PURESPECTRUM, INC.
Form 10-Q
May 24, 2010

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

Form 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2010

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ___________ to _____________

Commission File Number: 333-1418158

PURESPECTRUM, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	41-2233202
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

340 Eisenhower Drive
Building 600, Suite 610
Savannah, Georgia 31406
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: (912) 961-4980

Indicate by check mark whether the Registrant (1) 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 [X] No [ ]

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate website, if any, every interactive data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes [ ] No [ ]

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 [ ] Accelerated filer [ ] Non-accelerated filer [ ]
Smaller reporting company [X]

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES [ ] NO [X]

Common Stock $0.0001 Par Value as of March 31, 2010: 282,000,885 shares issued and outstanding.

Available Information

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports that we file with the Securities and Exchange Commission, or SEC, are available at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website at www.sec.gov that contains reports, proxy, and information statements and other information regarding reporting companies.

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PART I

Item 1. Condensed Financial Statements

PureSpectrum, Inc.
Condensed Balance Sheets

	March
	(Unau
Assets	
Current Assets	
Cash	$
Accounts Receivables	
Inventory	1
Other Current Assets	
Total Current Assets	1
Furniture & Equipment, net of accumulated depreciation	
Other Assets	
Patents, net of accumulated amortization	
Trademarks	
Total Assets	$ 2
Liabilities and Stockholders' Deficit	
Current Liabilities	
Checks Drawn In Excess of Bank Balance	
Accounts Payable	
Accrued Expenses	
Payroll Liabilities	
Convertible Debt, current portion, net of discount $366,257 and $62,500, respectively	
Notes Payable-Related parties, current portion	
Total Current Liabilities	1
Long-term Liabilities	
Accounts Payable, satisfied by common stock issuance	
Accrued expenses, satisfied by common stock issuance	
Convertible Debt, net of discount of $0 and $94,000, respectively, satisfied by common stock issuance	
Notes Payable-Related parties, satisfied by common stock issuance	
Convertible Debentures, net of discount $922,350 and $1,006,200, respectively	
Total Long-term Liabilities	
Stockholders' Deficit	
Preferred Stock, $0.0001 Par Value, 50,000,000 Shares Authorized, No Shares Issued or Outstanding	
Common Stock, $0.0001 Par Value, 900,000,000 Shares Authorized, 282,000,885 and 215,455,090 Shares Issued and Outstanding at March 31, 2010 and December 31, 2009, respectively	
Additional Paid In Capital	16
Prepaid Loan Costs	
Accumulated Deficit	(16
Total Stockholders' Deficit	
Total Liabilities and Stockholders' Deficit	$ 2

The accompanying notes are an integral part of the condensed financial statements.

PureSpectrum, Inc.

Condensed Statements of Operations (Unaudited)

	For the three months ended March 31, 2010	2009
Revenues	$ 9,079	$ -
Cost of Goods Sold	6,497	-
Gross Profit on Sales	$ 2,582	$ -
Expenses		
Share Based Compensation	262,738	0
Research and Development	131,743	168,092
Other General and Administrative Expenses	1,210,756	1,156,389
Total Expense	1,605,237	1,324,481
Net Loss from Operations	(1,602,655)	(1,324,481)
Other (Expense) Income		
Interest Income	-	1
Interest Expenses	(709,782)	(134,016)
Total Other (Expense) Income	(709,782)	(134,015)
Net Loss	$(2,312,437)	$(1,458,496)
Weighted Average Basic & Fully Diluted Outstanding Shares	222,189,477	165,972,413
Basic & Fully Diluted Loss per Share	$ (0.01)	$ (0.01)

The accompanying notes are an integral part of the condensed financial statements.

PureSpectrum, Inc.
Condensed Statements of Cash Flow (Unaudited)

