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

FORM 10-K

☒ ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year ended December 31, 2011

☐ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the transition period from _____ to _____

Commission File Number: 000-30415

Health Enhancement Products, Inc.

(Name of Registrant as Specified in Its Charter)

Nevada	**87-0699977**
(State or Other Jurisdiction of Incorporation Organization)	(I.R.S. Employer Identification No.)

7 West Square Lake Rd., Bloomfield Hills, MI 48302
(Address of Principal Executive Offices)

(248) 452 9866
(Issuer's telephone number)

Securities registered under Section 12(b) of the Exchange Act:
None

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, par value $.001 per share
(Title of Class)

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by checkmark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Date 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one).

Large Accelerated Filer ☐ Non-Accelerated Filer ☐ (Do not check if a smaller reporting company)
Accelerated Filer ☐ Smaller reporting company ☒

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

The aggregate market value of the issuer's voting and non-voting common equity held as of December 31, 2011 by non-affiliates of the issuer was $24,995,950 based on the closing price of the registrant's common stock on such date.

As of March 20, 2012, there were 100,036,350 shares of $.001 par value common stock issued and outstanding

FORM 10-K
HEALTH ENHANCEMENT PRODUCTS, INC.
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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements contained in this report are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements involve known and unknown risks, uncertainties and other factors which may cause our or our industry's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements include, but are not limited to statements regarding:

- our ability to raise the funds we need to continue our operations;
- our goal to increase our revenues and become profitable;
- regulation of our product;
- market acceptance of our product and derivatives thereof;
- The results of current and future testing of our product;
- the anticipated performance and benefits of our product;
- the ability to generate licensing fees; and
- our financial condition or results of operations.

In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "could," "would," "expects," "plans," "anticipates," "believes," "estimates," "projects," "predicts," "potential" and similar expressions intended to identify forward-looking statements. 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 such forward-looking statements. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Also, these forward-looking statements represent our estimates and assumptions only as of the date of this report. Except as otherwise required by law, we expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained in this report to reflect any change in our expectations or any change in events, conditions or circumstances on which any of our forward-looking statements are based. We qualify all of our forward-looking statements by these cautionary statements.

PART I

Item 1. Business.

General

We were incorporated under the laws of the State of Nevada on March 28, 1983, under the name of "L. Peck Enterprises, Inc." On May 27, 1999, we changed our name to "Western Glory Hole, Inc." ("WGH"). From 1990 until October 2003, we had no business operations; we were in the development stage and were seeking profitable business opportunities. On October 30, 2003, we acquired 100% of the outstanding shares of Health Enhancement Corporation ("HEC") in exchange for 9,000,000 of our post-split shares, making HEC our wholly-owned Subsidiary. In connection with this transaction, we changed our name to Health Enhancement Products, Inc. ("HEPI"). We currently operate through our wholly-owned Subsidiaries, HEC.

We acquired HEC because it had the material necessary for the production of ProAlgaZyme® a freshwater infusion derived from a unique algae culture. We have since established a manufacturing plant, which consists of a laboratory and production facility, and hired production staff. Since establishing production, we have attempted to sell the product through a variety of channels.

In January 2007, we established HEPI Pharmaceuticals, Inc. as one of our wholly owned Subsidiaries ("HEPI Pharma"). The purpose of HEPI Pharma was to develop potential pharmaceutical applications for our primary product, ProAlgaZyme® (PAZ). In connection with the formation of HEPI Pharma, we entered into a Pharmaceutical Development Agreement with HEPI Pharma. Under the Development Agreement, we granted HEPI Pharma the right to develop the potential pharmaceutical applications of PAZ and its derivatives. In exchange for these rights, we became the sole stockholder of HEPI Pharma and are entitled to certain payments based on the attainment of specified development milestones and sales revenues. Although we are continuing our product research and development activities, HEPI Pharma is not independently pursuing pharmaceutical applications for our product. HEPI Pharma is for all intents and purposes an inactive entity.

In 2008, we entered into a marketing agreement with Changing Times Vitamins, a vehicle primarily controlled by Howard Baer, a significant shareholder and former officer and director of the Company. In April of 2009, the agreement was amended to an exclusive distribution arrangement. By October of 2009, that agreement was terminated; in connection with the termination, of this agreement, Changing Times was paid $300,000 cash and Howard Baer was personally issued 750,000 shares and 750,000 warrants at an exercise price of $.10 per share.

As previously disclosed, on September 2, 2010, we executed a multi-year exclusive worldwide distribution agreement ("Zus Agreement") regarding our ProAlgaZyme product ("ProAlgaZyme" or "Product") with Zus Health, LLC, an international distributor of health and nutritional products ("Zus" or "Distributor"). This Agreement called for certain minimum payments subject to the satisfaction of certain conditions. Our new management team has been assessing certain of our contractual relationships, including the Zus relationship, in the context of the regulatory environment in which we are currently operating. Based on this review, we determined that Zus (as well as its purported assignee, Ceptazyme, LLC) has engaged in multiple material breaches of the Zus Agreement. Accordingly, although this arrangement remained in place throughout 2011, in January, 2012, we notified Zus Health's purported assignee, Ceptazyme, LLC of our intent to terminate the relationship. Subsequently, we notified Zus and Ceptazyme that the ZUS Agreement was subject to termination due to failure to cure the specified breaches of such Agreement. As a result, we will no longer be recognizing revenue until the matter is settled. In addition, we have filed a legal action in Michigan against Zus (as well as its purported assignee) alleging multiple breaches of contract. Ceptazyme, LLC subsequently filed an action in Utah against us, also alleging breach of contract. We intend to vigorously prosecute our action and defend against Ceptazyme's claims. See Business – Exclusive Distribution Agreement.

Our new management team has been evaluating our business strategy, and, in this connection, we have determined to move forward with a research-based product development program, as we do not believe that we can cost effectively sell and distribute our current product given regulatory and production considerations. Accordingly, we intend to implement a research-based product development program, all as more fully explained herein.

Having suspended the business of selling a branded ProAlgaZyme product at the start of 2012, we intend to implement a new business model under which we would derive future income from licensing and selling natural bioactive ingredients that may be derived from or initially based on ProAlgaZyme® algae cultures. These planned new products will likely be sold to much larger, better-financed food, dietary supplement and medical food manufacturers. The anticipated income streams are to be generated from a) royalties and advances for licensed natural bioactive ingredients, and b) bulk sales of such ingredients. These bulk ingredients will likely be made by contracted ingredient manufacturers and then sold by us to food, dietary supplement and medical food processors and/or name-brand marketers.

In December, 2011, we entered into a capital funding agreement with HEP Investments, LLC, a Michigan entity that agreed to lend the Company $2,000,000. Through March 27, 2012, we had received $700,000 of the aggregate $2 million commitment. See Management's Discussion and Analysis of Financial Condition and Results of Operations. As a condition to the funding, the Lender required that a new management team be retained. In so doing, the Company moved its administrative and management functions to Michigan. The Arizona operation will be devoted entirely to culture production and maintenance.

In February of 2012, we entered into an additional $500,000 funding agreement with Venture Group Investments, LLC, a Maryland entity. Through March 27, 2012, we had received $388,000 of the aggregate $500,000 commitment.

Marketing and Sales

Since 2003, the Company has been able to generate only nominal sales of our sole product, ProAlgaZyme®. The marketing agreement executed with Changing Times Vitamins and terminated in October of 2009 generated no new net sales over the course of the agreement. In September of 2010, we signed an exclusive distribution agreement with Zus Health, LLC to sell our product in the multilevel marketing and retail channels. This exclusive distribution agreement called for an initial option payment of $255,000 (received in October of 2010) and committed the distributor to successively larger monthly orders which in turn obliged the Company to ramp up production of the ProAlgaZyme® product to meet anticipated demand, subject to satisfaction of certain conditions on the part of both the Company and the distributor. In 2010, we recognized $5,000 in revenue from this distribution agreement, and recorded deferred revenue of $250,000 which represented the balance of the initial option payment. In 2011, we recognized $15,000 in revenue from this agreement. As such, the arrangement did not generate the anticipated revenues and it was not feasible to expand capacity in the face of limited demand, delays in payment and erratic order history.

As noted above, beginning in 2012 we intend to implement a new business model under which we expect to derive future income from licensing and selling natural bioactive ingredients derived from ProAlgaZyme®'s algae cultures to food, dietary supplement and medical food manufacturers.

The marketing and sale of all future products is subject to compliance with applicable regulations. Based on the findings from ongoing research, we intend to approach potential customers in the following market verticals.

Functional Food Ingredient

Functional foods, or health foods, represent an estimated $20 billion business in the US and a $40 billion business in Europe. The Middle East, although significantly smaller, is growing at a rate of 12-14% annually, followed closely by the newly-affluent in China and India. These foods typically are processed products that contain one or more staple foods augmented with a variety of performance-enhancing ingredients.

We intend to enter the food market with a healthy cholesterol ingredient as soon as it clears necessary regulatory hurdles. In this connection, we hope to pursue licensing agreements and contract out the production of our natural compounds whenever possible. This will allow the Company to scale-up production rapidly in anticipation of market demand. Companies that have been attempting to market a healthful beverage would be able to integrate the ingredient into one or more of their product lines and, subject to further testing and compliance with applicable regulations, promote the benefits of healthy cholesterol balance.

Dietary Supplement & Nutraceutical

The success of pomegranate extract, Omega-3 fish oil, resveratrol, saw palmetto and similar supplements attests to the American public's obsession with 'natural' products. The dietary supplement business is a $28 billion industry in the US alone, and twice that the world over.

Rather than attempting to market a potential cholesterol related bioactive as a branded nutraceutical or supplement, we will endeavor to private-label the compound for larger, established marketers and retailers. This is a more efficient use of capital and resources while still retaining total control of the intellectual property, the manufacturing process and pricing power. We will not be placed in a position where our premier product application is commoditized and we must compete on price.

Medicinal Food

Doctors prescribe medicinal foods prior to, during or after various medical procedures, including surgery, chemotherapy, radiation therapy and physical therapy. At times, medicinal foods are used to augment the effects of prescription drugs. These medicinal foods are expensive and typically reimbursed by health insurers.

We anticipate that various properties of the algal extract can be isolated and produced as a medicinal food or beverage prescribed by physicians. This is an FDA-regulated sector, but the standards are less stringent than pharmaceutical applications.

Once again, under our new business model, we will endeavor to enter into a private-label arrangement with a larger strategic partner to produce and distribute this product application.

Pharmaceuticals

Ultimately, it may prove to be potential prescription drug applications that create the largest and most dramatic increase in our value. However, the process for developing a new prescription drug is costly, complex and time-consuming. It is an undertaking well beyond our reach and one that may take years to achieve. We will likely partner with a co-developer that will share in the risk and expense of the initial development process, and then share in any royalties resulting from the licensing or sale of any synthetic molecule and its homologs we are able to develop.

Corporate Communications

On January 24, 2012, we launched a revised, temporary website: www.health-enhancement-products.com and a new toll free number (888) 871-6903. The content of our website is not a part of this Annual Report on form 10-K and should not be construed as such. A permanent website with additional interactivity is under development and is expected to be deployed in late spring of 2012. A corporate information officer will be made available to investors and other interested parties at some point during 2012.

Competition

Generic dietary supplements and functional food ingredients such as vitamins, Omega-3 and antioxidants are made and marketed in a fiercely competitive, price-sensitive market environment. Proprietary products offered by nutraceutical marketers are often dogged by unsubstantiated claims of product efficacy or present a potential product safety issue, which in turn draws the attention of regulators. The optimal position for a supplement and ingredient maker is when pricing power can be exerted through well-protected intellectual property and further backed by well-documented safety and efficacy claims.

We believe that our primary competition comes from innovators in food technology such as DSM-Martek, Cognis, ConAgra, Cargill and Nestle, each of which have large scientific staffs and generous R&D budgets to develop supplements and ingredients for a wide range of applications. However, we intend to approach these very same competitors as potential strategic partners, in order to leverage their specific expertise in certain food and supplement categories where a mutually beneficial relationship can be struck.

