

AMHN, Inc.  
Form 10-Q  
April 26, 2010  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2010

**TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 000-16731

**AMHN, INC.**

(Exact Name of Small Business Issuer as Specified in Its Charter)

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**Utah**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**87-0233535**  
(I.R.S. Employer  
Identification No.)

**100 North First Street, Suite 104, Burbank, California 91502**  
(Address of Principal Executive Offices)

**(424) 239-6781**  
(Issuer's Telephone Number)

N/A

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  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.

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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS

DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13, or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes  No

The number of shares outstanding of the Issuer's Common Stock as of April 26, 2010 was 15,790,209.

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**PART I - FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

In the opinion of management, the accompanying unaudited financial statements included in this Form 10-Q reflect all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the results of operations for the periods presented. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year.

|  |   |
|--|---|
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**AMHN, INC. AND SUBSIDIARY**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

|   | March 31,<br>2010<br>Unaudited | December 31,<br>2009 |
|---|--------------------------------|----------------------|
| <b>ASSETS</b>   |                                |                      |
| Current Assets:   |                                |                      |
| Cash  | \$ 48,049                      | \$ 42,066            |
| Accounts receivable   | 15,329                         | 10,568               |
| Prepaid expense   | 1,981                          | 17,238               |
| Total current assets  | 65,359                         | 69,872               |
| Fixed Assets:   |                                |                      |
| Fixed assets, net of accumulated depreciation of \$85,936 and \$48,536 at March 31, 2010 and December 31, 2009, respectively    | 397,860                        | 382,760              |
| Other Assets:   |                                |                      |
| Segment library, net of accumulated amortization of \$48,167 and \$27,667 at March 31, 2010 and December 31, 2009, respectively | 361,833                        | 382,333              |
| Security deposit  | 14,800                         | 14,800               |
| Total current assets  | 376,633                        | 397,133              |
| Total assets  | \$ 839,852                     | \$ 849,765           |
| <b>LIABILITIES AND STOCKHOLDERS DEFICIT</b>   |                                |                      |
| Current Liabilities:  |                                |                      |
| Accounts payable  | \$ 359,413                     | \$ 229,044           |
| Accrued expenses  | 338,883                        | 331,073              |
| Promissory notes payable - related party  | 800,000                        | 600,000              |
| Other current related party liabilities   |                                | 700                  |
| Total current liabilities   | 1,498,296                      | 1,160,817            |
| Commitments and Contingencies   |                                |                      |
| Stockholders' Deficit:  |                                |                      |
| Preferred stock - par value \$0.001; 1,000,000 shares authorized; no shares issued and outstanding                              |                                |                      |
| Common stock - par value \$0.10; 50,000,000 shares authorized; 15,790,209 shares issued and outstanding                         | 1,579,021                      | 1,579,021            |
| Additional paid-in capital  |                                |                      |
| Accumulated deficit   | (2,237,465)                    | (1,890,073)          |
| Total stockholders' deficit   | (658,444)                      | (311,052)            |
| Total liabilities and stockholders' deficit   | \$ 839,852                     | \$ 849,765           |

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



**Table of Contents****AMHN, INC. AND SUBSIDIARY****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

|   | <b>Three Months Ended<br/>March 31,</b> |             |
|---|---|-------------|
|   | <b>2010</b>                             | <b>2009</b> |
| Operating revenues                            | \$ 15,329                               | \$          |
| Cost of revenues                              |   |             |
| Gross profit                                  | 15,329                                  |             |
| Operating expenses:                           |   |             |
| Operating costs                               | 32,625                                  |             |
| General and administration                    | 180,469                                 |             |
| Sales and marketing                           | 83,196                                  |             |
| Depreciation and amortization                 | 57,900                                  |             |
| Total operating expense                       | 354,190                                 |             |
| Operating loss                                | (338,861)                               |             |
| Other income and (expense):                   |   |             |
| Interest expense                              | (8,531)                                 |             |
| Loss before taxes                             | (347,392)                               |             |
| Provision for income taxes                    |   |             |
| Net loss                                      | \$ (347,392)                            | \$          |
| Loss per share, basic and diluted             | \$ (0.02)                               | \$          |
| Weighted average number of shares outstanding | 15,790,209                              |             |

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

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## AMHN, INC. AND SUBSIDIARY

## UNAUDITED CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY (DEFICIT)

## FOR THE PERIOD FROM JANUARY 1, 2008 TO MARCH 31, 2010

|  | Common Stock |              | Additional<br>Paid in<br>Capital | Treasury<br>Stock | Accumulated<br>Deficit | Total        |
|--|--------------|--------------|----------------------------------|-------------------|------------------------|--------------|
|  | Shares       | Amount       |                                  |                   |                        |              |
| <b>Balance, January 1, 2008</b>  | 620,743      | \$ 62,074    | \$ 439,605                       | \$ (107,794)      | \$ 23,653              | \$ 417,538   |
| Issuance of common stock for deferred consulting fees                                      | 500,000      | 50,000       | 200,000                          |                   |                        | 250,000      |
| Purchase of treasury stock   |              |              |                                  | (46,570)          |                        | (46,570)     |
| Treasury shares cancellation   | (103,170)    | (10,317)     | (144,047)                        | 154,364           |                        |              |
| Dividend   |              |              |                                  |                   | (206,719)              | (206,719)    |
| Net loss   |              |              |                                  |                   | (395,552)              | (395,552)    |
| <b>Balance, December 31, 2008</b>  | 1,017,573    | 101,757      | 495,558                          |                   | (578,618)              | 18,697       |
| Effect of merger and recapitalization pursuant to execution of Security Exchange Agreement | 14,197,636   | 1,419,764    | (715,558)                        |                   | 343,086                | 1,047,292    |
| Stock issued for services  | 575,000      | 57,500       | 220,000                          |                   |                        | 277,500      |
| Net loss   |              |              |                                  |                   | (1,654,541)            | (1,654,541)  |
| <b>Balance, December 31, 2009</b>  | 15,790,209   | 1,579,021    |                                  |                   | (1,890,073)            | (311,052)    |
| Net loss   |              |              |                                  |                   | (347,392)              | (347,392)    |
| <b>Balance, March 31, 2010</b>   | 15,790,209   | \$ 1,579,021 | \$                               | \$                | \$ (2,237,465)         | \$ (658,444) |

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

**Table of Contents****AMHN, INC. AND SUBSIDIARY****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

|  | <b>Three Months Ended<br/>March 31,</b> |             |
|--|---|-------------|
|  | <b>2010</b>                             | <b>2009</b> |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                    |   |             |
| Net loss   | \$ (347,392)                            | \$          |
| Adjustments to reconcile net loss to net cash flows from operating activities: |   |             |
| Depreciation   | 37,400                                  |             |
| Amortization of intangible assets  | 20,500                                  |             |
| Changes in assets and liabilities  |   |             |
| Accounts receivable  | (4,760)                                 |             |
| Prepaid expense  | 15,257                                  |             |
| Accounts payable   | 130,367                                 |             |
| Accrued expenses   | 7,811                                   |             |
| Net cash flows used in operating activities                                    | (140,817)                               |             |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                    |   |             |
| Purchase of site equipment   | (52,500)                                |             |
| Net cash flows used in investing activities                                    | (52,500)                                |             |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                    |   |             |
| Proceeds from loans from related party   | 200,000                                 |             |
| Repayment of related party advances  | (700)                                   |             |
| Net cash flows provided by financing activities                                | 199,300                                 |             |
| Increase in cash   | 5,983                                   |             |
| Cash, beginning of period  | 42,066                                  |             |
| Cash, end of period  | \$ 48,049                               | \$          |
| <b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>                      |   |             |
| Interest paid  | \$                                      | \$          |
| Income taxes paid  | \$                                      | \$          |

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



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**AMHN, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2010**

**NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION**

The unaudited financial statements included herein have been prepared, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ( SEC ). The financial statements and notes are presented as permitted on Form 10-Q and do not contain information included in the Company's annual statements and notes. Certain information and footnote disclosure normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. It is suggested that these financial statements be read in conjunction with the December 31, 2009 Form 10-K filed with the SEC on March 17, 2010, including the audited financial statements and the accompanying notes thereto. While management believes the procedures followed in preparing these financial statements are reasonable, the accuracy of the amounts are in some respects dependent upon the facts that will exist, and procedures that will be accomplished by the Company later in the year.