	For the three months ended 2010	20
Operating activities		

Net loss	$ (2,312,437)	$ (1
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	11,681	
Share based compensation	262,738	
Amortization of detachable warrants issued with convertible debt	378,410	
Amortization of the beneficial conversion feature	173,864	
Services exchanged for common stock	135,000	
Stock issued for commitment fee collateral	250,000	
Amortization of prepaid loan costs	106,805	
Loss on disposal of assets	-	
(Increase) decrease in:		
Accounts receivables	(770)	
Inventory	7,310	
Other current assets	(9,506)	
Increase (decrease) in:		
Accounts payable	(240,027)	
Accrued expenses	15,773	
Payroll liabilities	10,425	
Total adjustments	1,101,703	
Net cash used by operating activities	(1,210,734)	
Investing Activities		
Purchase of furniture and equipment	(17,718)	
Development of patents/trademarks	-	
Net cash used by investing activities	(17,718)	
`		
Cash Flows from Financing Activities		
Increase in Checks Drawn in Excess of Bank Balance	105,400	
Proceeds from borrowing	218,000	
Deferred stock sales	-	
Repayment of borrowing	(5,000)	
Proceeds from issuance of common stock	329,593	
Proceeds from exercise of options and warrants	580,100	
Net cash provided by financing activities	1,228,093	1
Net (Decrease) Increase in Cash	(359)	
Cash at Beginning of Period	609	
Cash at End of Period	$ 250	$
Supplemental disclosures of cash flow information and noncash investing and financing activities:		
Debt and accrued interest converted to common stock	$ 221,979	$
Satisfaction of accounts payable through issuance of common stock	$ 200,000	$
Cancellation of PSPM shares not exchanged for PSRU shares	$ 7	$
Detachable warrants issued with convertible debt	$ 271,763	$
Beneficial conversion feature of convertible debt	$ 406,416	$

Property and equipment additions included in accounts payable	$ 422	$
Inventory additions included in accounts payable	$ 155,104	$
Intangible asset additions included in accounts payable	$ 1,394	$

The accompanying notes are an integral part of the condensed financial statements.

PureSpectrum, Inc.
Condensed Statements of Changes in Stockholders' Deficit
For the Period From December 31, 2008 through March 31, 2010

	Common Shares	Common Amount	Additional Paid in Capital	Prepa Loa Cost
Balance - December 31, 2008	161,576,019	$ 161,576	$ 6,509,750	$
Effect of C-Reorganization on 12/31/08 balance as a result of a change in par value of common stock from $0.001 to $0.0001	-	(145,418)	145,418	
Stock Issued for Cash	13,757,446	1,376	2,380,556	
Stock Issued for Services	15,100,000	1,510	489,490	
Share Based Compensation	-	-	770,342	
Stock Issued upon Exercise of Warrants & Options	20,018,190	2,002	537,492	
Warrants issued with Beneficial Conversion Feature associated with convertible debt	-	-	2,579,408	
Stock issued for convertible debentures redeemed	2,879,999	288	431,712	
Stock issued to debt conversion	123,436	12	30,847	
Effect of C-reorganization on common stock, additional paid in capital and stockholders deficit	2,000,000	200	-	
Prepaid Loan Costs				(213
Less: Amortization				106
Net Loss	-	-	-	
Balance - December 31, 2009	215,455,090	$ 21,546	$ 13,875,015	$ (106
Stock Issued for Cash (Unaudited)	12,571,312	1,257	328,336	
Stock Issued for Services (Unaudited)	2,616,667	262	134,738	
Share Based Compensation (Unaudited)			262,738	
Issuance of warrants and BCF associated with convertible debt (Unaudited)			678,179	
Stock issued upon exercise of warrants and options (Unaudited)	19,694,662	1,970	578,130	
Stocks issued upon accounts payable and debt conversion (Unaudited)	21,498,564	2,150	419,829	
Stock issued upon redemption of convertible debentures (Unaudited)	233,333	23	34,977	
Stock issued for commitment fee collateral (Unaudited)	10,000,000	1,000	249,000	
Amortization of Prepaid Loan Costs (Unaudited)				106
Cancellation of expired stock (Unaudited)	(68,743)	(7)	7	

Net Loss (Unaudited)						(2,312
Balance - March 31, 2010 (Unaudited)	282,000,885	$	28,201	$	16,560,949	$

The accompanying notes are an integral part of the condensed financial statements.

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NOTES TO CONDENSED FINANCIAL STATEMENTS (unaudited)

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited financial statements were prepared in accordance with instructions for Form 10-Q and, therefore, do not include information or footnotes necessary for a complete presentation of financial condition, results of operations, and cash flows in conformity with U.S. generally accepted accounting principles (US GAAP). All adjustments, consisting of normal recurring accruals, which, in the opinion of management, are necessary for fair presentation of the financial statements, have been included. The results of operations for the period ended March 31, 2010, are not necessarily indicative of the results which may be expected for the entire fiscal year or for any other period. For further information, refer to the financial statements and footnotes thereto for the year ended December 31, 2009 included in PureSpectrum Inc.'s Form 10-K.