Raw Materials & Feedstock

We own the microbial mixture, including algae, from which ProAlgaZyme® is derived, and these source materials are held in growing environments at our facility. We are using these materials for research and development purposes. Other raw materials used in the proprietary production process for ProAlgaZyme® are readily available commercially, and we do not believe that there is any risk of interruption or shortage of supply of these materials.

Dependence on Customers

As discussed above, we have readjusted the business model to focus in the near term on research and development in order to license our product and technology to third parties. At this time, there are no customers providing any revenue.

Production

We produce ProAlgaZyme® directly, using dedicated laboratory facilities at our own premises and with qualified technical staff. We have leased a new facility that will house the existing production capability, subject to completion of site preparation, which is now underway because of new capital funding.

At this time, we are only manufacturing the product for purposes of research and development programs underway.

Patents and Proprietary Rights

We have rights in certain patent applications and trademarks. With respect to patents and trademarks, we have secured a patent and federal trademark registrations in the U.S. Patent and Trademark Office (“USPTO”) as described below:

- U.S. Patent No. 7,807,622 relates to the Registrant's sole product, ProAlgaZyme®. The title of the patent is: Composition and use of phyto-percolate for treatment of disease. This invention relates generally to a method of preparation of a phyto-percolate that is derived from fresh water mixture including algae. The invention further relates to the potential use of the phyto-percolate in a variety of disease states. This patent was filed on November 30, 2006 and has a term of 20 years from the earliest claimed filing date (which can be extended via Patent Term Adjustment and Patent Term Extension). The initial term would expire on November 30, 2026.

- PROALGAZYME® (Reg. No. 3,229,753) which registered on April 17, 2007. This trademark's registration will remain in force for six years from the registration date and then can be renewed for additional 5 and then 10 year periods.

We also have an allowed pending trademark application for "HEPI BIOSCIENCE" and a Community trademark in Europe for "PROALGAZYME". We may have other common law rights in other trademarks, trade names, service marks, and the like which will continue as long as we use those respective marks.

The following files have issued as patents, await examination or are in process:

Title	Country	Patent/Application Number	Status
Composition and Use of Phyto-percolate For Treatment of Disease	U.S.	7,807,622	Issued Patent
Composition and Use of Phyto-percolate For Treatment of Disease	Australia	2006320264	First Examination Report issued, response due 8/12/12
Composition and Use of Phyto-percolate For Treatment of Disease	Canada	2,631,773	Examination requested
Composition and Use of Phyto-percolate For Treatment of Disease	European Union	6758513.3	Examination in progress, office action
Composition and Use of Phyto-percolate For Treatment of Disease	Japan	2008-543545	Examination in progress
Composition and Use of Phyto-percolate For Treatment of Disease	U.S.	12/897,574	Awaiting Examination
Composition and Method For Affecting Cytokines and NF-κB	U.S.	12/947,684	First Office Action issued, response entered 2/9/12
Composition and Method For Affecting Cytokines and NF-κB	PCT	PCT/US2010/056862	First Examination Report issued, national stage filing deadline of 5/16/12
Composition and Use of Phyto-percolate For Treatment of Disease	U.S.	12/067,735	Restriction requirement issued, response entered 1/20/12
Method of Cholesterol Regulation	PCT	PCT/US 25713	Examination in progress

Regulation

General Regulatory Framework

In the United States and any foreign market we may choose to enter, our product(s) are subject to extensive governmental regulations. In the United States, these laws, regulations and other constraints exist at the federal, state and local levels and at all levels of government in foreign jurisdictions. The majority of these regulations directly relate to (1) the formulation, clinical testing, manufacturing, packaging, labeling, distribution, sale and storage of our product(s) and (2) product claims and advertising, including claims and advertising by us, as well as claims and advertising by distributors for which we may be held responsible.

U.S. product classification

In the U.S., the formulation, testing, manufacturing, packaging, storing, labeling, promotion, advertising, distribution and sale of our product(s) are subject to regulation by various governmental agencies, primarily (1) the Food and Drug Administration (FDA) and (2) the Federal Trade Commission (FTC). Our activities also are regulated by various agencies of the states and localities and foreign countries in which our product(s) are manufactured, promoted, distributed and sold. The FDA, in particular, regulates the formulation, manufacture and labeling of conventional foods, dietary ingredients and dietary supplements (or nutraceuticals).

The FDA is responsible for the oversight of all foods (including nutraceuticals), drugs, cosmetics and medical devices in the United States. To the extent that we manufacture finished product(s) for sale to consumers (and in certain other limited circumstances where we sell our product as an ingredient), FDA regulations require us to comply with current good manufacturing practice (cGMP) regulations for the preparation, packing and storage of dietary supplements. This is a complex series of regulations that have posed significant compliance challenges to the nutraceutical industry. To the extent that we supply our product(s) as ingredients for the use in foods or nutraceuticals we would be required to comply with cGMP regulations for foods, as well as the provisions of the Food Safety Modernization Act of 2011 which require all companies involved in the production of food and food ingredients to develop and implement a Hazard Analysis and Critical Control Point (HACCP) program.

The Dietary Supplement Health and Education Act of 1994 (DSHEA) revised the provisions of the Federal Food, Drug and Cosmetic Act (FFDCA) by recognizing "dietary supplements" as a distinct category of food and, we believe, is generally favorable to the dietary supplement industry. The legislation grandfathered, with some limitations, dietary ingredients that were on the market before October 15, 1994. A dietary supplement that contains a dietary ingredient that was not on the market before October 15, 1994 will require evidence of a history of use or other evidence of safety establishing that it is reasonably expected to be safe. To the extent that we offer for sale unique, proprietary ingredients we will be required to file with FDA evidence supporting the conclusion that we have a "reasonable expectation" that they will be safe for human consumption when used as directed. FDA recently published an "Advance Notice of Proposed Rulemaking" which the nutraceutical industry believes will substantially increase the level of evidence required to satisfy the "reasonable expectation" standard.

DSHEA provides for specific nutritional labeling requirements for dietary supplements. DSHEA permits substantiated, truthful and non-misleading statements of nutritional support to be made in labeling, such as statements describing general well-being from consumption of a nutraceutical ingredient or the role of a nutrient or dietary ingredient in affecting or maintaining structure or function of the body. A company making a statement of nutritional support must possess adequate substantiating scientific evidence for the statement, disclose on the label that the FDA has not reviewed the statement and that the product is not intended to mitigate, treat, cure or prevent disease, and notify the FDA of the statement within 30 days after its initial use. To the extent we produce finished product for use by consumers as nutraceuticals, we will be required to comply with these provisions of DSHEA.

Labeling and advertising regulations

We may market one or more of our products as a conventional food or for use as an ingredient in conventional foods. Within the U.S., this category of products is subject to the Nutrition, Labeling and Education Act (NLEA) and regulations promulgated under the NLEA. The NLEA regulates health claims, ingredient labeling and nutrient content claims characterizing the level of a nutrient in the product. The ingredients added to conventional foods must either be generally recognized as safe by experts (GRAS) or be approved as food additives under FDA regulations.

The FTC, which exercises jurisdiction over the advertising of our product, has for years instituted enforcement actions against companies marketing nutraceuticals for alleged false, misleading or unsubstantiated advertising of some of their products. The FTC has specific guides for advertising claim substantiation as well as for the use of testimonials. As a general matter, companies making health related claims for their products or ingredients are required to possess well designed human clinical studies supporting such claims at the time they are made. Enforcement actions have often resulted in consent decrees and significant monetary payments by the companies involved. In addition, the FTC has increased its scrutiny of the use of testimonials which we have and may in the future utilize.

International regulations of our product(s)

In many foreign markets in which we may choose to offer our product(s) for sale, we may be required to obtain an approval, license or certification from the relevant country's ministry of health or comparable agency. This would hold true for jurisdictions such as Canada, the European Union, Japan, Australia and New Zealand. The approval process generally requires us to present each product and product ingredient to appropriate regulators for review of data supporting safety as well as substantiating any claims we may desire to make. We would also be required to comply with product labeling and packaging regulations that vary from country to country. Our failure to comply with these regulations could prevent our product(s) from being legally offered for sale.

As of January 2012, we have determined that our exclusive distributor is unable or unwilling to market our sole product in a manner compliant with state and federal regulation, is unable or unwilling to insure our product's compliance with applicable regulations, as required by our agreement, and therefore we are not able to continue with commercial production of the product in compliance with FDA regulation. Accordingly, we have ceased the sale of our ProAlgaZyme product and are focused solely on the research and development relating to new product concepts and applications. All product currently being produced is solely for research and development.

California Proposition 65

California's Safe Drinking Water and Toxic Enforcement Act of 1986, also known as Proposition 65, provides that no person in the course of doing business shall knowingly discharge or release a chemical known to the state to cause cancer or reproductive toxicity into water or into land where such chemical passes or probably will pass into any source of drinking water, without first giving clear and reasonable warning. Among other things, the statute covers all consumer goods (including foods) sold in the State of California. Prop. 65 allows private enforcement actions (sometimes called "bounty hunter" actions). Reports indicate that over 100 such actions have been commenced annually over the past 3 years against companies in the nutraceutical industry (e.g., lead content of calcium, lead content of ginseng, PCB in fish oil) alleging that their products are contaminated with heavy metals or other compounds that would trigger the warning requirements of the Act. While we take all appropriate steps to ensure that our products are in compliance with the Act, given the nature of this statute and the extremely low tolerance limits it establishes (well below federal requirements), there is a risk that we could be found liable for the presence of miniscule amounts of a prohibited chemical in our product.

General

To the extent dictated by our research partners, we will produce research-only feedstock for chemical analysis, safety studies and efficacy studies compliant with applicable state and federal regulations. However, we will rely on our research partners to conduct their respective R&D programs in a manner compliant with applicable regulation and law. Once a product concept has been fully developed, we intend to manufacture that product, either internally or on a contract basis. In either case, we will adhere to all state and federal regulations relative to the safety and efficacy of the product application, as well as relevant regulations covering the safe and consistent manufacture of that product.

Research and Development

Research

ProAlgaZyme® has been subjected to product testing in its original form over several years, beginning in 2004. In spring of 2009, we contracted with the consulting firm of Great Northern & Reserve Partners, LLC, which undertook a research and development process with a view to fractioning the existing product into much smaller, concentrated groups of molecules with similar physical properties. These groups were then tested *in vivo* and *in vitro* with successful result noted in maintaining healthy cholesterol levels. A patent application describing a novel method of cholesterol regulation was submitted to the US Patent & Trademark Office in spring of 2010 and a PCT filing was submitted in February of 2011.

Over the past three years, our research efforts were being coordinated by Great Northern and Reserve Partners, a third party consulting firm. As of December 16, 2011 we terminated the agreement with Great Northern and Reserve Partners. Andrew Dahl, the principal partner of Great Northern and Reserve Partners was simultaneously hired as the CEO. As such, we are now developing our research programs internally and directing outside research companies. We spent approximately $378,000 for the year ended December 31, 2011 on research and development, as compared to $396,000 in 2010. Of the $378,000, $42,000 was spent on internal research, mainly involving in-house testing and development of the ProAlgaZyme® product (both 'in vitro" and "in vivo" testing), and $336,000 has been spent on external research, mainly to independent facilities involved in the analysis of our bioactive ingredient. To date, all of these amounts have been directly expensed as they have been incurred.

Our research efforts have been directed toward identifying "class of compound," and the "active ingredient;" that aim to identify the single molecule or molecules, if possible, responsible for the potential cholesterol related benefits the company's testing has identified. Substantial time, money, and effort have been expended in this regard. We believe that we are making substantial progress towards achieving these hoped-for results, but more investigation is still needed. Subject to the availability of sufficient funding, we estimate that we will, in fiscal 2012, expend approximately $1,000,000-plus on research and subsequent product development. These expenditures will need to be met from external funding sources. In the past, we have had difficulty raising funds from external sources. Thus, we may not be able to raise the funding required to continue our research and development activities. In the event that these sources are not available or adequate to meet our research needs, we will be unable to pursue our research activities, in which case, our ability to substantiate the accumulated intellectual property with objective clinical support for its characterization, method of action and efficacy will continue to be impeded, thereby severely hindering our ability to generate licensing revenue (or otherwise commercialize our products) and adversely affect our operating results.