These unaudited financial statements reflect all adjustments, including normal recurring adjustments which, in the opinion of management, are necessary to present fairly the operations and cash flows for the periods presented.

The Company was incorporated in Utah in 1907 under the name Croff Mining Company ( Croff ). The Company changed its name to Croff Oil Company in 1952 and in 1996 changed its name to Croff Enterprises, Inc. In the twenty (20) years prior to 2008, the Company's operations consisted entirely of oil and natural gas production. Due to a spin-off of its operations in December 2007, Croff had no business operations or revenue source and had reduced its operations to a minimal level, although it continued to file reports required under the Securities Exchange Act of 1934. As a result of the spin-off, Croff was a shell company under the rules of the Securities and Exchange Commission ( SEC ).

***Agreement and Plan of Reorganization***

On July 6, 2009, Croff entered into an Agreement and Plan of Reorganization (the Agreement ) with AMHN Acquisition Corp., a newly formed Delaware corporation and wholly owned subsidiary of Croff ( Merger Sub ), America's Minority Health Network, Inc., a Delaware corporation ( America's Minority Health Network ) and the major shareholders of the America's Minority Health Network (the Major Shareholders ). The terms of the Agreement provide for (i) the transfer of 100% of the issued and outstanding shares of common stock of America's Minority Health Network in exchange for the issuance to the shareholders of America's Minority Health Network of an aggregate of 13,693,689 shares of common stock of Croff (the Croff Common Stock ) at a conversion ratio where one share of America's Minority Health Network is converted into 13,693.689 shares of Croff; (ii) the resignations of the Company's officers and directors prior to the consummation of the Agreement and the election and appointment of officers and directors as directed by America's Minority Health Network; and (iii) America's Minority Health Network to become a wholly owned subsidiary of Croff. A full description of the terms of the Agreement (the Transaction ) is set forth in the Agreement as filed as an exhibit to the Report on Form 8-K filed with the Securities and Exchange Commission on July 10, 2009.

On July 27, 2009, the Closing Date of the Transaction pursuant to the terms and conditions of the Agreement, Croff acquired 100% of the issued and outstanding shares of America's Minority Health Network in exchange for the issuance of an aggregate of 13,693,689 shares of Croff Common Stock. In accordance with the provisions of this triangulated merger, Merger Sub merged with and into America's Minority Health Network as of the Effective Date of the Agreement, as that term is defined therein. Upon consummation of the Agreement

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**AMHN, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**MARCH 31, 2010**

**NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION (Continued)**

***Agreement and Plan of Reorganization (Continued)***

and all transactions contemplated therein, the separate existence of Merger Sub ceased, Croff became the surviving parent corporation, and America's Minority Health Network became its wholly owned subsidiary (the Company's subsidiary).

As a result of the Transaction, Croff ceased being a shell company. The sole business of Croff became that of its operating subsidiary, America's Minority Health Network. Croff experienced a change in control and the former shareholders of America's Minority Health Network acquired control of the Company. For accounting purposes, the Transaction was treated as a reverse merger. As a result of the Transaction, the figures contained in the financial statements are those of America's Minority Health Network, the operating company.

***Agreement with Global Arena Capital Corp.***

On September 11, 2009, the Company's Board of Directors approved an agreement with Global Arena Capital Corp. (the Global Agreement) through which Global Arena Capital Corp. (Global) would serve as the Company's exclusive placement agent in an attempt to raise up to five million dollars (\$5,000,000) through the offer and sale by the Company of its securities. Under a related private placement memorandum (PPM), the Company offered twenty-five (25) units for the purchase price of two hundred thousand dollars (\$200,000) each (the Offering). Each unit consisted of 200,000 shares of the Company's Common Stock and a detachable, transferable Warrant to purchase 70,000 shares of the Company's Common Stock. The Warrant was exercisable in whole or in part during the five-year period following issuance at an exercise price of \$1.10 per share. The Offering period was for sixty (60) days and could be extended for an additional sixty (60) day period. No funds were raised under the Offering and the Offering was closed on January 9, 2010.

Upon execution of the Global Agreement, the Company agreed to pay a retainer to Global through the issuance of 76,075 Warrants exercisable for one cent (\$0.01) which represented one half of one percent (0.50%) of the then issued and outstanding shares of Common Stock of the Company. The Warrants were accounted for in the third quarter of 2009, but have not yet been issued. The Warrants have not been registered under the Securities Act or the securities laws of any state, and such securities will be issued in reliance upon exemptions from the registration requirements of such laws, which depend in part, on the intent of the warrant holder not to make distribution of such securities.

***Name Change***

On September 14, 2009, the Company changed its name to AMHN, Inc. Unless otherwise stated or unless the context otherwise requires, the description of our business set forth below is provided on a combined basis. The Company's office is located at 100 North First Street, Suite 104, Burbank, California 91502.

On September 25, 2009, the Company's Board of Directors approved the redomicile of the corporation from Utah to Nevada and the AMHN, Inc. 2009 Long Term Incentive Compensation Plan. Shareholders must approve both actions.

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**AMHN, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**MARCH 31, 2010**

**NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION (Continued)**

***Business Overview***

The Company's subsidiary is a place-based provider of digital video education for medical practices who primarily service minorities. Research has shown that due to socioeconomic and sociopolitical issues, African-Americans suffer from exceptionally high mortality and morbidity rates. Lack of proper healthcare education has been cited as one of the factors leading to higher health risks for the African-American community. The Company's subsidiary provides a digital platform to increase African-American health education awareness that can increase the longevity and well-being of African-American men and women, while providing relevant advertising of related products. The Company's subsidiary has created a viable solution to meet the needs of physicians who are constantly searching for ways to better inform their patients and for advertisers that are searching for ad space to communicate specific products to African-Americans.

The Company's subsidiary currently provides direct-to-consumer television programming across the United States to subscribing medical offices with a predominantly African-American patient base. Currently, 160 offices have subscribed to the service with 140 offices live and receiving programming. Our rollout plan calls for one thousand (1,000) subscribing locations in our first phase. Each month updated healthcare segments and relevant advertising are digitally delivered in high definition directly to waiting rooms filled with a well-defined African-American target audience. Medical office waiting rooms provide a captive audience with the typical presence of over 1,000 patients per month per location, where viewers are pre-disposed to watch and listen to the pertinent information offered.

***Accounting Standard Codification***

Effective July 1, 2009, the Company adopted the Financial Accounting Standards Board ( FASB ) Accounting Standards Codification ( ASC ) 105-10, Generally Accepted Accounting Principles Overall ( ASC 105-10 ). ASC 105-10 establishes the FASB Accounting Standards Codification (the Codification ) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with U.S. GAAP. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative U.S. GAAP for SEC registrants. All guidance contained in the Codification carries an equal level of authority. The Codification superseded all existing non-SEC accounting and reporting standards. All other non-grandfathered, non-SEC accounting literature not included in the Codification is non-authoritative. The FASB will not issue new standards in the form of Statements, FASB Positions or Emerging Issue Task Force Abstracts. Instead, it will issue Accounting Standards Updates ( ASUs ).

The FASB will not consider ASUs as authoritative in their own right. ASUs will serve only to update the Codification, provide background information about the guidance and provide the bases for conclusions on the change(s) in the Codification. References made to FASB guidance throughout this document have been updated for the Codification.

***Going Concern***

The financial statements of the Company have been prepared in conformity with generally accepted accounting principles in the United States of America, and assume that the Company will continue as a going concern. Due to the start-up nature of the Company's business, the Company expects to incur losses as it expands. To date, the Company's cash flow requirements have been entirely met with funds raised through loans from a strategic vendor and shareholder of the Company. There is no assurance that additional funds will

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**AMHN, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**MARCH 31, 2010**

**NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION (Continued)**

***Going Concern (continued)***

be available for the Company to finance its operations should the Company be unable to realize profitable operations. These conditions, among others, give rise to substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include adjustments relating to the recoverability and realization of assets and classification of liabilities that might be necessary should the Company be unable to continue in operation.

These financial statements have been prepared on a going concern basis which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. The Company has generated revenues of only \$25,897 since inception and has an accumulated deficit of \$2,237,465 through March 31 2010. The Company needs to raise additional funds to carry out its business plan.

