the private placement described above.

8. Shareholders' equity (continued)

Stock options

2003 stock option plan

In October 2003, the Company adopted the Stock Option Plan (the "2003 Plan"), which was also approved by its stockholders in October 2003. The purpose of the 2003 Plan is to attract, retain, and motivate certain key employees of the Company by giving them incentives which are linked directly to increases in the value of the common stock of the Company. Each director, officer, employee, or consultant of the Company is eligible to be considered for the grant of awards under the 2003 Plan. The maximum number of shares of common stock that may be issued pursuant to awards granted under the 2003 Plan was increased on March 19, 2004 from 2,250,000 to 4,850,000, subject to certain adjustments to prevent dilution. Any shares of common stock subject to an award, which for any reason expires or terminates unexercised, are again available for issuance under the 2003 Plan. Grants under the 2003 Plan are exercisable at the market value of the Company's stock on the date of such grant. All options under the 2003 Plan are exercisable at times as determined by the board of directors, not to exceed 10 years from the date of grant. On March 10, 2004 a total of 4,173,600 options were granted. The grant price was \$.25, with 2,120,000 options vesting immediately and the remaining 2,053,600 options vesting on March 10, 2005. 305,000 options were cancelled in 2006 and the remaining 3,868,600 options expire on March 10, 2014.

In February 2008, the company adopted the 2008 Equity Incentive Plan (the "2008 Plan"). The purpose of the 2008 Plan is to attract, retain, and motivate certain key employees of the Company by giving them incentives which are linked directly to increases in the value of the common stock of the Company. Each director, officer, employee, or consultant of the Company is eligible to be considered for the grant of awards under the 2008 Plan. The maximum number of shares of common stock that may be issued pursuant to awards granted under the 2008 Plan is 1,000,000, subject to certain adjustment to prevent dilution. Any shares of common stock subject to an award, which for any reason expires or terminates unexercised, are again available for issuance under the 2008 Plan. Grants under the 2008 Plan are exercisable at the market value of the Company's stock on the date of such grant. All options under the 2008 Plan are exercisable at times as determined by the board of directors, not to exceed 10 years from the date of grant. To date, no options have been granted under the 2008 Plan.

9. Income taxes

The Company recognizes deferred tax assets and liabilities for temporary differences between the financial reporting and tax bases of its assets and liabilities. Deferred tax assets are reduced by a valuation allowance when deemed appropriate. For 2008, 2007 and 2006 there are no material differences between income tax expense and the amount computed by applying the federal statutory income tax rate.

At December 31, 2008, the Company has a net operating loss carryforward for federal tax purposes of approximately \$6,580,000, which, if unused to offset future taxable income, will begin to expire in 2023. The Company also has a California net operating loss carryforward of approximately \$6,584,000 which, if unused to offset future taxable income, will begin to expire in 2013.

The Company had deferred tax assets of \$2,869,000 at December 31, 2008, relating to its net operating loss. A valuation allowance has been recognized to offset the entire related deferred tax asset due to the uncertainty of realizing the benefit. The valuation allowance increased \$372,000 in

9. Income taxes (continued)

2008 and \$1,059,000 in 2007, primarily related to the net taxable loss and to change in estimate for certain deductions.

10. Commitments and contingencies

Lease

The Company leases its office space in Huntington Beach, California and Toronto, Canada on a month-to-month basis. Effective August 1, 2008, the Company also leases three rooms in a medical clinic in Salt Lake City, Utah on a month-to-month basis. Additionally, effective October 2008, the Company leased office space in Toronto, Canada on a month-to-month basis. Effective December 9, 2008, the Company entered into a General Services Agreement with Roy Bonnell and Associates to lease 2 office spaces in Montreal, Canada. Under the terms of the agreement, the lease payments for 2009 for 2 offices are deemed to be paid in full against a payment of 342,858 shares of common stock to Roy Bonnell and Associates; however, if additional office space is required, an escalation agreement goes into effect. During all of 2006 and a portion of 2007, the Company leased space in Quebec, Canada as well. Total rent expense charged to operations totaled \$42,811 in 2008, \$58,803 in 2007 and \$45,295 in 2006.

11. Subsequent events (unaudited)

Apartment lease

Effective January 1, 2009, the Company entered into a short term lease for apartment space in Montreal, Canada. Monthly rent will be CD\$1,300 through April 30, 2009.

Private placement

In March 2009, the Board of Directors authorized a private placement to sell up to 500,000 units of the Company's common stock and Series A warrants at \$.30 per unit. Each unit shall be comprised of one share of the Company's common stock and one Series A warrant. To date, 200,000 units have been sold for total proceeds of \$60,000.

Stock issuance

On February 3, 2009 the Company issued 500,000 shares of its common stock in exchange for a two year promissory note with 3974715 Canada Ltd. The note bears interest at 5%.

In December 2008, the Company issued a total of 1,300,000 shares of the Company's common stock to two consultants and a related party for consulting services. Under the terms of the consulting agreements, the vendors had the ability to earn an additional 1,000,000 shares upon reaching a certain milestone defined in the agreements. All shares issued pursuant to the consulting agreements were subject to resale restrictions under Rules 504 and 505, Regulation D of the Securities Act of 1933.