Certain prior year amounts have been reclassified to conform to the 2010 presentation.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

The Company's management does not believe that recent codified pronouncements by the Financial Accounting Standards Board (FASB) will have a material impact on the Company's current or future financial statements.

NOTE 3 - SUMMARY OF ORGANIZATION

PureSpectrum, Inc. (the "Company"), formerly International Medical Staffing, Inc., is a Delaware corporation incorporated on March 21, 2007. The Company is in the business of developing, marketing, licensing, and contract manufacturing of lighting technology for use in residential, commercial, and industrial applications worldwide.

The Company is authorized to issue 950 million shares, consisting of (a) 900 million shares of common stock, par value $0.0001 per share and (b) 50 million shares of preferred stock, par value $0.0001 per share, which may be issuable in one or more series. Each common share is entitled to one vote and shareholders have no preemptive or conversion rights. As of March 31, 2010, and December 31, 2009, there were 282,000,885 and 215,455,090 common shares issued and outstanding, respectively. The Company's Board of Directors may, without further action by the shareholders, direct the issuance of preferred stock for any proper corporate purpose with preferences, voting powers, conversion rights, qualifications, special or relative rights and privileges which could adversely affect the voting power or other rights of shareholders of common stock. As of March 31, 2010, and December 31, 2009, there were no shares of the Company's preferred stock issued or outstanding.

NOTE 4 - GOING CONCERN

The accompanying financial statements have been prepared in conformity with US GAAP, which contemplate continuation of the Company as a going concern and the realization of assets and liquidation of liabilities in the normal course of business. The Company has incurred net losses from operations of $2,312,437 for the three months ended March 31, 2010. In addition, at March 31, 2010, the Company has an accumulated deficit of $16,523,596 and negative working capital of $232,435

These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern.

The Company recorded its first revenues in October 2009 and is no longer a development stage company. The Company has not yet generated sufficient working capital to support its operations. The Company's ability to continue as a going concern is dependent, among other things, on its ability to minimize costs, enter into revenue generating contracts and obtain additional revenues to eventually attain a profitable level of operations.

The Company has been engaged in developing, marketing, licensing, and contract manufacturing of fluorescent lighting technology for use in residential, commercial, and industrial applications worldwide. There can be no assurance that the Company will be successful in the commercialization of the fluorescent lighting technology that will generate sufficient revenues to sustain the operations of the Company.

Management plans to obtain additional capital investments to enable the Company to continue operations and increase revenues in 2010. There is no assurance that management will be able to successfully generate revenue and/or reduce expenses sufficient to attain profitability, or continue to attract the capital necessary to support the business.

NOTE 5 - NET LOSS PER SHARE

Basic net loss per share is computed by dividing net loss attributable to commons shareholders by the weighted average number of common shares outstanding for the period, without consideration for common stock equivalents. Diluted net loss per share reflects the potential dilution that could occur if securities were exercised or converted into common stock using the treasury stock method. Diluted net loss per share is computed by dividing the net loss by the weighted average number of common share equivalents outstanding for the period determined using the treasury-stock method. For purposes of this calculation, convertible preferred stock, stock options and warrants are considered to be common stock equivalents and are only included in the calculation of diluted net loss per share when their effect is dilutive.

	Three m Ma
	2010
Actual	
Numerator:	
Net loss attributable to common stockholders	$ (2,312,437)

Denominator:	
Weighted average common shares	222,189,477
Basic net loss per common share	$ (0.01)

Historical outstanding anti-dilutive securities not included in diluted net loss per share calculation	
Convertible debt	31,311,942
Common stock options	7,115,713
Common stock warrants	15,000,000
	53,427,655

NOTE 6 - NOTES PAYABLE - RELATED PARTIES

Notes payable consist of the following:

	March 31, 201
Notes payable, unsecured, to officer at 5% interest, payable upon demand	$ 35,40
Note payable, unsecured, to shareholder at 5% interest, payable upon demand	26,25
Note payable, unsecured, to officer at 12% interest, payable upon demand, satisfied by common stock issuance	-
Note payable, unsecured, to officer at 5% interest, payable upon demand	268,10
	329,75
Less current portion	329,75
Long-term portion	-