Besides generating revenues from proposed operations, the Company may need to raise additional capital to expand operations to the point at which the Company can achieve profitability. The terms of financing that may be raised may not be on terms acceptable by the Company. If adequate funds cannot be raised outside of the Company, the Company's current shareholders may need to contribute funds to sustain operations.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Cash and Cash Equivalents***

The Company considers all highly liquid debt instruments and other short-term investments with maturity of three months or less, when purchased, to be cash equivalents. The Company maintains cash and cash equivalent balances at one financial institution that is insured by the Federal Deposit Insurance Corporation.

***Fixed Assets***

The Company currently has 135 sites commissioned live as of this filing. Depreciation commences on the first day of the month following the installation of the sites and is calculated using the straight-line method over the estimated useful lives of the related assets. Costs of maintenance and repairs will be charged to expense as incurred. Depreciation of \$85,936 was recorded through March 31 2010.

***Segment Library***

The segment library is reflected as intangible assets on the accompanying condensed consolidated balance sheet with a useful life of 5 years. These costs represent the production costs relating to producing the segments that will be presented in the professional offices. Management has determined the life of the segment library to be 5 years. As of March 31, 2010, the Company has 41 segments available for play on its network. The Company amortizes the segments commencing on the first day of the month following the segments placed into service. Amortization expense for the period April 2, 2009 (Inception) through March 31, 2010 was \$48,167.

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**AMHN, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**MARCH 31, 2010**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Recoverability of Long-Lived Assets***

Although the Company does not have any long-lived assets at this point, for any long-lived assets acquired in the future the Company will review their recoverability on a periodic basis whenever events and changes in circumstances have occurred which may indicate a possible impairment. The assessment for potential impairment will be based primarily on the Company's ability to recover the carrying value of its long-lived assets from expected future cash flows from its operations on an undiscounted basis. If such assets are determined to be impaired; the impairment recognized is the amount by which the carrying value of the assets exceeds the fair value of the assets. Fixed assets to be disposed of by sale will be carried at the lower of the then current carrying value or fair value less estimated costs to sell.

***Fair Value of Financial Instruments***

The carrying amount reported in the balance sheet for cash and cash equivalents, accounts payable, and accrued expenses approximate fair value because of the immediate or short-term maturity of these financial instruments. The Company does not utilize derivative instruments.

***Stock-Based Compensation***

The Company adopted the provisions of ASC 718-10 *Share Based Payments*. The adoption of this principle had no effect on the Company's operations.

ASC 718-10 requires recognition of stock-based compensation expense for all share-based payments based on fair value.

The Company has elected to use the modified-prospective approach method. Stock-based compensation expense for all awards granted is based on the grant-date fair values. The Company recognizes these compensation costs, net of an estimated forfeiture rate, on a pro rata basis over the requisite service period of each vesting tranche of each award. The Company considers voluntary termination behavior as well as trends of actual option forfeitures when estimating the forfeiture rate.

The Company measures compensation expense for its non-employee stock-based compensation under ASC 505-50, *Accounting for Equity Instruments that are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services*. The fair value of the option issued is used to measure the transaction, as this is more reliable than the fair value of the services received. The fair value is measured at the value of the Company's common stock on the date that the commitment for performance by the counterparty has been reached or the counterparty's performance is complete. The fair value of the equity instrument is charged directly to compensation expense and additional paid-in capital. For common stock issuances to non-employees that are fully vested and are for future periods, the Company classifies these issuances as prepaid expenses and expenses the prepaid expenses over the service period. At no time has the Company issued common stock for a period that exceeds one year.

**Table of Contents****AMHN, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****MARCH 31, 2010****NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*****Income Taxes***

The Company accounts for income taxes utilizing the liability method of accounting. Under the liability method, deferred taxes are determined based on differences between financial statement and tax bases of assets and liabilities at enacted tax rates in effect in years in which differences are expected to reverse.

Valuation allowances are established, when necessary, to reduce deferred tax assets to amounts that are expected to be realized.

***Revenue Recognition***

The Company will generate revenue from the sale of advertising spots on its network. The revenue will be recognized in the month in which the spots run.

***Loss per Share of Common Stock***

Basic net loss per common share is computed using the weighted average number of common shares outstanding. Diluted earnings per share (EPS) include additional dilution from common stock equivalents, such as stock issuable pursuant to the exercise of stock options and warrants. Common stock equivalents are not included in the computation of diluted earnings per share when the Company reports a loss because to do so would be anti-dilutive. The following is a reconciliation of the computation for basic and diluted EPS.

|  | <b>March 31, 2010</b> |
|--|-----------------------|
| Net loss   | \$ (347,392)          |
| Weighted-average common shares outstanding (Basic)   | 15,790,209            |
| Weighted-average common stock equivalents            |                       |
| Stock options  | -0-                   |
| Warrants   | -0-                   |
| Weighted-average common shares outstanding (Diluted) | 15,790,209            |

***Uncertainty in Income Taxes***

The Company follows ASC 740-10, Accounting for Uncertainty in Income Taxes (ASC 740-10). This interpretation requires recognition and measurement of uncertain income tax positions using a more-likely-than-not approach. ASC 740-10 is effective for fiscal years beginning after December 15, 2006. Management will evaluate their tax positions on an annual basis.

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**AMHN, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**MARCH 31, 2010**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Use of Estimates*

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. Actual results could differ from those estimates.

*Recently Issued Accounting Standards*

In September 2006, ASC issued 820, *Fair Value Measurements*. ASC 820 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosure about fair value measurements. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007. Early adoption is encouraged. The adoption of ASC 820 is not expected to have a material impact on the financial statements.

In February 2007, ASC issued 825-10, *The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of ASC 320-10*, ( ASC 825-10 ) which permits entities to choose to measure many financial instruments and certain other items at fair value at specified election dates. A business entity is required to report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. This statement is expected to expand the use of fair value measurement. ASC 825-10 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years.

In December 2007, the ASC issued ASC 810-10-65, *Noncontrolling Interests in Consolidated Financial Statements*. ASC 810-10-65 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, changes in a parent's ownership of a noncontrolling interest, calculation and disclosure of the consolidated net income attributable to the parent and the noncontrolling interest, changes in a parent's ownership interest while the parent retains its controlling financial interest and fair value measurement of any retained noncontrolling equity investment.

ASC 810-10-65 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited. Management is determining the impact that the adoption of ASC 810-10-65 will have on the Company's financial position, results of operations or cash flows.

In December 2007, the Company adopted ASC 805, *Business Combinations* ( ASC 805 ). ASC 805 retains the fundamental requirements that the acquisition method of accounting be used for all business combinations and for an acquirer to be identified for each business combination. ASC 805 defines the acquirer as the entity that obtains control of one or more businesses in the business combination and establishes the acquisition date as the date that the acquirer achieves control. ASC 805 will require an entity to record separately from the business combination the direct costs, where previously these costs were included in the total allocated cost of the acquisition. ASC 805 will require an entity to recognize the assets acquired, liabilities assumed, and any non-controlling interest in the acquired at the acquisition date, at their fair values as of that date.

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**AMHN, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**MARCH 31, 2010**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Recently Issued Accounting Standards (Continued)***

ASC 805 will require an entity to recognize as an asset or liability at fair value for certain contingencies, either contractual or non-contractual, if certain criteria are met. Finally, ASC 805 will require an entity to recognize contingent consideration at the date of acquisition, based on the fair value at that date. This will be effective for business combinations completed on or after the first annual reporting period beginning on or after December 15, 2008. Early adoption is not permitted and the ASC is to be applied prospectively only. Upon adoption of this ASC, there would be no impact to the Company's results of operations and financial condition for acquisitions previously completed. The adoption of ASC 805 is not expected to have a material effect on the Company's financial position, results of operations or cash flows.

In March 2008, ASC issued ASC 815, *Disclosures about Derivative Instruments and Hedging Activities*, (ASC 815). ASC 815 requires enhanced disclosures about an entity's derivative and hedging activities. These enhanced disclosures will discuss: how and why an entity uses derivative instruments; how derivative instruments and related hedged items are accounted for and its related interpretations; and how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. ASC 815 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The Company does not believe that ASC 815 will have an impact on their results of operations or financial position.

