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PURESPECTRUM, INC.
Form 10-Q
August 23, 2010

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

Form 10-Q

(Mark One)

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

For the quarterly period ended June 30, 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) 721-3600

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 ☒ 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 ☒

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

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Common Stock \$0.0001 Par Value as of June 30, 2010: 351,691,363 shares issued and outstanding.

The Financial Statements included in this report have NOT been reviewed by the outside firm of Independent Public Accountants. An Amended return containing such review will be filed shortly.

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 Statement

PureSpectrum, Inc.

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Condensed Balance Sheets

June 30, 2010

(Unaudited)

Assets

Current Assets

Cash	\$	10,497
Accounts Receivables		2,938
Inventory		1,289,587
Other Current Assets		63,467

Total Current Assets 1,366,489

Furniture & Equipment, net of accumulated depreciation 242,812

Other Assets

Patents, net of accumulated amortization		586,482
Trademarks		164,110

Total Assets \$ 2,359,893

=====

Liabilities and Stockholders' Deficit

Current Liabilities

Checks Drawn In Excess of Bank Balance		-
Accounts Payable		1,324,261
Accrued Expenses		285,089
Payroll Liabilities		174,525
Convertible Debt, current portion, net of discount \$447,166 and \$62,500, respectively		347,080
Notes Payable-Related parties, current portion		61,650

Total Current Liabilities 2,192,605

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 \$838,500 and \$1,006,200, respectively		279,500

Total Long-term Liabilities 279,500

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, 351691363 and 215,455,090 Shares Issued and Outstanding at June 30, 2010 and December 31, 2009, respectively		35,170
Additional Paid In Capital		19,172,890
Prepaid Loan Costs		-
Accumulated Deficit		(19,320,272)

Total Stockholders ' Deficit (112,212)

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Total Liabilities and Stockholders' Deficit

\$ 2,359,893

=====

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

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PureSpectrum, Inc. Condensed Statements of Operations (Unaudited)

	For the three months ended June 30,	
	2010	2009
	-----	-----
Revenues	\$ 9,671	\$ -
Cost of Goods Sold	16,834	-
	-----	-----
Gross Profit on Sales	\$ (7,163)	\$ -
	-----	-----
Expenses		
Share Based Compensation	345,804	406,641
Research and Development	117,347	156,481
Other General and Administrative Expenses	1,129,387	1,564,172
	-----	-----
Total Expense	1,592,538	1,127,294
	-----	-----
Net Loss from Operations	(1,599,701)	(2,127,294)
	-----	-----
Other (Expense) Income		
Interest Income	-	1
Gain on AP Settlem	31,987	149,339
Interest Expense	(1,228,962)	(164,326)
	-----	-----
Total Other (Expense) Income	(1,196,975)	(14,986)
	-----	-----
Net Loss	\$ (2,796,676)	\$ (2,142,280)
	=====	=====
Weighted Average Basic & Fully Diluted Outstanding Shares	290,481,871	178,843,910
Basic & Fully Diluted Loss per Share	\$ (0.01)	\$ (0.01)

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

For the six m
2010

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Operating activities

Net loss	\$ (5,109,113)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation and amortization	24,834
Share based compensation	608,540
Amortization of detachable warrants issued with convertible debt	458,710
Amortization of the beneficial conversion feature	1,283,005
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	208
Inventory	169,585
Other current assets	(20,938)
Increase (decrease) in:	
Accounts payable	93,924
Accrued expenses	229,264
Payroll liabilities	109,891
Total adjustments	3,448,828
Net cash used by operating activities	(1,660,285)
Investing Activities	
Purchase of furniture and equipment	2,186
Development of Patents and trademarks	-
Net cash used by investing activities	2,186
Cash Flows from Financing Activities	
Increase in Checks Drawn in Excess of Bank Balance	(4,706)
Proceeds from borrowing	618,000
Deferred stock sales	-
Repayment of borrowing	(5,000)
Proceeds from issuance of common stock	479,593
Proceeds from exercise of options and warrants	580,100
Net cash provided by financing activities	1,667,987
Net (Decrease) Increase in Cash	9,888
Cash at Beginning of Period	609
Cash at End of Period	\$ 10,497
Supplemental disclosures of cash flow information and noncash investing and financing activities:	
Debt and accrued interest converted to common stock	\$ 618,586
Satisfaction of accounts payable through issuance of common stock	\$ 752,500
Cancellation of PSPM shares not exchanged for PSRU shares	\$ 7