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NOTE 7 ? CONVERTIBLE DEBT

Convertible debt consists of the following:

	March 31, 2010	December 31, 20
Convertible notes issued to investors, net of discount of $0 and $125,000, as of March 31, 2010 and December 31, 2009, respectively	$ 125,000	$ 125,0
Convertible note issued to investor, net of discount of $231,746 and $0, as of March 31, 2010 and December 31, 2009, respectively	-	213,9

Convertible note issued to an investor, net of discount of $134,511 as of March 31, 2010	15,489	
Convertible debentures issued to investors, net of discount of $922,350 and $1,037,700, as of March 31, 2010 and December 31, 2009, respectively	195,650	115,3
	336,139	454,2
Less current portion	140,489	276,4
Long-term portion	195,650	177,8

NOTE 8 - OPTIONS AND WARRANTS

Options and warrants generally vest immediately upon grant. The Company has historically issued warrants related to raising capital. As of March 31, 2010, the Company has 7,355,713 options outstanding and exercisable and 15,000,000 warrants outstanding and exercisable.

Information about stock options and warrants outstanding at March 31, 2010 and December 31, 2009 is summarized below:

Information about stock options and warrants outstanding at March 31, 2010 and December 31, 2009 is summarized below:

	Shares		Weighed Average Exercise Price Per Share		Weighed Ave Contra
	Warrants	Stock Options	Warrants	Stock Options	Warrants
Outstanding at December 31, 2009	17,500,000	15,980,713	0.73	0.14	3.3
Granted	15,550,000	-	0.74	-	3.3
Exercised	(18,050,000)	(3,875,000)	0.03	0.01	2.6
Cancelled or Expired	-	(4,750,000)	-	0.08	
Outstanding at March 31, 2010	15,000,000	7,355,713	1.25	0.23	3.8
Exercisable at March 31, 2010	15,000,000	7,355,713	1.25	0.23	3.8

The weighted average assumptions used to value stock based compensation in connection with the disclosure for warrants and stock options under the FASB Accounting Standards Codification Topic 718, "Compensation - Stock Compensation," are as follows for the period ended March 31, 2010:

	Warrants	Options
Risk free interest rate	2.0%	2.2%
Expected term	3.60 years	2.51 years
Expected dividend yield	0.0%	0.0%
Expected Volatility	54.3%	54.3%

NOTE 9 - OPERATING LEASES AND OTHER COMMITMENTS AND CONTINGENCIES

Rental of office space and data processing equipment under operating leases were approximately $23,907 and $18,371 for the three months ended March 31, 2010 and 2009, respectively.

NOTE 10 - RELATED PARTY TRANSACTIONS

A member of the Board of Directors is also a partner in the firm that functions as the Company's primary outside legal counsel. During the three months ended March 31, 2010, the firm billed the Company $14,200 in legal fees.

In January 2010, an officer provided $68,000 in loans to and was repaid approximately $5,000 by the Company. The loans are payable upon demand and accrue interest at 5% per annum payable quarterly.

NOTE 11 - SUBSEQUENT EVENTS

On April 1, 2010, the Company issued an Amended and Restated Secured Convertible Promissory Note which amended the Note issued to the same party in January 2009 in the amount of $125,000 plus an additional $150,000 The note is secured by the Company's tangible and intangible assets (other than patents and trademarks). In conjunction with the issuance of the note, the Company issued to the lender four year stock purchase warrants as follows: 3,000,000 with an exercise price of $1.00 per share, 3,000,000 with an exercise price of $1.25 per share, and 3,000,000 with an exercise price of $1.50 per share. As of May 10, 2010, all debt has been converted to 15,876,623 shares of common stock.

In April 2010, the Company issued 12,638,888 shares of common stock in exchange for the cancellation of a $275,000 promissory note which had been issued in recognition of an account payable balance due to certain vendors.

On April 14, 2010, the Company was sued by a vendor who alleged that the Company failed to pay $179,690 for certain marketing and advertising services rendered during 2009. At March 31, 2010, a total of $179,195 is included in the accounts payable balance. On May 11, 2010, the company issued a promissory note for $190,000 in recognition of this balance plus interest and attorney fees, which was then cancelled in exchange for 14,615,384 shares of common stock.