In April 2008, ASC issued ASC 350, *Determination of the Useful Life of Intangible Assets*. This amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under ASC 350. The guidance is used for determining the useful life of a recognized intangible asset shall be applied prospectively to intangible assets acquired after adoption, and the disclosure requirements shall be applied prospectively to all intangible assets recognized as of, and subsequent to, adoption. The Company does not believe ASC 350 will materially impact their financial position, results of operations or cash flows.

Effective April 1, 2009, the Company adopted ASC 855, *Subsequent Events* (ASC 855). ASC 855 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. It requires disclosure of the date through which an entity has evaluated subsequent events and the basis for that date—that is, whether that date represents the date the financial statements were issued or were available to be issued. This disclosure should alert all users of financial statements that an entity has not evaluated subsequent events after that date in the set of financial statements being presented. Adoption of ASC 855 did not have a material impact on the Company's results of operations or financial condition. The Company has evaluated subsequent events through April 26, 2010, the date the financial statements were issued.

Effective July 1, 2009, the Company adopted FASB ASU No. 2009-05, *Fair Value Measurement and Disclosures (Topic 820)* (ASU 2009-05). ASU 2009-05 provided amendments to ASC 820-10, *Fair Value Measurements and Disclosures—Overall*, for the fair value measurement of liabilities. ASU 2009-05 provides clarification that in circumstances in which a quoted market price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using certain techniques. ASU 2009-05 also clarifies that when estimating the fair value of a liability, a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of a liability. ASU 2009-05 also clarifies that both a quoted price in an active market for the identical liability at the measurement date and the quoted price for the identical liability when traded as an asset in an active market when no adjustments to the quoted price of the asset are required for Level 1 fair value measurements. Adoption of ASU 2009-05 did not have a material impact on the Company's results of operations or financial condition.



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**AMHN, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**MARCH 31, 2010**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Recently Issued Accounting Standards (Continued)***

In January 2010, the Company adopted FASB ASU No. 2010-06, *Fair Value Measurement and Disclosures (Topic 820) - Improving Disclosures about Fair Value Measurements* ( ASU 2010-06 ). These standards require new disclosures on the amount and reason for transfers in and out of Level 1 and 2 fair value measurements. The standards also require new disclosures of activities, including purchases, sales, issuances, and settlements within the Level 3 fair value measurements. The standard also clarifies existing disclosure requirements on levels of disaggregation and disclosures about inputs and valuation techniques. These new disclosures are effective beginning with the first interim filing in 2010. The disclosures about the roll-forward of information in Level 3 are required for the Company with its first interim filing in 2011. The Company does not believe this standard will impact their financial statements.

Other ASU s that have been issued or proposed by the FASB ASC that do not require adoption until a future date and are not expected to have a material impact on the financial statements upon adoption.

**NOTE 3 STOCKHOLDERS EQUITY (DEFICIT)**

***Preferred Stock***

The Company has 10,000,000 shares of no par value preferred stock authorized. No preferred shares have been issued.

***Common Stock***

The Company is authorized to issue up to 50,000,000 shares of common stock at \$0.10 par value per share ( Common Stock ) and as of March 31, 2010 and as of the date of this filing has 15,790,209 shares of Common Stock issued and outstanding.

On July 27, 2009, as part of the acquisition of the Company s subsidiary, the Company:

- (i) effected a forward stock split on a basis of 3:1 which increased the issued and outstanding shares of Common Stock from 1,017,573 to 3,052,719, and this change was reflected retroactive in accordance with rules and regulations of SAB Topic 4C.
- (ii) accepted from a shareholder the surrender of and canceled 1,935,000 shares of Common Stock which were returned to the Company s authorized but unissued shares,
- (iii) issued 403,802 shares to the same shareholder who surrendered the above-mentioned shares, and
- (iv) issued 13,693,689 shares of its Common Stock to the shareholders of America s Minority Health Network in exchange for 100% of the shares of America s Minority Health Network.

On September 25, 2009, the Company authorized the issuance of 350,000 shares of restricted Common Stock valued at \$105,000 in exchange for consulting services and authorized the issuance of an aggregate of 510,000 shares of its Common Stock valued at \$153,000 pursuant to a Form S-8 registration statement ( Form S-8 ).



**Table of Contents****AMHN, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****MARCH 31, 2010****NOTE 3 STOCKHOLDERS EQUITY (DEFICIT) (Continued)*****Common Stock (Continued)***

The restricted shares have not yet been issued, and the Company has not yet filed the Form S-8. Related to these shares, the Company has included \$258,000 in accrued expenses on the accompanying financial statements and anticipates the filing of the Form S-8 and the issuance of the restricted common stock in the first quarter of 2010.

On September 28, 2009, the Company issued 450,000 shares of stock valued at \$112,500 in exchange for consulting services.

On October 20, 2009, the Company issued 125,000 shares of its restricted Common Stock to Alliance Advisors, LLC pursuant to an Investor Relations Consulting Agreement.

***2009 Long Term Incentive Compensation Plan***

On September 25, 2009, the Company's board of directors approved the AMHN, Inc. 2009 Long Term Incentive Compensation Plan (the Plan) containing one million shares that may be issued to provide financial incentives to employees, members of the Board, and advisers and consultants of the Company. The Plan must be ratified by the Company's shareholders prior to the next annual meeting of shareholders. In conjunction with approval of the Plan and after ratification of the Plan by the Company's shareholders, the Company's board of directors approved the granting of non-qualified stock options (the Options) to officers and employees of the Company for an aggregate of 900,000 underlying shares. The exercise price of the Options will be fixed at \$0.30 per share with the underlying shares vesting at the rate of one-third on the date of the grant and one-third on each of the first and second anniversary dates of the grant. The Options expire five (5) years from the date that the Options are fully vested. The Plan has not yet been approved by the Company's shareholders and none of these options have been issued as of this filing.

***Warrant(s) to Purchase Common Stock***

A summary of the Company's Warrant(s) and related information as of March 31, 2010 follows:

|                              | Number of<br>Shares<br>Under<br>Warrant(s) | Range of<br>Warrant(s)<br>Price<br>Per Share | Weighted<br>Average<br>Exercise<br>Price |
|------------------------------|--|--|--|
| Balance at December 31, 2008 | -0-  | \$ -0-                                       | \$ -0-                                   |
| Granted <sup>(1)</sup>       | 76,075                                     | 0.01   | 0.01                                     |
| Exercised                    | -0-  | -0-  | -0-                                      |
| Cancelled                    | -0-  | -0-  | -0-                                      |
| Balance at December 31, 2009 | 76,075                                     | 0.01   | 0.01                                     |
| Granted <sup>(1)</sup>       | -0-  | -0-  | -0-                                      |
| Exercised                    | -0-  | -0-  | -0-                                      |
| Cancelled                    | -0-  | -0-  | -0-                                      |
| Balance at March 31, 2010    | 76,075                                     | \$ 0.01                                      | \$ 0.01                                  |

(1) Granted and accrued for but not issued.

**Table of Contents****AMHN, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****MARCH 31, 2010****NOTE 3 STOCKHOLDERS EQUITY (DEFICIT) (Continued)*****Warrant(s) to Purchase Common Stock (Continued)***

The valuation methodology used to determine the fair value of the Warrant(s) issued was the Black-Scholes-Merton option-pricing model. The Black-Scholes-Merton model requires the use of a number of assumptions including volatility of the stock price, the weighted average risk-free interest rate, and the weighted average expected life of the Warrant(s).

The risk-free interest rate assumption is based upon observed interest rates on zero coupon U.S. Treasury bonds whose maturity period is appropriate for the term of the Warrant(s) and is calculated by using the average daily historical stock prices through the day preceding the grant date. Estimated volatility is a measure of the amount by which the Company's stock price is expected to fluctuate each year during the expected life of the award. The Company's estimated volatility is an average of the historical volatility of peer entities whose stock prices were publicly available. The Company's calculation of estimated volatility is based on historical stock prices of these peer entities over a period equal to the expected life of the awards. The Company uses the historical volatility of peer entities due to the lack of sufficient historical data of its stock price.

The weighted average fair value of Warrant(s) granted and the assumptions used in the Black-Scholes-Merton model during the year ended December 31, 2009 are set forth in the table below.

|   |         |
|---|---------|
| Weighted average fair value of Warrant(s) granted | \$ 0.30 |
| Risk-free interest rate                           | 0.98%   |
| Volatility  | 129.39% |
| Expected life                                     | 2       |
| Dividend yield                                    | 0.00%   |

\$22,138 is included in accrued expenses reflecting the value of the 76,075 Warrant(s).