In the event that we are successful in raising the necessary capital, we will continue our current research program with Battelle Memorial Institute, we will expand our investigations to include various experts and consultants on an as-needed basis and explore new product concepts and applications. Our current contracts with Battelle cover the following activities:

- Isolation of individual molecules in previously-identified bioactive groups
- Testing of isolated samples in vivo and in vitro

- Analysis of individual molecules and small groups of molecules utilizing liquid chromatography, mass spectroscopy, nuclear magnetic resonance, gas chromatography and X-Ray crystallography, among other such methods
- Identification and characterization of the bioactive molecule(s) in natural form

Once the test results are reviewed and evaluated, Battelle will be asked to submit proposals to undertake the following efforts:

- Alternative methods of production pertaining to any natural bioactive compound(s)
- Development of a synthetic molecule for proof-of-concept testing
- Development of homologs of a bioactive synthetic molecule to create a library of potential drug discovery candidates

Ancillary development activities will occur in parallel with Battelle's programs.

Development

We are primarily involved in isolating and characterizing natural bioactive compounds that have a potential positive effect on healthy cholesterol balance. Once these compound or compounds are identified, we intend to develop products for three specific market verticals. As is the case in this highly regulated industry, a significant amount of development work will be focused on meeting state and federal standards. The marketing and sale of all future products is subject to compliance with applicable regulations.

Food Ingredient

As a performance-enhancing food ingredient, we intend to market our bioactive compound(s) to food processors or ingredient makers who will partner with us to develop specific applications for certain product categories such as health drinks, sports beverages or functional foods. Our development activities will be focused on developing ways and means to make our bioactive compound(s) easy to handle and stable when mixed with other foods, ingredients or additives.

Dietary Supplement

As a free-standing dietary supplement, our strategy is to offer our bioactive compound(s) to supplement makers and marketers, who will incorporate our compound(s) into product lines branded and marketed by others, or develop an application to introduce our compound(s) as an ingredient in another dietary supplement.

Medical Foods

We also intend to enter the medical foods market vertical, whereby our bioactive compounds are offered as complementary therapy or augmentation of special diets. This is a regulated market, and our development activities will likely focus on meeting compliance standards.

Exclusive Distribution Agreement

Under the terms of the Zus Agreement, we granted the Zus Health, LLC ("Distributor") the exclusive right to distribute ProAlgaZyme to customers and distributors worldwide, excluding pharmaceutical applications and food, supplement, and medicinal ingredient applications outside of multilevel, network or affiliate marketing ("MLM"). We reserved the right to market and sell isolates and natural and synthetic derivatives of ProAlgaZyme in pharmaceutical and ingredient applications outside of MLM. The Zus Agreement prohibits us from selling ProAlgaZyme for the benefit of customers and distributors worldwide, other than for pharmaceutical and ingredient applications. We are also prohibited from selling any product in the MLM market. The Zus Agreement will remain in effect until the expiration of the last patent with respect to the Product, subject to earlier termination as provided in the Zus Agreement.

The Distributor agreed to make certain minimum guaranteed payments to us for the term of the Zus Agreement, subject to renegotiation if the Distributor was unable to meet the specified minimum purchase requirements. The Distributor is not obligated to make the minimum monthly payments to maintain exclusivity until (a) the Product is determined to meet the Food and Drug Administration's "generally recognized as safe" ("GRAS") standard or (b) the Product receives "New Dietary Ingredient" ("NDI") status from the FDA. We believe that the Distributor was obligated under the terms of the Agreement to satisfy one or more of these conditions, as it was responsible for all decisions and actions regarding regulatory matters relating to or involving the marketing, sale and use of the Product for the licensed use. These conditions have not yet been met by the Distributor. Minimum monthly payments may also be suspended if a regulatory agency restricts the sale of the Product.

The Zus Agreement provided for a thirty day Due Diligence review period, during which the Distributor conducted a due diligence review and we were to determine whether we would be able to meet the minimum production requirements established by the Zus Agreement. Following completion of its due diligence review, the Distributor paid us a non-refundable option fee of $255,000 for the exclusive distribution rights for the initial four month period of the Zus Agreement (through December 31, 2010). If we determined that we could not meet the Distributor's minimum purchase requirements, then the minimum guaranteed payments were subject to reduction. We determined that we would need to scale up production to meet Zus' minimum purchase requirements.

The Zus Agreement provides for the following guaranteed minimum monthly payments/purchases, subject to satisfaction of certain conditions, which have not been satisfied:

Month	Minimum Pmts.	Minimum Purch.
December 2010	$80,000	$320,000
January 2011	80,000	320,000
February 2011	80,000	320,000
March-July 2011	150,000	600,000
August 2011-July 2012	295,000	1,180,000
August 2012	371,000	1,484,000

During the initial 30-day due diligence period, we and Zus were to negotiate monthly and annual minimums, based on market potential and manufacturing capacities, with respect to September, 2012 and after, subject to annual minimum and maximums of 17,808,000 and 53,424,000 units, respectively. Since we and Zus did not to agree to higher minimums during the initial 30-day due diligence period, the annual minimum for years three and after is 17,808,000 units (or $4,452,000 per year).

Under the terms of the Zus Agreement, guaranteed monthly minimum shipments and payments were to commence in December of 2010, subject to the conditions set forth in the Zus Agreement, including the ProAlgaZyme Product (a) meeting the Food and Drug Administration's "generally recognized as safe" ("GRAS") standard or (b) receiving "New Dietary Ingredient" ("NDI") status from the FDA. We believe that the Distributor was obligated under the terms of the Agreement to satisfy one or more of these conditions, as it was responsible for all decisions and actions regarding regulatory matters relating to or involving the marketing, sale and use of the Product for the licensed use. However, neither of these conditions has been satisfied by the Distributor; consequently, guaranteed monthly minimum shipments and payments have never commenced.

If the Distributor fails to make required monthly minimum purchases of Product, we and the Distributor are obligated to attempt to renegotiate the minimum purchases. If we and the Distributor are unable to agree on revised minimum purchases, the Zus Agreement will become non-exclusive, at our option. Beginning nine months after the effective date of the Zus Agreement, if we are unable to supply to Zus 80% of Zus' purchase order requirements for two consecutive calendar quarters, or fail to deliver a minimum of 70% of Zus' purchase order requirements for two (2) consecutive months, then Zus has the right to take over manufacturing of the Product, subject to certain conditions.

The Distributor has the right to terminate the Zus Agreement upon ninety days written notice. If the Zus Agreement were terminated during the first ninety days, the Distributor would have had no further obligation to us, beyond the initial payment of $255,000. If the Distributor terminates the Zus Agreement after the initial ninety day period, in addition to the initial payment of $255,000, the Distributor is obligated to pay us 150% of certain of our costs, subject to a minimum payment of $250,000.

The Zus Agreement may also be immediately terminated by either party, if the other party: files a petition in bankruptcy; becomes insolvent or makes an assignment for the benefit of its creditors; has an involuntary proceeding or other arrangement pursuant to any bankruptcy law commenced against it; discontinues its business; breaches a material non-monetary term of this Agreement and such breach remains uncured for a period of thirty (30) days after written notification of such breach is given by the non-breaching Party; or breaches a monetary term of this Agreement and such breach remains uncured for a period of fifteen (15) days after written notification of such breach is given by the non-breaching Party.

The Zus Agreement does not affect our right to develop and market isolates, synthetic and natural derivatives or products naturally derived from ProAlgaZyme for specific applications outside MLM that are branded by and resold to third parties, such as prescription products/ingredients.

As described above, we believe that Zus (as well as its purported assignee, Ceptazyme, LLC) have engaged in multiple material breaches of the Zus Agreement, and we have notified Zus and its principal of our intent to terminate the Agreement. Subsequently, we notified Zus and Ceptazyme that we were terminating the ZUS Agreement due to failure to cure specified breaches of such Agreement. In addition, we have filed a legal action in Michigan against Zus (as well as its purported assignee) alleging multiple breaches of contract. Ceptazyme, LLC subsequently filed an action in Utah against us, also alleging breach of contract. We intend to vigorously prosecute our action and defend against Ceptazyme's claims.

Compliance with Environmental Laws

We believe that we are, in all material respects, in compliance with local, state, and federal environmental laws applicable to our production, waste disposal, and bottling operations, and we have prepared appropriate documentation as to our current operational procedures, standards, and guidelines in order to comply with applicable environmental laws. The cost of this compliance activity to date has not been material, and has been absorbed within our general operations overhead.

Employees

As of December 31, 2011 we had three full-time employees, positioned as follows: one employee in executive management, one employee in business development, marketing, sales and support services, and one employee in research and production. In addition, we have one part-time person acting on a consulting basis as our Chief Financial Officer. We believe that our employee relations are good. No employee is represented by a union.

Available Information

Our website is http://health-enhancement-products.com/. Information on our website is not incorporated by reference into this Form 10-K and should not be considered part of this report or any other filing we make with the SEC. We file annual, quarterly and current reports, and other information with the Securities and Exchange Commission. Our filings with the SEC can be viewed at www.sec.gov.

Item 1A. Risk Factors.

There is substantial doubt about our ability to continue as a going concern. Our independent registered public accounting firm has issued an opinion on our consolidated financial statements which states that the consolidated financial statements were prepared assuming we will continue as a going concern and further states that our recurring losses from operations, stockholders' deficit and inability to generate sufficient cash flow to meet our obligations and sustain our operations raise substantial doubt about our ability to continue as a going concern.

We are materially dependent on external sources for continued funding. Until we realize licensing revenues sufficient to cover our expenses, we will be reliant upon external sources to fund our continued operations. There is no guarantee that this funding will continue. If we are unable to raise additional funds, there will be a material adverse effect on our business, financial condition and results of operations.

Our future success is dependent on either our ability to expand or establish strategic partnerships. There is no guarantee that we will be able to successfully establish strategic partnerships.

The ability to market our product is dependent upon proven, clinical research. While we are currently undergoing studies to further identify the active ingredients in our product, there is no guarantee that the research will successfully achieve this goal. If our current research does not return the results we expect, our business prospects will be materially and adversely affected.

Government regulation of our products may adversely affect sales. Nutraceutical products, although not subject to FDA approval, must follow strict guidelines in terms of production and advertising claims. Our ability to produce and successfully market our product is dependent upon adhering to these requirements. If we fail to comply with applicable government regulations concerning the production and marketing of our product, we could be subject to substantial fines and penalties, which would have a material adverse effect on our business.

If we are unable to protect our intellectual property, we may suffer a competitive disadvantage or incur substantial litigation costs to protect our rights. Our future success depends upon our proprietary technology. We currently have one issued patent and several U.S and foreign patent applications pending for our product.

Item 1B. Unresolved Staff Comments.

Not required for smaller reporting companies.

Item 2. Facilities.

We are leasing office and production space located in Scottsdale, Arizona from a significant shareholder, Howard Baer, pursuant to an Amended and Restated Sublease that expires on February 9, 2020, subject to our unilateral right to terminate the Lease on March 31, 2013. Under the original terms of the Amended and Restated Sublease, the annual base rent for the 15,000 square foot facility was approximately $237,000, payable in equal monthly installments of approximately $20,000. The annual base rent is subject to increase annually in an amount equal to the greater of 2.5% of the prior year's base rent and the percentage increase in the Consumer Price Index. We paid an additional security deposit of approximately $110,000. The Amended and Restated Sublease is a "net lease", which means that we are responsible for the real estate taxes, maintenance, insurance and repairs related to the premises we are leasing.

In October, 2009, we and Mr. Baer agreed in principle to (i) reduce from 15,000 to 11,000 the square footage of the space we are occupying and (ii) to reduce the base rent from $20,000 to $16,720 monthly (not including real estate taxes (currently $1,480 per month)). In addition, Mr. Baer has assumed the responsibility for maintenance and repairs for the building and we are obligated to reimburse him for 70% of such expenses. We incurred approximately $174,000 in rent expense during 2011.

In May of 2011 we and Mr. Baer agreed to (i) further reduce from 11,000 to 5,600 the square footage we are occupying, and (ii) reduce our rent to $12,320 (not including real estate taxes of $1,480 per month).