On April 21, 2010, the Company issued an Amended and Restated Secured Convertible Promissory Note in the amount of $75,000. The note is due October 21, 2010 and is convertible at any time after April 21, 2010 to common stock at 50% of the average daily closing prices of the Company's stock for the five consecutive trading days before the conversion date, but not to exceed $0.25 per share and not to be lower than $0.001 per share. The note is secured by the Company's tangible and intangible assets (other than patents and trademarks). In conjunction with the issuance of the note, the Company issued to the lender four year stock purchase warrants as follows: 1,000,000 with an exercise price of $1.00 per share, 1,000,000 with an exercise price of $1.25 per share, and 1,000,000 with an exercise price of $1.50 per share.

On April 30, 2010, the Company issued a Secured Convertible Promissory Note in the amount of $75,000. The note is due October 29, 2010 and is convertible at any time after April 30, 2010 to common stock at 50% of the average daily closing prices of the Company's stock for the five consecutive trading days before the conversion date, but not to exceed $0.25 per share and not to be lower than $0.001 per share. The note is secured by the Company's tangible and intangible assets (other than patents and trademarks). In conjunction with the issuance of the note, the Company issued to the lender four year stock purchase warrants as follows: 1,000,000 with an exercise price of $1.00 per share, 1,000,000 with an exercise price of $1.25 per share, and 1,000,000 with an exercise price of $1.50 per share.

ITEM 2. - Management's Discussion and Analysis of Financial Condition and Results of Operations

From time to time, including in this quarterly report, the Company or its representatives have made and may make forward-looking statements, orally or in writing, including those contained herein. Such forward-looking statements may be included in, without limitation, reports to stockholders, press releases, oral statements made with the approval of an authorized executive officer of the Company and filings with the Securities and Exchange Commission. The words or phrases "anticipates," "expects," "will continue," "believes," "estimates," "projects," or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The results contemplated by the Company's forward-looking statements are subject to certain risks and uncertainties that could cause actual results to vary materially from anticipated results, including without limitation, material availability and cost of materials, especially steel, availability and cost of labor, demand for the Company's products, competitive conditions affecting selling prices and margins, capital costs and general economic conditions. Such risks and uncertainties are discussed in more detail in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

The Company's forward-looking statements represent its judgment only on the dates such statements were made. By making any forward-looking statements, the Company assumes no duty to update them to reflect new, changed or unanticipated events or circumstances.

Plan of Operation

During the first quarter of 2010, the Company continued its efforts to develop, identify and introduce high-quality, high-performance dimmable energy efficient lighting products, including multiple styles and wattages of Compact Fluorescent Lamps (CFL), dimmable electronic ballasts for linear fluorescent fixtures (LFL), dimmable LFLs and wireless lighting control systems for continuous dimming in LFLs. This product combination of CFL bulbs and LFL products is designed to address both the residential/retail consumer market and the commercial/industrial retrofit and new installation markets, both of which seek a combination of energy efficiency, reliable dimming capability and dependable longevity.

As previously reported, in the fall of 2009, we broadened our product development strategy from our effort to commercialize strictly proprietary CFLs and LFL products to include high performance CFL and LFL products and technologies made or developed by other manufacturers. As of the date of this report, nine of our proprietary CFLs and three of our proprietary LFL ballasts are undergoing UL? testing. In addition during the first quarter of 2010, we introduced several new nonproprietary products and established critical relationships with distributors and retailers within the lighting market. More specifically, we sold our first CFL offering, a non-proprietary 20-watt dimmable bulb, through online sources such as Amazon.com and thus far have received generally exemplary customer reviews while experiencing very few product returns. Through marketing and selling the 20-watt dimmable CFL, we believe that we have elevated awareness of the importance of dimming for energy efficient lighting with the view to positioning our brand as a leader in the dimmable energy efficient lighting category. Also, in preparation for the completion and introduction of the Company's full product line, we have disseminated pricing and terms/conditions for purchase to distributors nationwide. During the first quarter of 2010, the Company continued its preparation for large volume sales by finalizing a third party logistics agreement with Ferguson Enterprises, designed to guarantee timely nationwide fulfillment of purchase orders going forward.

With respect to the LFL products market, during the first quarter of 2010, we have undertaken to build relationships within the commercial/industrial marketplace by submitting multiple bids for retrofits and new installation projects utilizing our initial LFL product offerings, a step dimming ballast and dimming LFL fixtures. As large commercial/industrial facilities continue to search for greater energy efficiency, demand for dimmable LFLs is expected to continue to grow giving us a chance to be recognized as a leading provider of dimmable energy efficient commercial/industrial lighting.