**NOTE 4 LOANS PAYABLE RELATED PARTY**

The Company's subsidiary had an unsecured loan payable outstanding with Seatac Digital Resources, Inc. ( Seatac ), the Company's systems integrator and shareholder. Seatac provided necessary working capital of \$700 for the Company in their initial period to assist them in the payment of certain payables. There was no interest on this unsecured loan which was repaid in March 2010.

On June 1, 2009, Seatac loaned the Company's subsidiary \$100,000 under a demand promissory note that accrues interest at the rate of five percent (5) per annum. Interest has been accrued and is included in accrued expenses on the accompanying financial statements.

On June 30, 2009, Seatac provided a commitment letter to the Company to loan up to an additional \$500,000 in the form of short term loans to cover operating expenses of the Company's subsidiary (the June Loan Commitment ). Seatac subsequently provided \$500,000 in loans under the June Loan Commitment and the Company's subsidiary issued demand promissory notes as follows: July 21, 2009 for \$100,000; September 2, 2009 for \$100,000; October 7, 2009 for \$100,000; November 4, 2009 for \$100,000; November 20, 2009 for \$50,000; and December 30, 2009 for \$50,000 (the 2009 Demand Notes ). The 2009 Demand Notes accrued interest at five percent (5%) per annum.

**Table of Contents****AMHN, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****MARCH 31, 2010****NOTE 4 LOANS PAYABLE RELATED PARTY (Continued)**

On November 1, 2009, Seatac provided a commitment letter to loan up to an additional \$500,000 in the form of short term loans to cover operating expenses of the Company's subsidiary (the November Loan Commitment). Through March 31, 2010, Seatac provided \$200,000 in loans under the November Loan Commitment and the Company's subsidiary issued demand promissory notes as follows: January 22, 2010 for \$50,000; February 1, 2010 for \$50,000; March 1, 2010 for \$50,000; and March 31, 2010 for \$50,000 (the 2010 Demand Notes). The 2010 Demand Notes accrued interest at five percent (5%) per annum. Interest of \$8,531 has been expensed and accrued for the 2009 and 2010 Demand Notes and is included in the accompanying financial statements.

On March 10, 2010, Seatac provided a third commitment letter to loan up to an additional \$500,000 in the form of short term loans to cover operating expenses of the Company's subsidiary (the March Loan Commitment). To date, no funds have been provided under the March Loan Commitment.

On April 1, 2010, the Company converted all \$800,000 due under the 2009 and 2010 Demand Notes into a 4% Secured Promissory Note which is due in one lump sum payment on June 30, 2010, unless extended. For further information, see *Note 8, Subsequent Events*.

Seatac is a major shareholder of the Company and its President and sole Director, Robin Tjon, serves as one of our Company's directors.

**NOTE 5 ACCRUED EXPENSES**

At March 31, 2010 and December 31, 2009, accrued expenses consisted of the following:

|                           | <b>March 31,</b>  | <b>December</b>   |
|---------------------------|-------------------|-------------------|
|                           | <b>2010</b>       | <b>31,</b>        |
|                           |                   | <b>2009</b>       |
| Accrued consulting fees   | \$ 258,000        | \$ 258,000        |
| Dividends payable         | 41,358            | 42,079            |
| Accrued professional fees | 22,138            | 22,138            |
| Accrued interest          | 17,387            | 8,856             |
|                           | <b>\$ 338,883</b> | <b>\$ 331,073</b> |

**NOTE 6 COMMITMENTS AND CONTINGENCIES**

On May 1, 2009, the Company's subsidiary entered into an Installation and Remote Transfer Testing Project Management and Service Agreement (Service Agreement) and a License Agreement (License Agreement) with Seatac, for an initial term of five (5) years. The Service Agreement provides that (i) Seatac, directly and through sub-contractors, will produce, license and supply certain goods and services as described therein, (ii) Seatac will provide certain goods and services to facilitate the installation and operation of a media information display network within professional offices located in the United States and Canada, and (iii) Seatac will supply the goods and services purchased by the Company's subsidiary and that the Company's subsidiary agrees to purchase and accept the licenses on the terms and conditions set forth in the Service Agreement.

**Table of Contents****AMHN, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****MARCH 31, 2010****NOTE 6 COMMITMENTS AND CONTINGENCIES (Continued)**

The License Agreement grants Seatac the right to license the software, as defined therein. Seatac will provide the licensee with use of its software components, including the server software, and the software media player that will drive one or more displays and connect back to the server. The fees for the license include (i) an initial one-time fee of \$500 for the remote transfer set up, (ii) hardware and installation fees of \$3,500 per site, and (iii) a standard remote transfer license fee of \$87 per unit per month.

On October 1, 2009, the Company's Board of Directors approved an Investor Relations Consulting Agreement with Alliance Advisors, LLC (the Agreement). The twelve-month Agreement calls for cash payments of \$5,000 per month for months 1-3, \$6,000 per month for months 4-6, and \$7,000 per month for the remaining six (6) months. In addition to the cash payments, the Agreement calls for the issuance of 125,000 restricted shares of the Company's Common Stock during the first thirty days of the Agreement with an additional 125,000 restricted shares of the Company's Common Stock after the successful completion of the first six (6) months of service. The Company issued the first 125,000 shares called for in the Agreement on October 20, 2009.

On November 13, 2009, the Company relocated its principal offices to 100 North First Street, Suite 104, Burbank, California 91502 where it subleases 2,010 square feet of furnished office space. As a condition of the sublease, the Sublessor required that Seatac be listed as a co-Sublessee with the Company's subsidiary. The one-year and eleven and one-half month lease, expiring on October 31, 2011, was guaranteed by Seatac and calls for base lease payments of \$4,905 per month. The Company paid \$22,352 to cover a security deposit of \$14,800 and rent from November 26 through December 31, 2009. Rent expense, excluding taxes, by year for term of this sublease is as follows: 2010-\$58,859; and 2011-\$49,049. Rent expense for the three months ended March 31, 2010 is \$15,885.

**NOTE 7 PROVISION FOR INCOME TAXES**

Deferred income taxes are determined using the liability method for the temporary differences between the financial reporting basis and income tax basis of the Company's assets and liabilities. Deferred income taxes are measured based on the tax rates expected to be in effect when the temporary differences are included in the Company's tax return. Deferred tax assets and liabilities are recognized based on anticipated future tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective tax bases. As of March 31, 2010, there is no provision for income taxes, current or deferred.

At March 31, 2010, deferred tax assets consist of the following:

|                      |            |
|----------------------|------------|
| Net operating losses | \$ 761,000 |
| Valuation Allowance  | (761,000)  |
|                      | \$ -0-     |

At March 31, 2010, the Company had a net operating loss carry forward of approximately \$2,237,000, available to offset future taxable income through 2030. The Company established valuation allowances equal to the full amount of the deferred tax assets due to the uncertainty of the utilization of the operating losses in future periods.

**Table of Contents****AMHN, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****MARCH 31, 2010****NOTE 7 PROVISION FOR INCOME TAXES (Continued)**

A reconciliation of the Company's effective tax rate as a percentage of income before taxes and federal statutory rate for the period ended March 31, 2010 is summarized as follows:

|   | <b>2010</b> |
|---|-------------|
| Federal statutory rate                      | (34.0)%     |
| State income taxes, net of federal benefits | 3.3         |
| Valuation allowance                         | 30.7        |
|   | 0%          |

**NOTE 8 SUBSEQUENT EVENTS**

On April 1, 2010, the Company issued a 4% Secured Promissory Note (the "Note") in the principal base amount of \$800,000 (the "Principal Base Amount") to Seatac pursuant to the terms of that certain Note Purchase Agreement (the "Note Purchase Agreement") of even date therewith. As consideration for the Note, Seatac surrendered certain promissory notes previously issued by the Company to Seatac (collectively known as the "Prior Notes"), specifically set forth as follows:

the Promissory Note dated June 1, 2009 for \$100,000,

the Promissory Note dated July 21, 2009 for \$100,000,

the Promissory Note dated September 2, 2009 for \$100,000,

the Promissory Note dated October 7, 2009 for \$100,000,

the Promissory Note dated November 4, 2009 for \$100,000,

the Promissory Note dated November 20, 2009 for \$50,000,

the Promissory Note dated December 31, 2009 for \$50,000,



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the Promissory Note dated January 22, 2010 for \$50,000,

the Promissory Note dated February 1, 2010 for \$50,000,

the Promissory Note dated March 1, 2010 for \$50,000, and

the Promissory Note dated March 31, 2010 for \$50,000.