We signed a lease for a new facility in Arizona effective April 1, 2011. This lease is for 9,868 square feet of office/manufacturing space, and is for a 42 month term. The annual rental is $65,128 with annual increases of approximately 5%. We leased this facility to use for our production space. Our objectives in seeking new space were threefold. First, we needed a space that we could more easily convert into a cGMP compliant facility. Secondly, we were seeking a more efficient manufacturing space that could help us overcome production challenges. Thirdly, there was a desire to reduce operating expenses, if possible. We believe that the new space meets all of the above objectives. This new lease allows us to move to smaller, more efficient space.

We have also leased 500 square feet in Bloomfield Hills on a month to month basis to serve as the headquarters of our company. These offices house the CEO and CFO. The monthly rent is $1,750.

Item 3. Legal Proceedings.

On January 9, 2012, we notified Zus Health's purported assignee, Ceptazyme, LLC of our intent to terminate our contractual relationship with Zus Health and its purported assignee, Ceptazyme, LLC due to multiple breaches of contract. We notified Ceptazyme, LLC (i) that there was no agreement between us and Ceptazyme, as we had not approved any assignment of the License Agreement by Zus Health to Ceptazyme and (ii) that, even if there had been a valid assignment, Ceptazyme had committed multiple material breaches of the agreement. We believe that Zus and Ceptazyme, LLC (i) failed to market our product in a manner compliant with state and federal regulations, and (ii) allowed their distributors to make claims and representations that were not in compliance with applicable regulations, among many other breaches. Subsequently, we notified Zus and Ceptazyme that the ZUS Agreement was subject to termination due to failure to cure the specified breaches of such Agreement.

Based on the foregoing, we filed a lawsuit in Michigan against Zus Health and Ceptazyme on January 16, 2012, alleging breach of contract. Subsequently, Ceptazyme filed suit in Utah against us on January 24, 2012, also alleging breach of contract.

We intend to prosecute and defend this matter vigorously.

We are currently not involved in any other legal action.

PART II

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

Market Information

Our common stock is quoted on the Over-the-Counter Bulletin Board ("OTCBB") administered by the Financial Industry Regulatory Authority under the symbol "HEPI." The following table sets forth the range of high and low bid information as reported on the OTCBB by quarter for the last two fiscal years. These quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

Year ended December 31, 2010	HIGH	LOW
First Quarter	1.24	0.17
Second Quarter	1.17	0.57
Third Quarter	0.58	0.37
Fourth Quarter	0.42	0.30
Year ended December 31, 2011		
First Quarter	0.40	0.15
Second Quarter	0.27	0.11
Third Quarter	0.34	0.06
Fourth Quarter	0.28	0.12

As of December 31, 2011 we have 147 shareholders of record.

We have not paid any dividends on our common stock during the last two fiscal years, due to our need to retain all of our cash for operations. We do not anticipate paying any cash dividends on our common stock for the foreseeable future.

Recent Sales of Unregistered Securities.

During the quarter ended March 31, 2011, we issued (i) 1,866,667 shares of common stock and received proceeds of $180,000 upon the exercise of warrants; (ii) 400,000 shares of common stock and warrants to purchase 800,000 shares of common stock (at an exercise price of $.125 per share) for proceeds of $50,000; (iii) . Convertible debentures in the principal amount of $62,500 (convertible into common stock at $.125 per share), and (ii) warrants to purchase 750,000 shares of common stock (at an exercise price of $.125 per share), all for gross proceeds of $62,500; and (iv) 100,000 shares of common stock for services, valued at $25,000. In addition, we re-priced 1,240,000 warrants from $.25 to $.15 per share to induce a convertible note investment. .

During the quarter ended June 30, 2011, we issued (i) 740,000 shares of common stock and warrants to purchase 1,734,000 shares of common stock (at an exercise price of $.125 per share) for proceeds of $92,500; (ii) 500,000 shares of common stock for $50,000 in proceeds upon the exercise of warrants; (iii) convertible debentures in the principal amount of $52,000 (convertible into common stock at $.125 per share), and warrants to purchase 624,000 shares of common stock (at an exercise price of $.125 per share), all for gross proceeds of $52,000; (iv) warrants to purchase 75,000 shares of common stock, valued at $8,584 for services; and (v) 333,334 shares of common stock in satisfaction of an obligation to issue common stock valued at $50,000.

During the quarter ended September 30, 2011, we issued (i) 1,100,000 shares of common stock and warrants to purchase 1,440,000 shares of common stock (at an exercise price of $.125 per share) for $130,000 in proceeds; (ii) 16,000 shares of common stock upon the cashless exercise of 24,000 common stock warrants; (iii) convertible debentures in the principal amount of $20,000 (convertible into common stock at $.125 per share), and warrants to purchase 240,000 shares of common stock (at an exercise price of $.125 per share), all for gross proceeds of $20,000; , (iv) a significant shareholder warrants to purchase 3,000,000 shares at an exercise price of $.25 per share for a term of three years (these warrants were issued to the shareholder in consideration of his providing financing to us which prevented him from being able to avail himself of a company offer to certain warrant holders to exercise their warrants on a reduced exercise price basis). We recognized finance costs of $203,069 in connection with the grant.

During the quarter ended December 31, 2011, we issued (i) 920,000 shares of common stock and warrants to purchase 180,000 shares of common stock (at an exercise price of $.125 per share) for $115,000 in proceeds; (ii) 37,594 shares of common stock, valued at $10,000, to consultants for services; (iii) 317,398 shares of common stock and warrants to purchase 1,976,097 shares of common stock valued at $178,538 using the Black Scholes method of valuation (at an exercise price of $.125 per share) to a significant shareholder in repayment of loans to the Company totaling $164,675; and (iv) warrants to purchase 1,100,000 shares of common stock, at an exercise price of $.15 per share, valued at $87,278, to the Company's Board of Directors.

On December 1, 2011, we and HEP Investments, LLC, a Michigan limited liability company ("Lender"), entered into among other agreements: (i) a Loan Agreement under which the Lender has agreed to advance up to $2,000,000 to us, subject to certain conditions, and (ii) a Convertible Secured Promissory Note in the initial principal amount of $600,000 ("Note"). As of December 31, 2011, the Lender had advanced the Company $600,000, consisting of $500,000 advanced during December 2011 and $100,000 previously advanced by the Lender in connection with a transaction disclosed in a Current Report on Form 8-K dated September 12, 2011. The Lender has agreed to advance the remaining $1,400,000 in $250,000 increments (final increment of $150,000) upon request of our CEO, subject to satisfaction of certain conditions. In addition, we have agreed to (i) issue the Lender warrants to purchase 1,666,667 shares of common stock at an exercise price of $.12 per share, subject to completion of funding of the full $2,000,000 called for by the Loan Agreement. Amounts advanced under the Note are convertible into our restricted common stock at the lesser of $.12 per share or a 25% discount off of the ten day trailing quoted price of the common stock in the over the counter (OTC) market.

The Company believes that the foregoing transactions were exempt from the registration requirements under Rule 506 of Regulation D promulgated under the Securities Act of 1933, as amended ("the Act") or Section 4(2) under the Act, based on the following facts: in each case, there was no general solicitation, there was a limited number of investors, each of whom was an "accredited investor" (within the meaning of Regulation D under the "1933 Act", as amended) and/or was (either alone or with his/her purchaser representative) sophisticated about business and financial matters, each such investor had the opportunity to ask questions of our management and to review our filings with the Securities and Exchange Commission, and all shares issued were subject to restrictions on transfer, so as to take reasonable steps to assure that the purchasers were not underwriters within the meaning of Section 2(11) under the 1933 Act.

Item 6. Selected Financial Data.

Not required for smaller reporting companies.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overview

During November 2003, we acquired Health Enhancement Corporation, and changed our name from Western Glory Hole, Inc. to Health Enhancement Products, Inc. Western Glory Hole, Inc. was a development stage company and had no operations during the year ended December 31, 2002 or during the year ended December 31, 2003, until its acquisition of Health Enhancement Corporation in November 2003.

Since commencing production in 2004, we experienced only nominal sales of our sole product, ProAlgaZyme® and have relied primarily on the sale of company securities and shareholder loans to fund operations.

As previously disclosed, on September 2, 2010, we executed a multi-year exclusive worldwide distribution agreement ("Zus Agreement") regarding our ProAlgaZyme product ("ProAlgaZyme" or "Product") with Zus Health, LLC, an international distributor of health and nutritional products ("Zus" or "Distributor"). This Agreement called for certain minimum payments subject to the satisfaction of certain conditions. In connection with our new management's assessment of our contractual relationships, we determined that Zus (as well as its purported assignee, Ceptazyme, LLC) has engaged in multiple material breaches of the Zus Agreement. Accordingly, although this arrangement remained in place throughout 2011, , in January, 2012, we notified Zus and its principal of our intent to terminate the relationship. Subsequently, we notified Zus and Ceptazyme that the ZUS Agreement was subject to termination due to failure to cure the specified breaches of such Agreement. As a result, we will no longer be recognizing revenue until the matter is settled. In addition, we have filed a legal action in Michigan against Zus (as well as its purported assignee) alleging multiple breaches of contract. Ceptazyme, LLC subsequently filed an action in Utah against us, also alleging breach of contract. We intend to vigorously prosecute our action and defend against Ceptazyme's claims.

Having suspended the business of selling a branded ProAlgaZyme at the beginning of 2012, we intend to implement a new business model under which we expect to derive future income from licensing and selling natural bioactive ingredients derived from our proprietary algae cultures to dietary supplement and medical food manufacturers.

Since 2004, we have been incurring significant operating losses and negative cash flow. We are also experiencing an ongoing and substantial working capital deficiency. We have from time to time had difficulty raising capital from third parties. In December of 2011 and February of 2012, we successfully raised capital to fund operations and research for the first two quarters of 2012. If we are unable to obtain additional funding in the near term, we may be unable to continue as a going concern, in which case you would suffer a total loss of your investment in our company.

Results of Operations for Years Ended December 31, 2011 and 2010

Sales

Sales for the year ended December 31, 2011 were $88,891, as compared to $77,725 for the year ended December 31, 2010. These sales reflect principally revenues from the ProAlgaZyme® product. The increase in our revenue for 2011 was due largely to our exclusive distributorship agreement with Zus Health, LLC (and its purported assignee Ceptazyme, LLC) under which Zus was to distribute our product. In the fourth quarter of 2010 we received an initial licensing fee payment of $255,000 under the terms of the Zus distributorship agreement. During the year ended December 31, 2010, we recognized $5,000 in revenue from this licensing fee, and recorded deferred revenue of $250,000. During 2011, we recognized $3,750 in licensing fee revenue per quarter ($15,000 for the year) under the Zus agreement. Around January 9, 2012, we notified Zus Health's purported assignee that the distributor was in breach of contract and directed that they immediately cease any and all activities with respect to the sale or distribution of HEPI products. We subsequently notified the distributor that the agreement was subject to termination due to these breaches. As a result, we will no longer be recognizing revenue until the matter is settled.

We intend to implement a new business model under which we expect to derive future income from licensing and selling natural bioactive ingredients derived from its algae cultures to much larger, better-financed food, dietary supplement and medical food manufacturers. The anticipated income streams are to be generated from a) royalties and advances for licensed natural bioactive ingredients, and b) bulk sales of such ingredients. These bulk ingredients will be made by contracted ingredient manufacturers and then sold by us to food, dietary supplement and medical food processors and/or name-brand marketers.

Cost of Sales

Cost of sales were $138,252 for the year ended December 31, 2011, as compared to $51,807 for the comparable period in 2010. The increase in costs of sales is due primarily to limited production runs and our inability to consistently maintain efficiencies. Costs of sales relate primarily to raw materials, labor and the maintenance of laboratory and controlled production environments necessary for the growing of the algae cultures that constitute the source of the ProAlgaZyme® product, and for conducting the necessary harvesting and production operations in preparing the product for sale.