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Detachable warrants issued with convertible debt	\$ 352,063
Beneficial conversion feature of convertible debt	\$ 1,500,117
Property and equipment additions included in accounts payable	\$ 17,766
Inventory additions included in accounts payable	\$ 337,467
Intangible asset additions included in accounts payable	\$ 62,677

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

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PureSpectrum, Inc. Statements of Changes in Stockholders' Deficit For the Period From December 31, 2008 through June 30, 2010

	Common Shares	Common Amount	Additional Paid in Capital	Prepaid L Costs
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				(213,6
Less: Amortization				106,8
Net Loss	-	-	-	
Balance - December 31, 2009	215,455,090	\$ 21,546	\$ 13,875,015	\$ (106,8
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)			608,541	
Issuance of warrants and BCF associated with convertible debt (Unaudited)			1,852,179	
Stock issued upon exercise of warrants and options (Unaudited)	19,694,662	1,970	578,130	
Stock issued upon debt conversion (Unaudited)	91,189,042	9,119	1,511,967	
Stock issued upon redemption of				

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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)				106,8
Cancellation of expired stock (Unaudited)	(68,743)	(7)	7	
Net Loss (Unaudited)				
Balance - June 30, 2010 (Unaudited)	351,691,363	\$ 35,170	\$ 19,172,890	\$

The accompanying notes are an integral part of the 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 June 30, 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 June 30, 2010, and December 31, 2009, there were 351,691,363 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 June 30, 2010, and December 31, 2009, there were no shares of the Company's

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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 \$5,109,113 for the six months ended June 30, 2010. In addition, at June 30, 2010, the Company has an accumulated deficit of \$19,320,272 and negative working capital of \$826,114.

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.

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NOTE 5 - NET LOSS PER SHARE

Basic net loss per share is computed by dividing net loss attributable to common 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.

Actual
Numerator:

Six months
ended June

2010

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Net loss attributable to common stockholders	\$ (5,109,113)
	=====
Denominator:	
Weighted average common shares	247,008,376
	=====
Basic net loss per common share	\$ (0.02)
	=====
Historical outstanding anti-dilutive securities not included in diluted net loss per share calculation	
Convertible debt	78,202,568
Common stock options	40,288,738
Common stock warrants	52,300,000

	170,791,306

NOTE 6 - NOTES PAYABLE - RELATED PARTIES

Notes payable consist of the following:

	June 30, 2010	December 31, 2009
	-----	-----
Notes payable, unsecured, to officer at 5% interest, payable upon demand	\$ 35,400	\$ 35,400
Note payable, unsecured, to shareholder at 5% interest, payable upon demand	26,250	26,250
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	-	-
	-----	-----
	61,650	61,650
Less current portion	61,650	61,650
	-----	-----
Long term portion	-	-
	-----	-----

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NOTE 7 - CONVERTIBLE DEBT

Convertible debt consists of the following:

	June 30, 2010

Convertible notes issued to investors, net of discount of \$0 and \$125,000, as of June 30, 2010 and December 31, 2009, respectively	\$ 125,000
Convertible notes issued to investor, net of discount of \$114,585 and \$0, as of June 30, 2010 and December 31, 2009, respectively	114,585
Convertible note issued to an investor, net of discount of \$60,326 as of June 30, 2010 and December 31, 2009, respectively	60,326
Convertible debentures issued to investors, net of discount of \$838,500 and \$1,037,700, as of June 30, 2010 and December 31, 2009, respectively	1,876,200
Convertible notes issued to investor, net of discount of \$47,281, as of June 30, 2010 and December 31, 2009, respectively	47,281
Convertible notes issued to investor, net of discount of \$131,243, as of June 30, 2010 and December 31, 2009, respectively	131,243
Convertible notes issued to investor, net of discount of \$93,730, as of June 30, 2010 and December 31, 2009, respectively	93,730

Less current portion	-

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Long term portion

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 June 30, 2010, the Company has 40,288,738 options outstanding and exercisable and 52,300,000 warrants outstanding and exercisable.