These initiatives require time and working capital. As a result, the Company has yet to experience the sales volume that was anticipated during the first quarter of 2010. There is no assurance that the Company's expanded product development strategy will ultimately be successful in generating sufficient revenues to finance operations going forward, including the efforts to bring to market proprietary products.

Results of Operations

Revenues

For the three months ended March 31, 2010, we recognized $9,079 in revenues compared to no revenues for the three months ended March 31, 2009. Expenses

Expenses

For the three months ended March 31, 2010, our expenses were $1,605,237 compared with $1,324.481 for the three months ended March 31, 2009. These expenses were primarily comprised of professional and consulting fees ($389,877 for 2010 compared to $421,175 for 2009), compensation ($326,703 for 2010 compared to $199,517 for 2009), research and development expenses ($131,743 for 2010 compared to $168,092 for 2009), other general and administrative expenses ($331,553 for 2010 compared to $84,057 for 2009), as well as share based compensation ($262,738 for 2010 compared to an expense of $0 for 2009). The increases in most categories reflect an overall expansion of our business in 2010 in an effort to bring proprietary products to market and identifying, evaluating and entering into agreements to purchase and resell non-proprietary products.

Net Income (loss)

For the three months ended March 31, 2010, our net loss was $2,312,437 compared with a net loss of $1,458,496 for the three months ended March 31, 2009. This was due to the overall expansion of the company as discussed above.

Liquidity and Capital Resources

Our balance sheet as of March 31, 2010 shows that we had $250 cash on hand. As of March 31, 2010, our current assets were $1,325,699 and our current liabilities were $1,558,134, resulting in negative working capital of $232,435. Assuming that the average monthly sales volume of our products during the first quarter of 2010 continues for the rest of 2010, we estimate that we will require approximately $4,500,000 to fund our operations for the calendar year 2010. During this quarter, we have raised approximately $1,128,000 through the exercise of warrants and the sale of shares of common stock and convertible notes in private placements. There is no assurance that we will be able to obtain the necessary funds required for continued operations. There is no assurance that additional financing will be available to us when needed or if available, that it can be obtained on commercially reasonable terms. If we are not able to obtain additional financing on a timely basis, we will not be able to meet our obligations as they become due and we will be forced to decrease or cease operations. The issuance of additional equity securities by us could result in significant dilution in the equity interests of our current stockholders. Obtaining additional loans, including commercial loans, assuming those loans would be available, will increase our liabilities and future cash commitments.

Going Concern

Our financial statements contain a note regarding concern about our ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of that uncertainty.

Off Balance Sheet Arrangements

There are no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

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 at the date the financial statements and the reported amounts of revenue and expenses during the period. Accordingly, actual results could differ from those estimates. Note 1 of the "Notes to Financial Statements" in our annual report on Form 10-K for the year ended December 31, 2009, includes a summary of the significant accounting policies and methods used in the preparation of our financial statements. For the period ended March 31, 2010, there were no significant changes to our critical accounting policies.

ITEM 3. - Quantitative And Qualitative Disclosures About Market Risk

Not applicable.

ITEM 4(T). - Controls and Procedures.

(a) Disclosure Controls and Procedures.

As of March 31, 2010, under the supervision and with the participation of the Company's Chief Executive Officer and Acting Chief Financial Officer, management has evaluated the effectiveness of the design and operations of the Company's disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and Acting Chief Financial Officer concluded that the Company's disclosure controls and procedures were not effective as of March 31, 2010 as a result of the material weakness in internal control over financial reporting discussed below.

(b) Changes in Internal Control over Financial Reporting.

No change in the Company's internal control over financial reporting occurred during the three months ended March 31, 2010, that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting, except that on March 21, 2010, Gregory J. McLean, the Company's Chief Financial Officer, had resigned and was replaced by Susan W. Norton as Acting Chief Financial Officer.

Management's Report on Internal Control over Financial Reporting.

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, our Chief Executive Officer and Vice President of Administration and Chief Financial Officer to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Internal control over financial reporting includes policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the Company's transactions; (ii) provide reasonable assurance that transactions are recorded as necessary for preparation of our financial statements and that receipts and expenditures of the Company's assets are made in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of the Company's financial statements would be prevented or detected.