The Principal Base Amount of the Note, plus any and all additional advances made to the Company thereafter (the Aggregated Principal Amount ), together with accrued interest at the annual rate of four percent (4%), is due in one lump sum payment on June 30, 2010 (the Maturity Date ). The Note provides that the Note will automatically renew on the Maturity Date for additional ninety (90) day periods (the Extended Maturity Date ) unless ten (10) days prior to the Extended Maturity Date the Holder provides written notice to the Company of its intent not to renew. If the Company commits any Event of Default (as defined in the Note Purchase Agreement), then the unpaid principal amount of, and accrued interest on, the Note may be accelerated by Seatac and become due and payable, whereupon the interest rate shall be increased to a rate of ten percent (10%) per annum, subject to the limitations of applicable law.

The Note Purchase Agreement contains a number of negative covenants with which the Company must comply so long as the Note remains outstanding. Such negative covenants include, but are not limited to, restrictions on the Company s ability to (i) declare or pay any dividends or to purchase, redeem or otherwise acquire or retire any shares of the Company s capital stock; (ii) effect any reclassification, combination or reverse stock split of the Company s Common Stock; (iii) create, incur or assume any lien or other encumbrance

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**AMHN, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**MARCH 31, 2010**

**NOTE 8 SUBSEQUENT EVENTS (Continued)**

(with limited exceptions as set forth in the Note Purchase Agreement); (iv) create, incur or assume (directly or indirectly) any indebtedness (with limited exceptions as set forth in the Note Purchase Agreement); (v) enter into a Change in Control Transaction (as defined in the Note Purchase Agreement); (vi) amend the Company's Articles of Incorporation or Bylaws; and (vii) enter into any transactions with affiliates.

As security for the Company's obligations under the Note Purchase Agreement and the Note, the Company pledged all of the capital stock of its subsidiary, America's Minority Health Network, pursuant to the terms of a Stock Pledge and Escrow Agreement of even date therewith. Repayment of the Note is guaranteed by the Company's subsidiary and is also secured by a blanket lien encumbering the assets of the Company and its Subsidiary.

Seatac is a major shareholder of the Company and its President and sole Director, Robin Tjon, serves as one of our Company's directors.

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**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

***General***

The following discussion and analysis provides information which management of the Company believes to be relevant to an assessment and understanding of the Company's results of operations and financial condition. This discussion should be read together with the Company's consolidated financial statements and the notes to the financial statements, which are included in this report. This information should also be read in conjunction with the information contained in our Form 10-K filed with the Securities and Exchange Commission (SEC) on March 17, 2010, including the audited financial statements and notes included therein. The reported results will not necessarily reflect future results of operations or financial condition.

*Caution Regarding Forward-Looking Statements*

This Quarterly Report on Form 10-Q contains forward-looking statements, as that term is defined in the Private Securities Litigation Reform Act of 1995. These statements relate to future events or our future financial performance. Some discussions in this report may contain forward-looking statements that involve risk and uncertainty. A number of important factors could cause our actual results to differ materially from those expressed in any forward-looking statements made by us in this report. Forward-looking statements are often identified by words like believe, expect, estimate, anticipate, intend, project and similar words or expressions that, by their nature, refer to future events.

In some cases, you can also identify forward-looking statements by terminology such as may, will, should, plans, predicts, potential, or or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties, and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, or achievements. You should not place undue certainty on these forward-looking statements, which apply only as of the date of this report. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical results or our predictions. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements in an effort to conform these statements to actual results.

*Overview*

The Company was incorporated in Utah in 1907 under the name Croff Mining Company (Croff). The Company changed its name to Croff Oil Company in 1952 and in 1996 changed its name to Croff Enterprises, Inc. In the twenty (20) years prior to 2008, Croff's operations consisted entirely of oil and natural gas production. Due to a spin-off of its operations in December 2007, Croff had no business operations or revenue source and had reduced its operations to a minimal level, although it continued to file reports required under the Securities Exchange Act of 1934. As a result of the spin-off, Croff was a shell company under the rules of the SEC.

On July 6, 2009, Croff entered into an Agreement and Plan of Reorganization (the Agreement) with AMHN Acquisition Corp., a newly formed Delaware corporation and wholly owned subsidiary of Croff (Merger Sub), America's Minority Health Network, Inc., a Delaware corporation (America's Minority Health Network) and the major shareholders of the America's Minority Health Network (the

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Major Shareholders ). The terms of the Agreement provide for (i) the transfer of 100% of the issued and outstanding shares of common stock of America s Minority Health Network in exchange for the issuance to the shareholders of American s Minority Health Network of an aggregate of 13,693,689 shares of common stock of Croff (the Croff Common Stock ) at a conversion ratio where one share of America s Minority Health Network is converted into 13,693.689 shares of Croff; (ii) the resignations of Croff s officers and directors prior to the consummation of the Agreement and the election and appointment of officers and directors as directed by America s Minority Health Network; and (iii) America s Minority Health Network to become a wholly owned subsidiary of Croff. A full description of the terms of the Agreement (the Transaction ) is set forth in the Agreement as filed as an exhibit to the Report on Form 8-K filed with the Securities and Exchange Commission on July 10, 2009.

On July 27, 2009, the Closing Date of the Transaction pursuant to the terms and conditions of the Agreement, Croff acquired 100% of the issued and outstanding shares of America s Minority Health Network in exchange for the issuance of an aggregate of 13,693,689 shares of Croff Common Stock. In accordance with the provisions of this triangulated merger, Merger Sub merged with and into America s Minority Health Network as of the Effective Date of the Agreement, as that term is defined therein. Upon consummation of the Agreement and all transactions contemplated therein, the separate existence of Merger Sub ceased, Croff became the surviving parent corporation, and America s Minority Health Network became its wholly owned subsidiary (the Company s subsidiary ). As a result of the Transaction, Croff ceased being a shell company. The sole business of Croff became that of its operating subsidiary, America s Minority Health Network, Croff experienced a change in control and the former shareholders of America s Minority Health Network acquired control of the Company. For accounting purposes, the Transaction was treated as a reverse merger.

Prior to the Closing, America s Minority Health Network received a letter from Seatac Digital Resources, Inc., offering funding or commitments for funding in the form of short term loans that in the aggregate may amount up to \$500,000 to cover operations of American s Minority Health Network for six (6) months. Through Seatac Digital Resources, Inc., a strategic vendor and principal shareholder ( Seatac ), America s Minority Health Network obtained (i) a \$100,000 loan through the issuance of a five-percent (5%) promissory note due on demand (the Note ), and (ii) a letter of commitment for an additional loan of up to \$500,000 ( Commitment Letter ), as noted above. The Note and Commitment Letter were attached as exhibits to the Current Report on Form 8-K filed with the Commission on July 29, 2009 and are incorporated herein by reference. Subsequently, Seatac provided to America s Minority Health Network the additional \$500,000 funding referenced in the loan commitment.

On September 11, 2009, the Company s Board of Directors approved an agreement with Global Arena Capital Corp. (the Global Agreement ) through which Global Arena Capital Corp. ( Global ) would serve as the Company s exclusive placement agent in an attempt to raise up to five million dollars (\$5,000,000) through the offer and sale by the Company of its securities. Under a related private placement memorandum ( PPM ), the Company offered twenty-five (25) units for the purchase price of two hundred thousand dollars (\$200,000) each (the Offering ). Each unit consisted of 200,000 shares of the Company s Common Stock and a detachable, transferable Warrant to purchase 70,000 shares of the Company s Common Stock. The Warrant was exercisable in whole or in part during the five-year period following issuance at an exercise price of \$1.10 per share. The Offering period was for sixty (60) days and could be extended for an additional sixty (60) day period. No funds were raised under the Offering and the Offering was not extended.

Upon execution of the Global Agreement, the Company agreed to pay a retainer to Global through the issuance of 76,075 Warrants exercisable for one cent (\$0.01) which represented one half of one percent (0.50%) of the then issued and outstanding shares of Common Stock of the Company. The Warrants were accounted for in the third quarter of 2009, but have not yet been issued. The Warrants have not been registered under the Securities Act or the securities laws of any state, and such securities will be issued in reliance upon exemptions from the registration requirements of such laws, which depend in part, on the intent of the warrant holder not to make distribution of such securities.