Research and Development Expenses

For the year ended December 31, 2011, we incurred approximately $378,000 in research and development expenses, as compared to $396,000 for the comparable period in 2010. These expenses are comprised of costs associated with internal and external research. Internal research and development was $42,000 in 2011, compared to $110,000 in 2010. The decrease was due to the use of outside consultants. We expect internal research and development to increase in 2012, subject to the availability of sufficient funding, which we do not currently have for such purpose. External research and development increased approximately $50,000 in 2011 to $336,000, compared to $286,000 in 2010. This increase was due primarily to the increase in costs associated with external clinical trials. We expect external research and development to increase in 2012 as we pursue additional external trials, subject to the availability of sufficient funding, which we do not currently have.

Selling Expenses

Selling expenses were $13,700 for the year ended December 31, 2011, as compared to $96,800 for the year ended December 31, 2010. The decrease in selling expenses was due primarily to our focus being directed towards product research and development.

At the beginning of 2012, as discussed earlier, we intend to implement a new business model under which we expect to derive future income from licensing and selling natural bioactive ingredients derived from our algae cultures to much larger, better-financed food, dietary supplement and medical food manufacturers. The anticipated income streams are to be generated from a) royalties and advances for licensed natural bioactive ingredients, and b) bulk sales of such ingredients. These bulk ingredients will be made by contracted ingredient manufacturers and then sold by us to food, dietary supplement and medical food processors and/or name-brand marketers.

Selling expenses are expected to be minimal as we are focused on research and development in order to develop licensing fees and on-going royalty fees as future licensing agreements are consummated. Since executing the Zus Agreement, we have not executed any other licensing agreements.

General and Administrative Expenses

General and administrative expenses decreased approximately $633,000 to approximately $603,000 in 2011, compared to approximately $1,236,000 in 2010. The decrease in general and administrative expenses was due to a decrease in investor relations of approximately $32,000, and a decrease in stock-based compensation of approximately $600,000. In addition, we have leased a new facility which we intend to use for production space. This new lease allows us to move our production operation to a smaller, more efficient space. The lease is for 9,868 square feet of space, commencing April 1, 2011 for a term of 42 months (with the first six months being rent free). The annual base rent for this facility is approximately $65,000, subject to annual increases of approximately 5%. Accordingly, unless and until we sublease our existing space, we expect to incur an additional $65,000 in rent expense, plus taxes and other occupancy costs (utilities, maintenance, etc.). We have also leased 500 square feet in Bloomfield Hills on a month to month basis to serve as the headquarters of our company. These offices house the CEO and CFO. The monthly rent is $1,750.

Professional Fees and Consulting Expense

Professional fees and consulting expense decreased approximately $1,455,000 to $909,000 in 2011 compared to $2,364,000 in 2010. Professional fees and consulting expense were reduced in 2011 due to a $253,000 decrease in legal expense and an approximate $1,300,000 decrease in stock based compensation to consultants, offset by an increase of approximately $100,000 in accounting fees. Of the $2.3 million paid in 2010, approximately $1.9 million was paid in stocks and warrants (non-cash expenses), mainly relating to consulting fees. We anticipate continued compensation to outside consultants as we explore marketing opportunities for our product.

Fair Value Adjustment of Derivative Liability

Due to our issuing warrants at a time when we lacked sufficient authorized shares, we had reclassified certain outstanding warrants and options as derivative liabilities, which are marked to fair value periodically pursuant to Emerging Issues Task Force guidance EITF 00-19 "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, A Company's Own Stock" ("EITF 00-19"). We valued these warrants utilizing the Black-Scholes method of valuation using the following assumptions: volatility from 128.47% to 138.84%, annual rate of dividends 0% and a risk free interest rate of 3.1%. For the year ended December 31, 2010, we recognized $2,223,991 in expense (non-cash) for financial statement purposes based on the change in fair value of these liabilities during this period. As of December 31, 2010, the derivative liability has been reclassified to additional paid-in capital, since we obtained stockholder approval to increase the total authorized common stock to 150,000,000 shares, which was effective June 23, 2010.

As part of a funding agreement signed in December of 2011, we recorded a derivative liability of $552,988. This represents the future value of the stock to be issued under the terms of the convertible debt. We valued this stock utilizing the Black-Scholes method of valuation using the following assumptions: volatility 151.45%, annual rate of dividends 0% and a risk free interest rate of .27%. In addition, we recognized non-cash income of $24,422 representing the change in fair value of this derivative liability. We marked this derivative liability to fair value at December 31, 2011 utilizing the Black-Scholes method of valuation using the following assumptions: volatility 151.49%, annual rate of dividends 0%, and a risk free rate of .25%.

Other Income/Expense

Finance Costs /Amortization of Bond Discount

During the year ended December 31, 2011, we incurred approximately $584,000 of finance costs paid in stock and warrants (non-cash), as compared to $665,000 for the year ended December 31, 2010, a $81,000 decrease. The decrease in finance charges paid with stocks and warrants was due primarily to the absence in 2011 of stocks issued to a significant shareholder in 2010 as compensation pursuant to an indemnity agreement. Amortization of bond discount decreased approximately $20,000 from $162,000 in 2010 to $142,000 in 2011. The decrease in bond amortization in 2011 was due primarily to a reduction in the principal amount of notes converted in 2011, compared to 2010.

Liquidity and Capital Resources

The consolidated financial statements contained in this report have been prepared on a "going concern" basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. For the reasons discussed herein, there is a significant risk that we will be unable to continue as a going concern, in which case, you would suffer a total loss of your investment in our company.

As of March 27, 2012, we had cash in the bank of $135,000. We have had only limited revenue ($89,000 for year ended December 31, 2011) and have incurred significant net losses since inception, including a net loss of $2,732,000 during the year ended December 31, 2011. We have, since inception, consistently incurred negative cash flow from operations. During the year ended December 31, 2011, we incurred negative cash flows from operations of approximately $1,294,000. As of December 31, 2011, we had a working capital deficiency of $1,538,506 and a stockholders' deficiency of $2,031,499. Although we recently raised a limited amount of capital, we have a near term need for additional capital.

During the year ended December 31, 2011, our operating activities used $1,294,000 in cash, compared with $1,440,000 in cash during the comparable prior period. The approximate $146,000 decrease in cash used by our operating activities was due primarily to the following (all of which are approximated): a $4,391,000 decrease in net loss, a $2.2 million decrease in fair value adjustment of derivative liability (a non-cash expense item) a $1,860,000 decrease in stocks/warrants issued for services (non-cash) a $282,000 change (increase) in accounts payable, and a $100,000 increase in depreciation and amortization of deferred finance costs, partially offset by $265,000 change (decrease) in deferred revenue, a $154,000 change (decrease) in obligation to issue common stock, and a $157,000 change (increase) in accrued liabilities.

During each of the years ended December 31, 2011, our financing activities generated approximately $1.5 million in cash. Although cash generated by financing activities was essentially unchanged, the sources of our financing were substantially different: proceeds from the issuance of convertible debentures increased $735,000, while proceeds from stock sales and related party loans decreased $781,000 in the aggregate. Accordingly, we were more heavily reliant on debt financing in 2011 than we were in 2010.

During the fourth quarter of 2011, we entered into an agreement with HEP Investments, LLC ("HEP") under which HEP agreed to purchase convertible notes in the aggregate principal amount of $2,000,000. As of the date of this filing, HEP had advanced $700,000 pursuant to this arrangement. The Lender has agreed to advance the remaining $1,300,000 in $250,000 increments (final increment of $150,000) upon request of our CEO, subject to satisfaction of certain conditions. In addition, we entered into an agreement with The Venture Group, LLC ("VG") under which VG agreed to purchase convertible notes in the aggregate principal amount of $500,000. As of the date of this filing, VG had advanced $388,000 pursuant to this arrangement. Both HEP and VG's convertible notes are secured by all our assets (with HEP being the senior secured lender and VG being the subordinated lender). If we are unable to pay these debts as they mature or otherwise default on our obligations under the respective loan documents, the secured lender could foreclose on our assets in which case you would likely suffer a total loss of your investment.

Although we raised a limited amount of capital during 2011, we continue to experience a shortage of capital, which is materially and adversely affecting our ability to run our business. As noted above, we have been largely dependent upon external sources for funding. We have in the past had difficulty in raising capital from external sources. We are still heavily reliant upon external financing for the continuation of our research and development program.

We estimate that we will require approximately $2,500,000 in cash over the next 12 months in order to fund our normal operations and to fund our research initiatives. Based on this cash requirement, we have a near term need for additional funding. Historically, we have had great difficulty raising funds from external sources; however, we recently were able to raise a limited amount of capital from outside sources. If we are unable to raise the required capital, we will be forced to curtail our business operations, including our research and development activities.

Seasonality

Based on our business model implemented at the beginning of 2012, anticipated income streams are to be generated from a) royalties and advances for licensed natural bioactive ingredients, and b) bulk sales of such ingredients. We do not anticipate that these will be affected by seasonality.

Staffing

We have conducted all of our activities since inception with a minimum level of qualified staff. We currently do not expect a significant increase in staff.

Off-Balance Sheet arrangements

We have no off-Balance Sheet arrangements that would create contingent or other forms of liability.

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

Not required for smaller reporting companies.

Item 8. Financial Statements and Supplementary Data.

Reference is made to the Consolidated Financial Statements, the Reports thereon, and the Notes thereto, commencing on page F-1 of this report, which Consolidated Financial Statements, Reports, Notes and data are incorporated herein by reference.

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

None.

Item 9A. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures. Based on their evaluation as of December 31, 2011, our Chief Financial Officer has concluded that our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), were effective as of the end of the period covered by this report to ensure that the information required to be disclosed by us in this Annual Report on Form 10-K was recorded, processed, summarized and reported within the time periods specified in the SEC's rules and instructions for Form 10-K. Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Financial Officer, to allow timely decisions regarding required disclosure.

(b) Management's Annual Report on Internal Control Over Financial Reporting. Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined by Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2011. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework*. Based on our assessment of those criteria, management believes that the Company maintained effective internal control over financial reporting as of December 31, 2011.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

This Management's report is not deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section, unless we specifically state in a future filing that such report is to be considered filed.

(c) Changes in Internal Control over Financial Reporting. There were no changes in our internal control over financial reporting (as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) during the year ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Directors and Executive Officers

The following table sets forth the name, age and position of each of our executive officers and directors:

Name	Age	Positions	Since
Andrew D. Dahl	57	President / Chief Executive Officer	2011
Philip M. Rice II	57	Chief Financial Officer/Director	2011/2012
John Gorman	43	Executive Vice President/Director	2006
Steven J. Warner (resigned January 3, 2012)	72	Director	2010
John D. Crissman (resigned January 4, 2012)	72	Director	2010

Mr. Dahl was appointed President / Chief Executive Officer on December 16, 2011. Mr. Dahl is managing member and principal consultant at Great Northern & Reserve Partners, a management consulting firm he founded in 2005 that provides marketing and business consulting services to bio-tech, bio-medical and information technology companies. Previously, Mr. Dahl served as President of Dawber & Company, formerly one of the oldest and largest independent marketing & consulting firms in the Midwest, with an extensive Fortune 500 client roster that included GM, Ford, Northwest, AT&T, Compuware, Xerox, among others. Dahl was employed by Dawber & Company for nearly 20 years until its partners dissolved the firm in 2005. He attended the College for Creative Studies and Wayne State University. Dahl holds three US patents for interactive multimedia and is a named inventor in three recent biomedical patent applications.

Mr. Rice was appointed Chief Financial Officer on November 4, 2011. On January 4, 2012 Mr. Rice was appointed to the Board of Directors. Mr. Rice is Managing Partner and founder of Legacy Results, Inc. (founded in 2001), a management consulting firm providing a wide range of consulting services: Strategic Planning, Business Plan Development, Turnaround Management, Financial Management, Mergers and Acquisitions. From December, 2007 through March, 2008, Mr. Rice also served as Chairman of the Board of imX Solutions, Inc., a technology company providing secure internet transactions, including private data transactions. Mr. Rice practiced as a CPA and worked for Deloitte & Touche for thirteen years before founding Legacy Results.