Information about stock options and warrants outstanding at June 30, 2010 and December 31, 2009 is

	Shares		Weighed Average Exercise Price Per Share		Weighed A
	Warrants	Stock Options	Warrants	Stock Options	Warrant
Outstanding at December 31, 2009	17,500,000	15,980,713	0.73	0.14	3
Granted	50,300,000	39,723,025	0.97	0.03	3
Exercised	(11,500,000)	(8,625,000)	0.03	0.03	2
Cancelled or Expired	(4,000,000)	(6,790,000)	1.25	0.08	2
Outstanding at June 30, 2010	52,300,000	40,288,738	1.08	0.07	3
Exercisable at June 30, 2010	52,300,000	40,288,738	1.08	0.07	3

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NOTE 9 - OPERATING LEASES AND OTHER COMMITMENTS AND CONTINGENCIES

Rental of office space and data processing equipment under operating leases were approximately \$52,216 and \$45,050 for the six months ended June 30, 2010 and 2009, respectively.

NOTE 10 - RELATED PARTY TRANSACTIONS

A member of the Board of Directors is also a partner in the Company's primary outside legal counsel. During the six months ended June 30, 2010, the firm billed the Company \$18,412 in legal fees.

NOTE 11 - SUBSEQUENT EVENTS

On July 1, 2010, the Company issued 3,424,658 shares of common stock in exchange for the debt purchase of \$25,000.00 aged debt due to certain consultants.

On July 1, 2010, the Company issued 3,424,658 shares of common stock in exchange for the debt purchase of \$25,000.00 aged debt due to certain consultants.

During the month of July, 2010, the company issued Common Stock Purchase Warrants that totaled 3,698,191 to employees as a normal course of business and to a Board Member in recognition of their service to the company

On July 12, 2010, the Company issued 2,705,479 shares of common stock at an investor's request to convert \$18,750.00 plus \$1,000.00 accrued but unpaid interest of an Amended and Restated Convertible Promissory Note in the principal amount of \$37,500.00.

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On July 9, 2010, the Company issued an Amendment to Common Stock Purchase Warrants to satisfy the account payable balance remaining from an Advance Agreement. The three original warrants, for a total amount of 1,000,000 shares each, were re-priced from their original price per share of \$1.00, \$1.25 and \$1.50 to \$0.0083. The Amendment required the immediate exercise of all aforementioned warrants. The Company issued the 3,000,000 available shares from the re-priced warrants on July 14, 2010 satisfying the account payable balance.

On July 15, 2010, the Company issued a Promissory Note in the amount of \$25,000. The Note is due August 15, 2010. In conjunction with the issuance of the Note, the Company issued to the lender a four year stock purchase warrant for 3,000,000 shares with an exercise price of \$1.00 per share.

On July 15, 2010, the Company issued a Promissory Note in the amount of \$25,000. The Note is due August 15, 2010. In conjunction with the issuance of the Note, the Company issued to the lender a four year stock purchase warrant for 3,000,000 shares with an exercise price of \$1.00 per share.

On July 29, 2010, the Company issued 11,587,280 shares of common stock in exchange for the cancellation of a \$231,745.60 Promissory Note.

On July 29, 2010, the Company issued an Amendment to Common Stock Purchase Warrants to satisfy the account payable balance remaining from an Advance Agreement. The three original warrants, for a total amount of 1,000,000 shares each, were re-priced from their original price per share of \$1.00, \$1.25 and \$1.50 to \$0.0083. The Amendment required the immediate exercise of all aforementioned warrants. The Company issued the 3,000,000 available shares from the re-priced warrants on July 29, 2010 satisfying the account payable balance.

On August 3, 2010, the Company issued 2,817,404 shares of common stock at an investor's request to convert the remaining balance of an Amended and Restated Convertible Promissory Note.

On August 3, 2010, the Company issued a Promissory Note in the amount of \$40,000. The Note is due September 3, 2010. In conjunction with the issuance of the Note, the Company issued to the lender a four year stock purchase warrant for 3,000,000 shares with an exercise price of \$1.00 per share.