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On September 14, 2009, the Company changed its name to AMHN, Inc. Unless otherwise stated or unless the context otherwise requires, the description of our business set forth below is provided on a combined basis. The Company's office is located at 100 North First Street, Suite 104, Burbank, California 91502.

On September 23, 2009, the Company's Board of Directors approved the redomicile of the Company from Utah to Nevada; however the Company's shareholders have not yet approved the action. On the same date, the Company's Board of Directors approved the AMHN, Inc. 2009 Long Term Incentive Compensation Plan which is not yet effective and must be approved by the Company's shareholders by the next annual meeting.

On October 1, 2009, the Company's Board of Directors approved an Investor Relations Consulting Agreement with Alliance Advisors, LLC (the Agreement). The twelve-month Agreement calls for cash payments of \$5,000 per month for months 1-3, \$6,000 per month for months 4-6, and \$7,000 per month for the remaining six (6) months. In addition to the cash payments, the Agreement calls for the issuance of 125,000 restricted shares of the Company's Common Stock during the first thirty days of the Agreement with an additional 125,000 restricted shares of the Company's Common Stock after the successful completion of the first six (6) months of service. The Company issued the first 125,000 shares called for in the Agreement on October 20, 2009.

On November 1, 2009, Seatac provided a second commitment for funding in the form of short term loans that in the aggregate amount up to \$500,000 to cover operations of the Company's subsidiary. Subsequently, Seatac provided \$200,000 to the Company's subsidiary under the funding commitment. On March 10, 2010, Seatac provided a third commitment letter to loan up to an additional \$500,000 in the form of short term loans to cover operating expenses. To date, no loans have been provided under the March Loan Commitment.

On November 13, 2009, the Company relocated its principal offices to 100 North First Street, Suite 104, Burbank, California 91502 where it subleases 2,010 square feet of furnished office space. As a condition of the sublease, the Sublessor required that Seatac be listed as a co-Sublessee with the Company's subsidiary. The one-year and eleven and one-half month lease, expiring on October 31, 2011, was guaranteed by Seatac and calls for base lease payments of \$4,905 per month. The Company paid \$22,352 to cover a security deposit of \$14,800 and rent from November 26 through December 31, 2009. Rent expense, excluding taxes, by year for term of this sublease is as follows: 2009-\$7,357; 2010-\$58,859; and 2011-\$49,049.

The Company's subsidiary is a place-based provider of digital video education for medical practices who primarily service minorities. Research has shown that due to socioeconomic and sociopolitical issues, African-Americans suffer from exceptionally high mortality and morbidity rates. Lack of proper healthcare education has been cited as one of the factors leading to higher health risks for the African-American community. The Company's subsidiary provides a digital platform to increase African-American health education awareness that can increase the longevity and well-being of African-American men and women, while providing relevant advertising of related products. The Company's subsidiary has created a viable solution to meet the needs of physicians who are constantly searching for ways to better inform their patients and for advertisers that are searching for ad space to communicate specific products to African-Americans.

The Company's subsidiary currently provides direct-to-consumer television programming across the United States to subscribing medical offices with a predominantly African-American patient base. Currently, 160 offices have subscribed to the service with 140 offices live and receiving programming. Our rollout plan calls for one thousand (1,000) subscribing locations in our first phase. Each month updated healthcare segments and relevant advertising are digitally delivered in high definition directly to

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waiting rooms filled with a well-defined African-American target audience. Medical office waiting rooms provide a captive audience with the typical presence of over 1,000 patients per month per location, where viewers are pre-disposed to watch and listen to the pertinent information offered.

The Company's Common Stock trades on the Over-the-Counter Bulletin Board under symbol AMHN.

*Recent Events*

On April 1, 2010, the Company issued a 4% Secured Promissory Note (the Note) in the principal base amount of \$800,000 (the Principal Base Amount) to Seatac pursuant to the terms of that certain Note Purchase Agreement (the Note Purchase Agreement) of even date therewith. As consideration for the Note, Seatac surrendered certain promissory notes previously issued by the Company to Seatac (collectively known as the Prior Notes), specifically set forth as follows:

the Promissory Note dated June 1, 2009 for \$100,000,

the Promissory Note dated July 21, 2009 for \$100,000,

the Promissory Note dated September 2, 2009 for \$100,000,

the Promissory Note dated October 7, 2009 for \$100,000,

the Promissory Note dated November 4, 2009 for \$100,000,

the Promissory Note dated November 20, 2009 for \$50,000,

the Promissory Note dated December 31, 2009 for \$50,000,

the Promissory Note dated January 22, 2010 for \$50,000,

the Promissory Note dated February 1, 2010 for \$50,000,

the Promissory Note dated March 1, 2010 for \$50,000, and

the Promissory Note dated March 31, 2010 for \$50,000.

The Principal Base Amount of the Note, plus any and all additional advances made to the Company thereafter (the Aggregated Principal Amount), together with accrued interest at the annual rate of four percent (4%), is due in one lump sum payment on June 30, 2010 (the Maturity Date). The Note provides that the Note will automatically renew on the Maturity Date for additional ninety (90) day periods (the Extended Maturity Date) unless ten (10) days prior to the Extended Maturity Date the Holder provides written notice to the Company of its intent not to renew. If the Company commits any Event of Default (as defined in the Note Purchase Agreement), then the unpaid principal amount of, and accrued interest on, the Note may be accelerated by Seatac and become due and payable, whereupon the interest rate shall be increased to a rate of ten percent (10%) per annum, subject to the limitations of applicable law.

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The Note Purchase Agreement contains a number of negative covenants with which the Company must comply so long as the Note remains outstanding. Such negative covenants include, but are not limited to, restrictions on the Company's ability to (i) declare or pay any dividends or to purchase, redeem or otherwise acquire or retire any shares of the Company's capital stock; (ii) effect any reclassification, combination or reverse stock split of the Company's Common Stock; (iii) create, incur or assume any lien or other encumbrance (with limited exceptions as set forth in the Note Purchase Agreement); (iv) create, incur or assume (directly or indirectly) any indebtedness (with limited exceptions as set forth in the Note Purchase Agreement); (v) enter into a Change in Control Transaction (as defined in the Note Purchase Agreement); (vi) amend the Company's Articles of Incorporation or Bylaws; and (vii) enter into any transactions with affiliates.

As security for the Company's obligations under the Note Purchase Agreement and the Note, the Company pledged all of the capital stock of its subsidiary, America's Minority Health Network, pursuant to the terms of a Stock Pledge and Escrow Agreement of even date therewith. Repayment of the Note is guaranteed by the Company's subsidiary and is also secured by a blanket lien encumbering the assets of the Company and its subsidiary.

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The foregoing description of the Note Purchase Agreement, the Note, the Stock Pledge and Escrow Agreement, and related agreements is qualified, in its entirety, by reference to each agreement, copies of which are attached as exhibits to the Current Report on Form 8-K filed with the SEC on April 7, 2010, which Form 8-K and exhibits are incorporated herein by reference.

### *Results of Operations*

The following discussion of our financial condition and results of operations should be read in conjunction with our financial statements, included herewith. This discussion should not be construed to imply that the results discussed herein will necessarily continue into the future, or that any conclusion reached herein will necessarily be indicative of actual operating results in the future. Such discussion represents only the best present assessment of our management.

### *Results for the three month period ended March 31, 2010*

#### ***Revenues and Cost of Revenues***

AMHN had revenues of \$15,329 during the above referenced period.

#### ***Sales and Operating Expenses***

AMHN's sales expenses consisted of travel expenses, attendance at selected conferences, and mailing expenses while our operating expenses consisted of costs associated with service and maintenance of the programming provided via broadband delivery to subscribing offices. Sales and operating expenses for the above referenced period were \$115,821.

#### ***General and Administration, Professional, and Consulting Expenses***

AMHN's general and administrative expenses consisted of accounting and administrative costs, professional fees and other general corporate expenses. General and administrative expenses for the above referenced period were \$180,469.