John Gorman was appointed director on November 30, 2006. In addition to serving as a director, he is our Executive Vice President – Operations and serves as our Head of Sales and Customer Relations. Before joining HEPI in 2003, he served as a private marketing and sales consultant for small to mid-sized businesses and various government entities. Between 1996 and 2001, Mr. Gorman worked as Regional Marketing Manager for the western region of CompassLearning, an educational software company with programs in use by over 20,000 schools nationwide. From 1989-1996, Mr. Gorman was Resort Manager of The Pointe Hilton Resorts in Phoenix, Arizona.

Steven Warner was appointed to the Board of Directors on August 15, 2010. Mr. Warner resigned from the Board of Directors on January 3, 2012. Mr. Warner is a member of the board of directors of the following companies: Dyadic International, Inc. (biotechnology) (since 2004), Gulfstar Energy Corporation (gas pipeline) (since 2010), Rock Energy Resources (Oil&Gas) (since 2008), Search Transport Industries (specialty lubricants) (since 2008) and UCT Coatings, Inc. (metal finishing technology) (since 2001), and is an Advisor/Investment Committee member – Seraph Group (since 2005). Mr. Warner co-founded Crossbow Ventures Inc. in 1998 and was a managing director from 1998 to 2008. Previously, Mr. Warner was founder and CEO Merrill Lynch Venture Capital Inc. which managed over $250 million. Mr. Warner graduated from the Massachusetts Institute of Technology and the Wharton School of Business at the University of Pennsylvania.

Dr. John Crissman was appointed to the Board of Directors on October 15, 2010. Dr. Crissman resigned from the Board of Directors on January 4, 2012. Dr. Crissman has, since 1999, served as a consultant to Wayne State University's Allen Park Veterans Administration Hospital. Dr. Crissman has held numerous faculty positions, including acting for ten years as Chair of the Department of Pathology at Wayne State University's School of Medicine (1990-1999). In addition, Dr. Crissman was Dean of Wayne State University's School of Medicine for more than five years (1999-2004). Dr. Crissman graduated from the Massachusetts Institute of Technology (Bachelor of Science in Mechanical Engineering) and the Western Reserve University Medical School.

Each of the officers/directors will serve as such until his respective successor is appointed and qualified, or until their earlier resignation or removal. All directors hold their positions for one year or until their successors are elected and qualified, subject to their earlier resignation or removal.

Family Relationships

There are no familial relationships between any of our officers and directors.

Audit Committee Financial Expert

We do not have an audit committee financial expert, because we do not have an audit committee.

Code of Ethics

We have adopted a Code of Ethics and Business Conduct that defines the standard of conduct expected of our officers, directors and employees. The Code is incorporated by reference as an exhibit to this Annual Report on Form 10-K. We will upon request and without charge provide a copy of our Code of Ethics. Requests should be directed to Principal Accounting Officer, Health Enhancement Products, Inc., 7 West Square Lake Rd., Bloomfield Hills, MI 48302.

Procedures for Security Holders to Nominate Directors

Our bylaws do not provide a procedure for Stockholders to nominate directors. The Board of Directors does not currently have a standing nominating committee. The Board of Directors currently has the responsibility of selecting individuals to be nominated for election to the Board of Directors. Qualifications considered by the Directors in nominating an individual may include, without limitation, independence, integrity, business experience, education, accounting and financial expertise, reputation, civic and community relationships and industry knowledge. In nominating an existing director for re-election to the Board of Directors, the Directors will consider and review an existing director's Board attendance, performance and length of service.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our officers, directors, and beneficial owners of more than ten percent of a registered class of our equity securities ("Reporting Persons") to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Reporting Persons are required by regulation to furnish us with copies of all Section 16(a) forms they file. Based upon a review of Forms 3, 4 and 5 received by us with respect to the year ended December 31, 2011 and other information known to us, we believe that none of our Reporting Persons has failed to file required reports and/or made late filings during the most recent year, except that Messrs. Gorman, Warner and Crissman filed a late Form 4 Statement of change of Beneficial Ownership.

Item 11. Executive Compensation

Summary Compensation Table

We have written compensation agreements with our President / Chief Executive Officer and our Executive Vice President. The following table summarizes the compensation paid to our Chief Executive Officer, Chief Financial Officer and our Executive Vice President (the "Named Executives") during or with respect to fiscal 2010 and 2011 for services rendered to us in all capacities.

SUMMARY COMPENSATION TABLE:

Name and Principal Position	Year	Salary ($)	Stock Awards* ($)	Option Awards* ($)	All Other Compensation ($)	Total ($)
Andrew D. Dahl Chief Executive Officer (Appointed December 16, 2011)	2011	$7,500				$7,500
Philip M. Rice II Chief Financial Officer (Appointed November 4, 2011)	2011				25,062	25,062(1)
John Gorman Executive Vice President	2011 2010	86,320 86,059		 134,467 (2)		86,320 216,526
Janet Crance CFO and CAO (resigned November 15, 2010)	2010	71,853		134,467(3)		202,320

*The amounts in these columns represent the compensation costs recognized for financial statement reporting purposes under ASC-718 – Compensation – Stock Based Compensation for fiscal years 2011 and 2010 with respect to compensation paid in the form of restricted common stock (i.e. grant date fair value amortized over the requisite service period, but disregarding any estimate of forfeitures relating to service-based vesting conditions) and warrants granted. Grant date fair value is the closing price of our common stock on the date of grant for stock awards and, in the case of warrant awards, Black Scholes value (See Note 3 to the Financial Statements included with this Report).

(1) Mr. Rice was paid $25,062 as a consultant for providing services as the Chief Financial Officer.

(2) Mr. Gorman received warrants to purchase 250,000 shares of our common stock at an exercise price of $.15 per share for a term of three years on June 23, 2010. This warrant was valued at $130,467.

(3) Ms. Crance resigned in November, 2010. She received warrants to purchase 250,000 shares of our common stock at an exercise price of $.15 per share (cashless) for a term of three years on June 23, 2010. This warrant was valued at $130,467.

Narrative Compensation Disclosure

We currently have written compensation agreements with our President / Chief Executive Officer and our Executive Vice President.

Mr. Dahl's employment agreement:

Under the terms of Mr. Dahl's employment agreement, he will be CEO for one year, subject to automatic renewal for successive one year terms, unless either party terminates the Agreement on sixty days' notice prior to the expiration of the term of the agreement. Mr. Dahl will be compensated as follows: he will receive an annual base salary of $240,000 which is partially deferred until the Company meets its funding objectives. In addition, Mr. Dahl is entitled to monthly bonus compensation equal to 2% of our revenue, but only to the extent that such bonus amount exceeds his base salary for the month in question. In addition, Mr. Dahl will be entitled to warrants having an exercise price of $.25 per share, upon the attainment of specified milestones as follows: 1) Warrants for 500,000 shares upon identification of bio-active agents in our product and filing of a patent with respect thereto, 2) Warrants for 500,000 shares upon entering into a contract under which we receive at least $500,000 in cash payments, 3) Warrants for 1,000,000 shares upon us entering into a co-development agreement with a research company to develop medicinal or pharmaceutical applications (where the partner provides at least $2 million in cash or in-kind outlays), 4) Warrants for 1,000,000 shares upon us entering into a co-development agreement for nutraceutical or dietary supplement applications (where the partner provides at least $2 million in cash or in-kind outlays), 5) Warrants for 1,000,000 shares upon our entering into a pharmaceutical development agreement.

Over the past three years, our research efforts were coordinated by Andrew Dahl as principal partner of Great Northern and Reserve Partners, a third party consulting firm. As of December 16, 2011 the agreement with Great Northern and Reserve Partners was terminated. Simultaneously, Andrew Dahl was hired as the CEO.

Mr. Gorman's employment agreement:

Under the terms of Mr. Gorman's employment agreement, he will continue to act as Executive Vice President – Operations, reporting to the CEO, for a period of one year, subject to automatic renewal for successive one year terms, unless either party terminates the Agreement on sixty days' notice prior to the expiration of the term of the agreement. Mr. Gorman will continue to receive an annual base salary of $87,000, and he will be eligible for such bonus and equity compensation as the Board of Directors determines.

Mr. Rice has no employment agreement. He is presently compensated at $200 per hour with a maximum of $10,000 paid in any one month. To the extent that actual monthly fees exceed $10,000, such difference will be paid either in cash or through an equity award, as determined by mutual agreement. He will be eligible for such bonus and equity compensation as the Board of Directors determines.

Outstanding Equity Awards at Fiscal Year End

The following table sets forth certain information concerning outstanding equity awards at fiscal year end.

Name	Number of Securities underlying unexercised warrants # Exercisable	Number of Securities underlying unexercised warrants # Unexercisable	Warrant Exercise price	Warrant Expiration
John Gorman	300,000		.15	Nov. 1, 2014
	500,000		.15	June 28, 2013
Janet Crance	500,000		.15	June 28, 2013

Compensation of Directors

Our directors received warrants to purchase our common stock in exchange for board service during 2010 and 2011. Otherwise, our directors do not receive any additional compensation for serving on our board. Mr. Rice's grant was in January, 2012 for services as a director in 2012.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Option Awards* ($)	All Other Compensation ($)	Total ($)
Steven Warner	2011	23,803 (1)		23,803
Director	2010	82,343 (1)		82,343
John Crissman	2011	23,803 (2)	15,869 (3)	39,672
Director	2010	55,587 (2)	59,738 (3)	115,325
John Gorman	2011	23,803 (4)		23,803
Director	2010	130,467 (4)		130,467
Janet Crance	2010	130,467 (5)		130,467
Director				
Philip M. Rice, II	2012	(6)		(6)
Director				

*The amounts in this column represents the compensation costs recognized for financial statement reporting purposes under FAS 123R for fiscal year 2010 and 2011 with respect to compensation paid in the form of warrants granted. The warrants were valued using the Black Scholes method (See Note 3 to the Financial Statements included with this Report).

(1) Mr. Warner received warrants to purchase 300,000 shares of our common stock at an exercise price of $.15 per share for a term of three years on November 1, 2011. This warrant was valued at $23,803. Mr. Warner received warrants to purchase 200,000 shares of our common stock at an exercise price of $.225 per share (cashless) for a term of three years on August 13, 2010. This warrant was valued at $82,343. Mr. Warner held 500,000 exercisable warrants at December 31, 2011.

(2) Mr. Crissman received warrants to purchase 300,000 shares of our common stock at an exercise price of $.15 per share for a term of three years on November 1, 2011. This warrant was valued at $23,803. Mr. Crissman received warrants to purchase 200,000 shares of our common stock at an exercise price of $.225 per share (cashless) for a term of three years on October 15, 2010. This warrant was valued at $55,587.

(3) Mr. Crissman received warrants to purchase 200,000 shares of our common stock at an exercise price of $.15 per share for a term of three years on November 1, 2011. This warrant was valued at $15,869. Mr. Crissman received warrants to purchase 200,000 shares of our common stock at an exercise price of $.225 per share (cashless) for a term of three years on November 30, 2010. These warrants were issued as compensation for science advisory services. This warrant was valued at $ 45,325. Mr. Crissman held 900,000 exercisable warrants at December 31, 2011.

(4) Mr. Gorman received warrants to purchase 300,000 shares of our common stock at an exercise price of $.15 per share for a term of three years on November 1, 2011. These warrants were for services as a director, and were valued at $23,803. Mr. Gorman received warrants to purchase 250,000 shares of our common stock at an exercise price of $.15 per share for a term of three years on June 23, 2010. These warrants were for services as a director, and were valued at $130,467.

(5) Ms. Crance resigned in November, 2010. She received warrants to purchase 250,000 shares of our common stock at an exercise price of $.15 per share (cashless) for a term of three years on June 23, 2010. These warrants were for services as a director, and were valued at $130,467.

(6) As compensation for serving as a member of the board of directors, warrants to purchase 200,000 shares of common stock were granted to Mr. Rice in January, 2012, at an exercise price of $.12 per share. The warrants have a term of three years and vest as follows: 50,000 are immediately vested, and the remaining 150,000 vest in three equal quarterly installments commencing April 1, 2012

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

The following table sets forth certain information regarding each person who is known to us to beneficially own more than 5% of our issued and outstanding shares of common stock, and the number of shares of our common stock beneficially owned by each of our directors and named executive officers, and all officers and directors as a group. All percentages for certain beneficial owners are based on 100,036,350 shares issued and outstanding as of December 31, 2011, and where applicable, beneficial ownership includes shares which the beneficial owner has the right to acquire within sixty days. All percentages for Management are based on 100,036,350 shares issued and outstanding as of March 15, 2012, and where applicable, beneficial ownership includes shares which the beneficial owner has the right to acquire within sixty days.