In February 2009, the agreements were amended whereby the 1,000,000 additional shares were issued immediately to the vendors however the resale restrictions were amended to reflect Regulation S of the Securities Act of 1933 (Rules Governing Offers and Sales Made Outside the United States Without Registration). The 1,300,000 shares, issued in December 2008 under Regulation D, were returned to the Company to be held until April 30, 2009. If a certain milestone is not met by April 30, 2009, the vendors have agreed to have the 1,300,000 shares cancelled and returned to the Company. If the milestone is met, the shares will be returned to the vendors.

In June 2008, the Company entered into a two year consulting agreement with a related party. Payment on this contract was 500,000 Series C warrant to purchase 500,000 shares of the Company's common stock. In March 2009, this contract was extended for an additional year in exchange for 250,000 shares of common stock.

11. Subsequent events (unaudited) (continued)

Loans from related parties

On February 20, 2009, the Company borrowed a total of \$25,000 from MPR Health Systems, Inc. This loan, evidenced by a short-term promissory note issued on February 20, 2009, bears interest at 10% per annum and matures on May 20, 2009. MPR Health Systems, Inc. was also granted 25,000 Series C common stock purchase warrants to purchase 25,000 shares of common stock at \$1.25 per share until September 1, 2011. The fair value of the warrants using the Black-Scholes valuation method will be reflected as a discount on the loans and will be amortized over the extended life of the loans as interest expense.

On April 2, 2009, the Company borrowed a total of \$20,000 from MPR Health Systems, Inc. This loan, evidenced by a short-term promissory note issued on April 2, 2009, bears interest at 10% per annum and matures on July 2, 2009. MPR Health Systems, Inc. was also granted 20,000 Series B common stock purchase warrants to purchase 20,000 shares of common stock at \$1.00 per share until December 31, 2009. The fair value of the warrants using the Black-Scholes valuation method will be reflected as a discount on the loans and will be amortized over the extended life of the loans as interest expense.

Other

In February 2009, the Company's common shares were accepted for trading on the Frankfurt Stock Exchange under the ticker symbol "OIM". The International Security Identification Number (ISIN) number is US45257K1007.

SIGNATURES

In accordance with Section 13 and 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: April 15, 2009

IMPACT MEDICAL SOLUTIONS, INC.

By: /s/ Wayne Cockburn

Wayne Cockburn
President Chief Executive Officer,
Secretary, Treasurer and Interim Chief
Financial Officer and a Member of the
Board of Directors (Principal Executive
Officer and Principal Financial and
Accounting Officer)

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ Wayne D. Cockburn</u> Wayne D. Cockburn	President, Chief Executive Officer, Secretary, Treasurer and Interim Chief Financial Officer and a Member of the Board of Directors (Principal Executive Officer and Principal Financial Officer)	April 15, 2009
<u>/s/ Donald Paterson</u> Donald Paterson	Chairman of the Board of Directors	April 15, 2009
<u>/s/ George Angelidis</u> George Angelidis	Director	April 15 2009
<u>/s/ Craig Lunsman</u> Craig Lunsman	Director	April 15 2009
<u>/s/ Stephen Schectman</u> Stephen Schectman	Director	April 15 2009

Exhibit 31.1

**Certification of the
Company's Principal Executive Officer and Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
and Securities and Exchange Commission Release 34-46427**

I, Wayne D. Cockburn, certify that:

1 I have reviewed this Annual Report on Form 10-K for the fiscal year ended December 31, 2008 of Impact Medical Solutions, Inc., a Delaware corporation (the "Company");

2 Based on my knowledge, this Annual Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Annual Report;

3 Based on my knowledge, the financial statements, and other financial information included in this Annual Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods present in this Annual Report;

4 The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13-a-15(f) and 15d-15(f)) for Company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Annual Report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principals;

(c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this Annual Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Annual Report based on such evaluation; and

(d) Disclosed in this Annual Report any change in the Company's internal control over financing reporting that occurred during the Company's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5 The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonable likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involved management or other employees who have a significant role in the Company's internal control over financial reporting.

Dated: April 15, 2009

/s/ Wayne D. Cockburn

Wayne D. Cockburn
President, Chief Executive Officer,
Secretary, Treasurer and Interim Chief
Financial Officer and a Member of the Board of Directors
(Principal Executive Officer and Principal Financial and Accounting Officer)

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Impact Medical Solutions, Inc., a Delaware corporation (the “Company”), on Form 10-K for the fiscal year ended December 31, 2008 as filed with the Securities and Exchange Commission on the date hereof (the “Annual Report”), I, Wayne D. Cockburn, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge and belief:

1. The Annual Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in this Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 15, 2009

/s/ Wayne D. Cockburn

Wayne D. Cockburn
President, Chief Executive Officer,
Secretary, Treasurer and Interim Chief
Financial Officer and a Member of the Board of Directors
(Principal Executive Officer and Principal Financial and Accounting Officer)