### ***Liquidity and Capital Resources***

The Company began its current operations in 2009 and has not as yet attained a level of operations which allows it to meet its current overhead. We do not contemplate attaining profitable operations until the late fourth quarter of 2010 or until 1,000 locations are deployed and sufficient advertising contracts are secured. There is no assurance that such an operating level can ever be achieved. We will be dependent upon obtaining additional financing in order to adequately fund working capital, infrastructure, production expenses and significant marketing related expenditures to gain market recognition, so that we can achieve a level of revenue adequate to support our cost structure, none of which can be assured. These factors raise substantial doubt about our ability to continue as a going concern and the accompanying consolidated financial statements do not include any adjustments related to the recoverability or classification of asset carrying amounts or the amounts and classification of liabilities that may result should we be unable to continue as a going concern.

As of March 31, 2010, AMHN's cash balance was \$48,049. Outstanding debt as of March 31, 2010 totaled \$1,498,296 including \$800,000 in loans from a related party and \$357,933 in accounts payable to related parties. The Company's working capital deficit as of March 31, 2010 was \$1,432,937.



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The Company will need to raise additional capital to expand operations to the point at which the Company can achieve profitability. The terms of financing that may be raised may not be on terms acceptable by the Company. If adequate funds cannot be raised outside of the Company, the Company's current shareholders may need to contribute funds to sustain operations.

As further discussed in *Item 1. Business*, the Company initially received a loan from Seatac for \$100,000 which was then followed by three funding commitment letters from Seatac for \$500,000 each. The Company received \$500,000 under the first funding commitment and \$200,000 under the second funding commitment for an aggregate of \$800,000 to date; however, the funding commitment letters are non-binding and there is no guarantee that the funds will be received by the Company. Should funding from the second and third funding commitment letters be received by the Company, we would have sufficient financial resources to continue our business plan for an additional six (6) months.

### *Off-Balance Sheet Arrangements*

None.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

Our Company is a smaller reporting company as defined by Rule 12b-2 of the Exchange Act, and as such, is not required to provide the information required under this item.

### **Item 4T. Controls and Procedures**

#### ***Disclosure Controls and Procedures***

Disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports filed or submitted under the Securities Exchange Act of 1934 (the Exchange Act) is recorded, processed, summarized and reported, within the time period specified in the SEC's rules and forms and is accumulated and communicated to Mr. Robert Cambridge, the Company's Chief Executive Officer, as appropriate, in order to allow timely decisions in connection with required disclosure.

#### ***Evaluation of Disclosure Controls and Procedures***

Mr. Cambridge, the Company's Chief Executive Officer, and Donald R. Mastropietro, the Company's Chief Financial Officer, have evaluated the effectiveness of the design and operation of our Company's disclosure controls and procedures (as such term is defined in Rules 13a-15 and 15d-15 under the Exchange Act) as of the end of the period covered by this quarterly report. Based on such evaluation, they concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. During the most recently completed three-month period ending March 31, 2010, there has been no significant change in the Company's internal control over financial reporting that has affected, or is reasonably likely to affect, the Company's internal control over financial reporting.

#### ***Changes in Internal Controls***

During the three months ended March 31, 2010, there were no significant changes in internal controls of the Company, or other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

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**PART II - OTHER INFORMATION**

**Item 1. Legal Proceedings.**

None.

**Item 1A. Risk Factors.**

There have been no material changes to the Risk Factors, which are described in more detail in our Form 10-K filed with the SEC on March 17, 2010. See also "Caution Regarding Forward Looking Statements" within this Form 10-Q.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

As previously mentioned herein, pursuant to and in conjunction with the Agreement, the Company issued:

2,035,146 shares of its Common Stock pursuant to the aforementioned Forward Split;

13,693,689 shares of its Common Stock to the shareholders of America's Minority Health Network in exchange for 100% of their ownership in America's Minority Health Network; and

403,802 shares of its Common Stock to Terrace Lane, LLC.

The 13,693,689 shares issued to the shareholders of America's Minority Health Network and the 403,802 shares issued to Terrace Lane, LLC were issued with a restrictive legend that the shares had not been registered under the Securities Act of 1933. Of the 2,035,146 shares issued pursuant to the aforementioned Forward Split, 1,316,200 shares were issued with a restrictive legend that the shares had not been registered under the Securities Act of 1933. The exchange of the securities pursuant to the Transaction was conducted pursuant to the exemption from registration provided by Regulation D of the Securities Act and Section 4(2) of the Securities Act.

On September 28, 2009, the Company issued 450,000 shares of Common Stock valued at \$112,500 in exchange for consulting services.

On October 21, 2009, the Company issued 125,000 shares of its restricted Common Stock as a retainer to Alliance Advisors, LLC.

**Item 3. Defaults upon Senior Securities.**

None.

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

None.

**Item 5. Other Information.**

None.



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| <b>Exh.</b> | <b>Date</b>        | <b>Description</b>  |
|-------------|--------------------|---|
| 2.1         | July 6, 2009       | Agreement and Plan of Reorganization among Croff Enterprises, Inc., AMHN Acquisition Corp., America s Minority Health Network, Inc., and the Major Shareholders. <sup>(1)</sup> |
| 2.2         | October 25, 2007   | Croff Enterprises, Inc. Plan of Corporate Division and Reorganization <sup>(4)</sup>  |
| 3.1         | September 14, 2009 | Articles of Amendment to Articles of Incorporation (to change name to AMHN, Inc.) <sup>(3)</sup>  |
| 3.2         | July 27, 2009      | Certificate of Merger of AMHN Acquisition Corp. with and into America s Minority Health Network, Inc. <sup>(5)</sup>  |
| 3.3         | December 7, 2007   | Articles of Amendment of Croff Enterprises, Inc. (to increase authorized common shares from 20,000,000 to 50,000,000) <sup>(4)</sup>  |
| 10.00       | April 1, 2010      | Note Purchase Agreement by and between the Company and Seatac Digital Resources, Inc. for a loan for \$800,000 <sup>(3)</sup>   |
| 10.01       | April 1, 2010      | 4% Secured Promissory Note from the Company to Seatac Digital Resources, Inc. for \$800,000 <sup>(6)</sup>  |
| 10.02       | April 1, 2010      | Stock Pledge and Escrow Agreement by and between the Company and Seatac Digital Resources, Inc. <sup>(6)</sup>  |
| 10.03       | April 1, 2010      | Security Agreement by and between the Company and Seatac Digital Resources, Inc. <sup>(6)</sup>   |
| 10.04       | April 1, 2010      | Guarantor Security Agreement by and between America s Minority Health Network, Inc. and Seatac Digital Resources, Inc. <sup>(6)</sup>   |
| 10.05       | April 1, 2010      | Guaranty Agreement by and between American s Minority Health Network, Inc. and Seatac Digital Resources, Inc. <sup>(6)</sup>  |
| 31.1        | April 26, 2010     | Certification of Chief Executive Officer of Periodic Report pursuant to Rule 13a-14a and Rule 14d-14(a).*   |
| 31.2        | April 26, 2010     | Certification of Chief Financial Officer of Periodic Report pursuant to Rule 13a-14a and Rule 15d-14(a).*   |
| 32.1        | April 26, 2010     | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350.*   |
| 32.2        | April 26, 2010     | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350.*   |

<sup>(1)</sup> Filed as an exhibit to Form 8-K filed with the Commission on July 10, 2009 and incorporated herein by reference.

<sup>(2)</sup> Filed as an exhibit to Form 8-K filed with the Commission on July 29, 2009 and incorporated herein by reference.

<sup>(3)</sup> Filed as an exhibit to Form 10-Q for quarter ending September 30, 2009 filed with the Commission on November 16, 2009 and incorporated herein by reference.

<sup>(4)</sup> Filed as an exhibit to Form 10-K for the year ended December 31, 2007 filed with the Commission on May 8, 2008 and incorporated herein by reference.

<sup>(5)</sup> Filed as an exhibit to Form 10-K filed with the Commission on March 17, 2010 and incorporated herein by reference.

<sup>(6)</sup> Filed as an exhibit to Current Report on Form 8-K filed with the Commission on April 7, 2010 and incorporated herein by reference.

\* Filed herewith.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DATE: April 26, 2010

AMHN, INC.

By: /s/ ROBERT CAMBRIDGE  
**Robert Cambridge**

**Chief Executive Officer**

By: /s/ DONALD R. MASTROPIETRO  
**Donald R. Mastropietro**

**Chief Financial Officer**