Security Ownership of Certain Beneficial Owners:
(as of December 31, 2011)

Name and Address	Title of Class	Number of Shares Beneficially Owned (1)	% of Class
Howard Shapiro 109 Logtown Road Port Jervis, NY 12771	Common	5,256,287	5.3%
Chris Maggiore 6860 Chillingsworth Circle Canton, OH 44718	Common	16,741,000	16.7%
Robert McLain 5519 Island Drive Canton, OH 44718	Common	7,440,945	7.4%

Security Ownership of Management:
(As of March 15, 2012)

Name and Address	Title of Class	Number of Shares Beneficially Owned (1)	% of Class
Mr. Andrew Dahl	Common	2,990,232 (2)	2.9%
Mr. John Gorman	Common	1,601,940(3)	1.5%
Mr. Steven Warner	Common	500,000(2)	*
Mr. John Crissman	Common	900,000(4)	*
Mr. Philip Rice	Common	200,000(5)	*
Directors and Officers as a Group	Common		4.4%

*** Less than 1%**

(1) "Beneficially" owned shares, as defined by the Securities and Exchange Commission, are those shares as to which a person has voting or investment power, or both, and which the beneficial owner has the right to acquire within sixty days. "Beneficial" ownership does not necessarily mean that the named person is entitled to receive the dividends on, or the proceeds from the sale of, the shares.

(2) Includes warrants to purchase 1,000,000 shares of common stock.

(3) Includes warrants to purchase 800,000 shares of common stock

(4) Represents warrants to purchase 900,000 shares of common stock

(5) (5) As compensation for serving as a member of the board of directors, a warrant to purchase 200,000 shares of common stock was granted to Mr. Rice in January, 2012, at an exercise price of $.12 per share. The warrants have a term of three years and vest as follows: 50,000 are immediately vested, and the remaining 150,000 vest in three equal quarterly installments commencing April 1, 2012

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Transactions with Christopher Maggiore, a significant shareholder:

During the year ended December 31, 2010 we issued Christopher Maggiore, a significant shareholder, 2,107,666 shares of common stock and received proceeds of $210,766 from the sale of such shares. In April of 2010, we entered into a line of credit agreement with Mr. Maggiore. Under the terms of this line of credit agreement, the shareholder agreed to advance, upon request, a maximum of $675,000 as needed. This Line of Credit Agreement terminated by its terms April 24, 2011. The advances are to be repaid on or before April 24, 2012 with interest accrued at the rate of 7% annually. During 2010 we received advances totaling $373,600, and accrued interest totaling $4,209. During the quarter ended December 31, 2010, we issued an aggregate of 1,940,000 shares of common stock to Mr. Maggiore as follows: (i) 838,986 shares were issued upon exercise of outstanding warrants at an average exercise price of $.23 per share (the shareholder paid the exercise price by forgiving $188,898 in indebtedness owing to the shareholder) and (ii) 1,101,014 shares (valued at $374,344) were issued in full satisfaction of the approximately $110,000 in remaining principal amount plus accrued interest owing to this related party in connection with advances made to us. In connection with this loan repayment we incurred finance charges of $259,293. As of December 31, 2010 there was a balance due of $12,000.

Mr. Maggiore has an equity interest in Ceptazyme, LLC, the purported assignee of Zus Health under the license agreement discussed above.

During 2011, Mr. Maggiore paid expenses of $164,675 on behalf of the Company that were repaid as follows: on November 1, 2011, we issued 664,848 shares of common stock and warrants to purchase 997,272 shares of common stock at an exercise price of $.125 per share in repayment of $83,106. On December 1, 2011, we issued 652,550 shares of common stock and warrants to purchase 978,825 shares of common stock at an exercise price of $.125 per share in repayment of $81,569. The Company recorded $178,538 in finance costs as a result of the issuance of these warrants. As of December 31, 2011 there is no balance due.

In addition, in July, 2011, we issued Mr. Maggiore warrants to purchase 3,000,000 shares at an exercise price of $.25 per share for a term of three years. These warrants were issued to Mr. Maggiore in consideration of Mr. Maggiore having providing financing to us which prevented him from being able to avail himself of our offer to certain warrant holders to exercise their warrants on a reduced exercise price basis. We recognized finance costs of $203,069 in connection with the grant.

Transactions involving Robert McLain, a significant shareholder:

Mr. McLain has an equity interest in Ceptazyme, LLC, the purported assignee of Zus Health under the license agreement discussed above.

We have entered into several transactions with Mr. Howard R. Baer, a former significant shareholder:

Although Mr. Baer has, in connection with the preparation of this Report, represented to us that he is no longer a significant shareholder, Mr. Baer was a significant shareholder at the time we entered into the following transactions with him.

Office Space

We are leasing office and production space located in Scottsdale, Arizona from Howard Baer, pursuant to an Amended and Restated Sublease expires on February 9, 2020, subject to our unilateral right to terminate the Lease on March 31, 2013. Under the original terms of the Amended and Restated Sublease, the annual base rent for the 15,000 square foot facility was approximately $237,000, payable in equal monthly installments of approximately $20,000. The annual base rent is subject to increase annually in an amount equal to the greater of 2.5% of the prior year's base rent and the percentage increase in the Consumer Price Index. We paid an additional security deposit of approximately $110,000. The Amended and Restated Sublease is a "net lease", which means that we are responsible for the real estate taxes, maintenance, insurance and repairs related to the premises we are leasing.

In October, 2009, we and Mr. Baer agreed in principle to (i) reduce from 15,000 to 11,000 the square footage of the space we are occupying and (ii) to reduce the base rent from $20,000 to $16,720 monthly (not including real estate taxes (currently $1,480 per month)). In addition, Mr. Baer has assumed the responsibility for maintenance and repairs for the building and we are obligated to reimburse the lessor for 70% of such expenses. We incurred approximately $174,000 and $281,000 in rent expense during fiscal 2011 and 2010, respectively.

In May of 2011 we and Mr. Baer agreed to (i) further reduce from 11,000 to 5,600 the square footage we are occupying, and (ii) reduce our rent to $12,320 (not including real estate taxes of $1,480 per month).

Guarantees

In May, 2010, we entered into an indemnity agreement under which we indemnified Mr. Baer for any liability incurred in connection with guarantying company obligations. We also issued Mr. Baer warrants to purchase 500,000 shares of common stock as compensation for prior loan guarantees he made with respect to company indebtedness. These warrants have an exercise price of $.15 (cashless) and a term of 3 years. The warrants were valued at $405,925 using the Black Scholes pricing model with the following assumptions: volatility 137.66%; annual rate of dividends 0%; discount rate 3.1%.

Item 14. Principal Accountant Fees and Services

Audit Fees

The aggregate fees billed for each of the last two years for professional services rendered by our principal accountant for the audit of our annual financial statements and review of financial statements included in our Form 10-Q and 10-K reports and services normally provided by the accountant in connection with statutory and regulatory filings or engagements were approximately $88,300 and $66,000 for 2011 and 2010, respectively.

Audit-Related Fees

There were no fees for assurance and related services for 2011 or 2010.

Tax Fees

There were no fees for tax compliance, tax advice or tax planning services during 2011 and 2010.

All Other Fees

There were no fees billed in either of the last two years for products and services provided by the principal accountant, other than the services reported above.

We do not currently have an audit committee. Our Board of Directors will evaluate and approve in advance the scope and cost of the engagement of our auditor before the auditor is engaged to render audit and non-audit services.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) (1) (2) *Financial Statements*.

Financial Statements are listed in the Index to Consolidated Financial Statements on page F-1 of this report.

All schedules have been omitted because they are not applicable or the required information is included in the Consolidated Financial Statements or Notes thereto.

(3) *Exhibits*.

The Exhibit Index and required Exhibits immediately following the Signatures to this Form 10-K are filed as part of, or hereby incorporated by reference into, this Form 10-K.

SIGNATURES

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

HEALTH ENHANCEMENT PRODUCTS, INC.

Date: March 30, 2012

By: */s/ Philip M. Rice II*
Philip M. Rice II
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
By: */s/Andrew Dahl* Andrew Dahl, Principal Executive Officer	CEO, President	March 30, 2012
By: */s/ Philip M. Rice II* Principal Financial Officer, Director	Chief Financial Officer, Director	March 30, 2012
By: */s/John Gorman* John Gorman, Director	EVP, Operations, Director	March 30, 2012

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
HEALTH ENHANCEMENT PRODUCTS, INC. AND SUBSIDIARIES

We have audited the accompanying consolidated balance sheets of Health Enhancement Products, Inc. and Subsidiaries (the "Company") as of December 31, 2011 and 2010 and the related consolidated statements of operations, stockholders' deficiency and cash flows for each of the two years in the period ended December 31, 2011. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. Also, an audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Health Enhancement Products, Inc. and Subsidiaries at December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has incurred significant operating losses for the years ended December 31, 2011 and 2010 and, as of December 31, 2011, has a significant working capital and stockholders' deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ WOLINETZ, LAFAZAN & COMPANY, P.C.
WOLINETZ, LAFAZAN & COMPANY, P.C.

Rockville Centre, New York
March 30, 2012

HEALTH ENHANCEMENT PRODUCTS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

ASSETS	December 31, 2010	December 31, 2011
CURRENT ASSETS:		
Cash	$ 15,603	$ 225,696
Inventories	10,554	-
Deferred Finance Costs		13,722
Prepaid Expenses	10,855	10,412
Total Current Assets	37,012	249,830
PROPERTY AND EQUIPMENT, NET	170,259	83,546
OTHER ASSETS:		
Definite-life intangible Assets, net	8,168	7,201
Deposits	124,482	122,917
Total Other Assets	132,650	130,118
TOTAL ASSETS	$ 339,921	$ 463,494
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts Payable	$ 455,592	$ 660,565
Loan Payable, Related Party	12,000	100
Current portion, long term debt	3,516	7,682
Customer deposits	25,194	27,837
Obligation to Issue Common Stock	50,000	307,664
Convertible Debentures Payable, less discount of $18,936 and $875 at December 31, 2010 and 2011	157,064	84,226
Derivative Liability	-	528,566
Deferred Rent	-	96,347
Deferred Revenue, current	15,000	
Accrued Liabilities	62,177	75,349
Total Current Liabilities	780,543	1,788,336
LONG TERM LIABILITIES:		
Convertible Debenture Payable, net of Discount of $71,037 and $577,106 at December 31, 2010 and 2011	104,063	423,393
Deferred Revenue, non-current	235,000	235,000
Deferred rent expense	171,995	48,264
Total Long term Liabilities	511,058	706,657
TOTAL LIABILITIES	1,291,601	2,494,993
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' DEFICIT:		
Common stock, $.001 par value, 150,000,000 shares authorized; 92,705,026 and 100,036,350 issued and outstanding at December 31, 2010 and 2011	92,705	100,036
Additional Paid-In Capital	25,485,816	27,130,276
Accumulated deficit	(26,530,198)	(29,261,809)
Total Stockholders' Deficit	(951,680)	(2,031,497)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 339,921	$ 463,494