On July 7, 2010, the Company issued a Common Stock Purchase Warrant for a total of 150,000 shares as agreed to in a Consulting Agreement.

In August, 2010, the company issued Common Stock Purchase Warrants for a total of 14,700,000 shares to two investors retrospectively.

On August 13, 2010, the Company issued a Promissory Note in the amount of \$40,000. The Note is due September 13, 2010.

On August 17, 2010 the Company issued 7,500,000 shares of common stock in exchange for the debt purchase of \$15,000 aged debt due to certain consultants

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

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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," "hopes," "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, 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 second quarter of 2010 and subsequent weeks, the Company has continued its efforts to develop, identify and introduce high-quality, high-performance dimmable energy efficient lighting products. While steady progress has been made in several critical areas, a lack of financial resources has prevented the Company from advancing product development and achieving sales volume according to expectations and prior projections. As a result of the Company being unable to secure and allocate appropriate financial resources for and to product development and product manufacturing, the Company will not be able to meet its previously disclosed revenue projection of \$66 million for 2010. As was disclosed in November 2009 and on several occasions subsequent to the initial release of the revenue projection, the expected revenue from sales was contingent upon the infusion of a minimum of \$6 million in additional capital to finance the completion of product development, product manufacturing and product delivery as well as certain other operational costs. As of the date of this filing, the Company has raised substantially less than the \$6 million which was needed to accommodate the product development schedules to enable the Company to generate the expected revenue. As a result, the Company's progress toward its goals has not been entirely interrupted but has been significantly impeded. The Company is continuing to pursue financing options which would provide the resources necessary to accelerate product manufacturing and delivery, but any revision to the revenue projection would be based on multiple contingencies at this time. The Company will release a formal revenue revision after funding has been secured and product delivery schedules can be finalized.

On July 6, 2010, the Company announced that it had entered into a letter of intent with Ultra-Tech Lighting, a New Jersey limited liability corporation, outlining a potential combination of the two energy efficient lighting companies. The initial terms of the proposed business combination were not released; as of this filing the transaction had not been completed but options to bring the transaction to closure were being explored. Due to the various scenarios which are being discussed between the two companies, no timeline for the completion of the transaction has been established.

During the second quarter, the Company established a foothold in New York's commercial real estate market through an electrical distributor that services the greater New York area. As a result of the efforts of the Company's sales staff and the distributor, several large commercial properties in New York initiated pilot programs to test the Company's step dimming ballasts and/or fixtures. New York City has embraced an institutional focus on enhancing energy

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efficiency in its private and municipal buildings, and PureSpectrum's step dimming has been marketed as an ideal cost effective solution which will provide immediate energy savings for commercial properties. The Company has received exceedingly positive feedback from its prospective customers and hopes that several of these properties to purchase ballasts, linear fluorescent fixtures or step-dimming systems (step dimming in conjunction with motion sensors) to either retrofit or replace existing lighting. Accordingly, the Company also hopes to be able to pursue more commercial leads with its distributor in New York and replicate this urban commercial property outreach in other metropolitan areas focused on energy consumption reduction. The quest for increased energy efficiency in commercial and industrial lighting applications is growing and demand for dimmable linear fluorescent lighting is expected to expand during the coming years. PureSpectrum has been able to bring an affordable dimming solution to market in one of the world's largest commercial markets, and the Company continues to work diligently on completing additional dimmable linear fluorescent products which would enable the Company to offer a diverse commercial/industrial product line and take advantage of demonstrated needs in the marketplace. Clearly, the completion of the product line is contingent upon the aforementioned infusion of capital, but the Company earnestly believes the goal of being recognized as a market leader for dimmable energy efficient lighting is within reach.