The Company's management conducted an evaluation of the effectiveness of our internal control over financial reporting as of March 31, 2010 using the criteria set forth in the Internal Control over Financial Reporting - Guidance for Smaller Public Companies issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based upon the evaluation, Management concluded that the Company's internal control over financial reporting was not effective as of March 31, 2010, because of material weaknesses in its internal control over financial reporting. A material weakness is a control deficiency that results in a more than remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis by employees in the normal course of their assigned functions. Management concluded that we have several material weaknesses in our internal control over financial reporting because of inadequate segregation of duties over authorization, review and recording of transactions as well as the financial reporting of such transactions. Due to the Company's limited resources, management has not developed a plan to mitigate the above material weaknesses. Despite the existence of these material weaknesses, we believe the financial information presented herein is materially correct and in accordance with the generally accepted accounting principles.

PART II

ITEM 1. - Legal Proceedings

As of March 31, 2010, the Company was not involved in any legal proceedings. As described in Note 11 to the financial Statements included in this Report, the complaint filed by a vendor on April 14, 2010, was settled as of May 11, 2010.

ITEM 1A. Risk Factors

Not applicable.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

On January 11, 2010, a $18,867 loan, together with $11,075 in interest, previously made by an officer to the Company, was converted into 732,380 shares of the Company's common stock. These shares of common stock were issued in a transaction exempt from registration under Section 4(2) of the Securities Act of 1933, as amended (the "Securities Act").

As previously reported, on February 5, 2010, the Company entered into a preferred stock purchase agreement with Socius Capital Group, LLC ("Socius"). In connection therewith, the Company issued to Socius 10,000,000 shares of common stock in payment of a $250,000 commitment fee. These shares of common stock were issued in a transaction exempt from registration under Section 4(2) of the Securities Act.

On March 9, 2010, March 29, 2010 and March 31, 1010, respectively, the Company issued 1,485,714, 7,765,235 and 1,515,235 shares of common stock, respectively, in exchange for the cancellation of promissory notes in the amounts of $73,771, $155,305 and $30,305, respectively, each of which had been issued in recognition of an account payable balance due to a vendor. These shares of common stock were issued in transactions exempt from registration under Section 3(a)(9) of the Securities Act.

On March 12, 2010 the Company issued a secured convertible promissory note in the principal amount of $150,000. The note is due September 12, 2010 and is convertible at any time after September 12, 2010 to common stock at 50% of the average daily closing prices of the Company's stock for the five consecutive trading days before the conversion date, but not to exceed $0.25 per share. The note is secured by the Company's tangible and intangible assets (other than patents and trademarks). In conjunction with the issuance of the note, the Company issued to the lender four year stock purchase warrants as follows: 3,000,000 with an exercise price of $1.00 per share, 3,000,000 with an exercise price of $1.25 per share, and 3,000,000 with an exercise price of $1.50 per share. These warrants were issued in a transaction exempt from registration under Section 4(2) of the Securities Act.

On March 18, 2010, the Company issued 2,100,000 and 100,000 shares of common stock, respectively, in exchange for services rendered. These shares were issued in transactions exempt from registration under section 4(2) of the Securities Act.

On March 29, 2010, the Company issued 10,000,000 shares of common stock in exchange for the forgiveness of $300,000 in indebtedness. These shares were issued in a transaction exempt from registration under Section 4(2) of the Securities Act.

On March 29, 2010, the Company issued 8,571,429 shares of common stock for $150,000 in cash. These shares were issued in a transaction exempt from registration under Section 4(2) of the Securities Act.

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ITEM 3. Defaults Upon Senior Securities

Not applicable

ITEM 4 - [Removed and Reserved]

ITEM 5. - Other Information

There is no information that was required to be disclosed by the Company on Form 8-K during the first quarter of 2010, that was not reported.

ITEM 6. - Exhibits

31.1	Certification of Chief Executive Officer
31.2	Certification of Chief Financial Officer
32.1	Certifications of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PURESPECTRUM, INC.

By: /s/ Lee L. Vanatta

Lee L. Vanatta
President and Chief Executive Officer
(Principal Executive Officer)

By: /s/ Susan W. Norton

Susan W. Norton
Vice President and Acting Chief Financial
(Principal Financial and Accounting Office

DATE: May 24, 2010

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