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Product development and manufacturing of both proprietary and non-proprietary Compact Fluorescent Lamps (CFL) have been impacted by the Company's ongoing financial stress. Several of the Company's proprietary CFLs have successfully completed testing for approval by the Federal Communications Commission and been submitted for UL testing. However, the completion of UL testing will be dependent upon the availability of sufficient financial resources. During the second quarter and subsequent weeks, several non-proprietary CFL products have been added to PureSpectrum's product mix and been listed as Energy Star certified. Orders have been submitted to the Company's manufacturing partners in China in order to inventory those CFL products in the United States. But the execution and delivery of those orders will be contingent on the availability of sufficient funding to absorb the cost of production. The Company has continued to sell its 20-watt dimmable CFLs on Amazon.com and through its distributors, and customer feedback regarding the performance of the 20-watt bulb has been positive. The Company has sold thousands of bulbs through Amazon.com and experienced very few returns, and the Company has received reorders from several utilities and retailers that purchased the 20-watt. Through the reception the Company received during appearances at LightFair International and the National Hardware Retailers Show in Las Vegas in the second quarter, the Company has reaffirmed the existence of a demand and the diversity of applications for high quality, high performance specialty CFL bulbs in the marketplace. As a result of relationships that have been established with distributors, the Company believes interest in its dimmable CFLs will increase when the Company is capable of offering a full line of bulbs to include multiple styles and wattages which address varying consumer demands.

The inability of the Company to raise capital, the inability of the Company to manufacture its products as a result of the costs thereof or defects in either the design and/or manufacturing processes and the resulting inability of the Company to finance purchases of products have had a direct impact on the Company's ability to make significant progress towards its stated revenue goal. Although the Company has not met its own ambitious expectations for revenue generation thus far in 2010, the Company is confident that it can generate substantial revenue in 2010 given appropriate resources and the availability of its full product line.

However, there is no assurance that the Company's sales and fundraising efforts

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will prove successful in generating sufficient funding to finance operations going forward. Obviously, the Company's plan of operation also remains dependent on its access to additional investment capital. There is no assurance that the Company can achieve that access to capital within the necessary timeframe.

Results of Operations

Revenues

For the six months ended June 30, 2010, we recognized \$18,750 in revenues compared to no revenues for the six months ended June 30, 2009.

Expenses

For the six months ended June 30, 2010, our expenses were \$3,197,775 compared with \$3,075,086 for the six months ended June 30, 2009. These expenses were primarily comprised of professional and consulting fees (\$800,305 for 2010 compared to \$921,917 for 2009), compensation (\$689,931 for 2010 compared to \$690,141 for 2009), research and development expenses (\$249,090 for 2010 compared to 324,573 for 2009), other general and administrative expenses (\$849,905 for 2010 compared to \$731,814 for 2009), as well as share based compensation (\$608,541 for 2010 compared to \$406,641 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.

Income (loss)

For the six months ended June 30, 2010, our net loss was \$5,109,113 compared with a net loss of \$3,375,522 for the six months ended June 30, 2009.

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Liquidity and Capital Resources

Our balance sheet as of June 30, 2010 shows that we had \$10,497 cash on hand. As of June 30, 2010, our current assets were \$1,366,489 and our current liabilities were \$2,192,605, resulting in negative working capital of \$826,114. Assuming that the average monthly sales volume of our products during the first six months 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 \$1,678,000 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.

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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 June 30, 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 June 30, 2010, under the supervision and with the participation of the Company's Chief Executive Officer and 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 Chief Financial Officer concluded that the Company's disclosure controls and procedures were not effective as of June 30, 2010 as a result of the material weakness in internal control over financial reporting discussed below.

(b) Changes in Internal Control over Financial Reporting.

There have been no changes in the Company's processes and procedures during the six months ended June 30, 2010, that materially affected or is reasonably expected to materially affect the Company's internal control over financial reporting. However, Gregory K. Clements was appointed Chief Financial Officer on June 15, 2010.

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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

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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 June 30, 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 June 30, 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.

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PART II

ITEM 1. - Legal Proceedings

As of June 30, 2010, the Company was not involved in any legal proceedings.

ITEM 1A. Risk Factors

Not applicable.

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

Not applicable

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 second 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

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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

By: /s/ Gregory K. Clements

Lee L. Vanatta

Gregory K. Clements

President and Chief Executive Officer
(Principal Executive Officer)

Chief Financial Officer
(Principal Financial and Accounting
Officer)

DATE: August 23, 2010

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