The accompanying notes are an integral part of these financial statements

HEALTH ENHANCEMENT PRODUCTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the year ended December 31, 2010	For the year ended December 31, 2011
NET SALES	$ 77,725	$ 88,891
LICENSING FEES	5,000	15,000
TOTAL REVENUE	82,725	103,891
COSTS AND EXPENSES:		
Cost of sales	51,807	138,252
Selling	96,790	13,729
General and Administrative	1,235,975	603,104
Professional fees and Consulting Expense	2,363,625	909,221
Research and Development	395,573	377,893
Total Operating Expenses	4,143,770	2,042,199
LOSS FROM OPERATIONS	(4,061,045)	(1,938,308)
OTHER INCOME (EXPENSE):		
Fair Value Adjustment of Derivative Liability	(2,223,991)	24,422
Vendor Settlements	4,116	
Amortization of Bond Discount	(162,371)	(142,412)
Amortization of Deferred Finance Costs	-	(43,984)
Finance costs paid in stocks and warrants	(665,218)	(584,215)
Interest Expense	(13,964)	(47,113)
Total Other Income (Expense)	(3,061,428)	(793,303)
NET LOSS	$ (7,122,473)	$ (2,731,610)
BASIC AND DILUTED LOSS PER SHARE	$ (0.08)	$ (0.03)
WEIGHTED AVERAGE BASIC AND DILUTED SHARES OUTSTANDING	87,161,757	96,581,501

The accompanying notes are an integral part of these financial statements

HEALTH ENHANCEMENT PRODUCTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIENCY
FOR THE PERIOD JANUARY 1, 2010 THROUGH DECEMBER 31, 2011

	Common Stock		Additional Paid in	Accumulated	
	Shares	Amount	Capital	Deficit	Total
Balance, January 1, 2010	78,636,326	$ 78,636	$15,543,487	$(19,407,726)	$(3,785,603)
Issuance of common stock warrants for directors' fees	-	-	137,930	-	137,930
Issuance of common stock warrants to employees	-	-	87,500	-	87,500
Issuance of common stock for services	979,341	979	498,331	-	499,310
Issuance of common stock warrants for services	-	-	1,743,541	-	1,743,541
Conversion of convertible debentures	508,457	509	117,629	-	118,138
Issuance of common stock for finder's fees	225,000	225	36,175	-	36,400
Issuance of common stock warrants for finder's fees	-	-	66,863	-	66,863
Exercise of warrants	11,190,213	11,190	1,893,437	-	1,904,627
Discount adjustment on convertible debt	-	-	122,284	-	122,284
Warrants issued for indemnity agreement	-	-	405,925	-	405,925
Issuance of common stock in repayment of loan	1,166,014	1,166	379,679	-	380,845
Derivative adjustments	-	-	4,453,035	-	4,453,035
Net loss	-	-	-	(7,122,473)	(7,122,473)
Balance, December 31, 2010	92,705,351	92,705	25,485,816	(26,530,199)	(951,680)
Issuance of warrants to board of directors	-	-	87,278	-	87,278
Issuance of stock to consultants	137,594	138	34,862	-	35,000
Issuance of warrants to consultants	-	-	8,584	-	8,584
Issuance of common stock pursuant to private placements	3,193,334	3,193	404,307	-	407,500
Issuance of common stock for cashless warrants	82,667	83	(83)	-	(0)
Common stock issued in repayment of loan	1,317,398	1,317	163,358	-	164,675
Exercise of warrants	2,600,000	2,600	257,400	-	260,000
Warrants issued for financing costs	-	-	500,626	-	500,626
Discounts on convertible debentures	-	-	130,422	-	130,422
Deferred finance charges	-	-	57,706	-	57,706
Rounding	(325)	(0)	-	-	(0)
Net loss	-	-	-	(2,731,610)	(2,731,610)
Balance, December 31, 2011	100,036,019	$100,036	$27,130,276	$(29,261,809)	$(2,031,497)

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

HEALTH ENHANCEMENT PRODUCTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

	For the year ended December 31, 2010	For the year ended December 31, 2011
Cash Flows for Operating Activities:		
Net Loss	$ (7,122,473)	$ (2,731,610)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stocks and warrants issued for services rendered	1,852,797	130,862
Warrants issued as payment of director's fees	137,930	
Warrants issued as payment of finance costs	607,568	553,615
Warrants issued for finders' fees	66,863	
Vendor settlements	(4,417)	-
Amortization of prepaid consulting fees	85,400	-
Amortization of bond discount	162,371	142,413
Amortization of intangibles	966	967
Amortization of deferred finance costs	-	43,984
Depreciation expense	36,560	91,433
Fair value adjustment of derivative liability	2,223,991	(24,422)
Increase (Decrease) in deferred rent	13,904	(27,384)
Changes in assets and liabilities:		
(Increase) Decrease in inventories	(6,357)	10,554
(Increase) Decrease in prepaid expenses	(5,648)	443
Increase (Decrease) in accounts payable	(76,848)	204,969
(Increase) Decrease in security deposits	(3,815)	1,565
Increase (Decrease) in customer deposits	25,194	2,643
Increase (Decrease) in deferred revenue	250,000	(15,000)
Increase in obligation to issue common stock	460,692	307,664
Increase (Decrease) in accrued liabilities	(144,405)	13,176
Net Cash (Used) in Operating Activities	(1,439,727)	(1,294,128)
Cash Flows from Investing Activities:		
Capital expenditures	(29,629)	(4,720)
Net Cash (Used) in Investing Activities	(29,629)	(4,720)
Cash Flow from Financing Activities:		
Cash Overdraft	(9,517)	-
Proceeds from notes and loans payable	-	24,306
Proceeds from loans payable, related party	373,600	152,773
Payments of other borrowings	(5,237)	(20,141)
Payment on Note and loans payable	(51,617)	-
Proceeds from issuance of convertible debentures	-	734,500
Proceeds from sale of common stock and warrants	1,177,730	617,500
Net Cash Provided by Financing Activities	1,484,959	1,508,938
Increase in Cash	15,603	210,093
Cash at Beginning of Period	-	15,603
Cash at End of Period	$ 15,603	$ 225,696
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period for:		
Interest	$ 2,734	$ 7,290
Income taxes	$ -	$ -

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

Supplemental Schedule of Non-cash Investing and Financing Activities:

For the year ended December 31, 2010:

The Company converted $115,000 in debentures and $3,138 in accrued interest into 508,457 shares of common stock.

The Company issued 2,110,000 shares of stock, valued at $945,813, and warrants to purchase 500,000 shares of common stock, valued at $477,554, in satisfaction of an obligation to issue common stock. The Company issued 95,000 shares of common stock valued at $50,500 in payment of finder's fees.

The Company issued Changing Times Vitamins, Inc. (CTV) 750,000 shares (valued at $352,500) owing to CTV in connection with a termination agreement. In connection with this transaction, CTV waived its right to exercise warrants to purchase 750,000 shares of the Company's common stock until the number of its authorized shares was increased to at least 125,000,000. Effective June 23, 2010, the authorized shares were increased to 150,000,000.

The Company issued 1,970,000 shares of common stock in full satisfaction of a loan from a related party totaling $303,949. And the Company issued 6,095 shares of common stock upon the exercise of a cashless warrant. In addition, the Company issued 400,000 warrants valued at $137,930 for directors' fees, 200,000 warrants valued at $59,738 to a director for science advisory services, and 250,000 warrants valued at $87,500 to an employee for services.

Additionally, the Company recognized an additional derivative liability valued at $3,048,306 for warrants issued in excess of its authorized shares for the year ended December 31, 2010.

For the Year Ended December 31, 2011:

During the quarter ended March 31, 2011, The Company issued convertible debentures for $62,500 in principal and recorded a discount on the debentures of $62,500. As an inducement to further invest in the Company, warrants were repriced from $.25 to $.15, resulting in deferred finance costs of $57,706.

During the quarter ended June 30, 2011, the Company issued convertible debentures in the principal amount of $52,000 and recorded a discount on the debentures of $52,000. In addition, the Company issued 333,334 shares of common stock in satisfaction of an obligation to issue common stock valued at $50,000.

During the quarter ended June 30, 2011, several three year 1% convertible notes in the aggregate principal amount of $196,000, with various maturity dates during 2011were extended for an additional three years at the request of the note holder. The Company incurred no additional cost as a result of these extensions.

During the quarter ended September 30, 2011, the Company issued convertible debentures in the principal amount of $20,000 and recorded a discount on the debentures of $15,921.

During the quarter ended December 31, 2011, the Company issued 1,317,398 shares of common stock, and warrants to purchase 1,976,097 shares of common stock (at an exercise price of $.125 per share) to a significant shareholder in repayment of loans totaling $164,675.

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

NOTE 1 – DESCRIPTION OF BUSINESS

Health Enhancement Products, Inc. and Subsidiaries (the Company) produces health products. Currently, the Company's focus is on research and identification of its bioactive ingredients and is not currently selling its product commercially. Its wholly owned subsidiary, HEPI Pharmaceuticals, Inc. intends to develop potential pharmaceuticals applications of ProAlgaZyme® (PAZ).

NOTE 2 – BASIS OF PRESENTATION

The Company incurred net losses of $2,731,610 and $7,122,473 during the years ended December 31, 2011 and 2010, respectively. In addition, the Company had a working capital deficiency of $1,538,506 and a stockholders' deficiency of $2,031,497 at December 31, 2011. These factors raise substantial doubt about the Company's ability to continue as a going concern.

There can be no assurance that sufficient funds required during the next year or thereafter will be generated from operations or that funds will be available from external sources such as debt or equity financings or other potential sources. The lack of additional capital resulting from the inability to generate cash flow from operations or to raise capital from external sources would force the Company to substantially curtail or cease operations and would, therefore, have a material adverse effect on its business. Furthermore, there can be no assurance that any such required funds, if available, will be available on attractive terms or that they will not have a significant dilutive effect on the Company's existing stockholders.

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 the Company be unable to continue as a going concern.

During the year ended December 31, 2011, the Company:

- generated approximately $89,000 in revenues;
- raised an aggregate amount of $617,500 through the sale of common stock and exercise of common stock warrants;
- raised an aggregate amount of $734,500 through the issuance of convertible debt.

The Company is attempting to address its lack of liquidity by raising additional funds, either in the form of debt or equity or some combination thereof. There can be no assurances that the Company will be able to raise the additional funds it requires.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation - The consolidated financial statements include the accounts of Health Enhancement Products, Inc. and its wholly-owned Subsidiaries, Health Enhancement Corporation and HEPI Pharmaceuticals, Inc. All significant intercompany transactions and accounts have been eliminated in consolidation.

Accounting Estimates - The Company's consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America, which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, at the date of the financial statements and reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management uses its best judgment in valuing these estimates and may, as warranted, solicit external professional advice and other assumptions believed to be reasonable. The following critical accounting policies, some of which are impacted significantly by judgments, assumptions and estimates, affect the Company's consolidated financial statements.

Cash and Cash Equivalents - The Company considers all highly-liquid investments purchased with a maturity of three months or less to be cash equivalents.

Inventories – Inventories are stated at the lower of cost or market, on a first-in, first-out basis.

Property and Equipment – Property and equipment consists of furniture, office equipment, and leasehold improvements, and is stated at cost less accumulated depreciation and amortization. Repair and maintenance costs that do not improve service potential or extend the economic life of an existing fixed asset are expended as incurred. Depreciation and amortization is determined by using the straight-line method over the estimated useful lives of the related assets, generally five to seven years.

Fair Value of Financial Instruments – FASB ASC 820 defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by FASB ASC 820 are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Company has the ability to access.
- Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 are unobservable inputs for the assets or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include the Company's own data.)

The Company's financial instruments include cash and equivalents, accounts payable, loans payable, obligations to issue common stock, accrued expenses and current portion of long-term debt. All these items were determined to be Level 1 fair value measurements.

The carrying amounts of cash and equivalents, accounts payable, loans payable, obligations to issue common stock, accrued expenses and current portion of long-term debt approximate fair value because of the short term maturity of these instruments. The recorded value of long-term debt approximates its fair value as the terms and rates approximate market rates.

Fair Value Measurements - In January 2010, the ASC guidance for fair value measurements and disclosure was updated to require additional disclosures related to i) transfers in and out of level 1 and 2 fair value measurements and ii) enhanced detail in the level 3 reconciliation. The guidance was amended to provide clarity about: i) the level of disaggregation required for assets and liabilities and ii) the disclosures required for inputs and valuation techniques used to measure fair value for both recurring and nonrecurring measurements that fall in either level 2 or level 3. The updated guidance was effective for the Company's fiscal year beginning January 1, 2010, with the exception of the Level 3 disaggregation, which is effective for the fiscal years beginning January 1, 2011. The Company adopted this guidance on the Company's consolidated financial position, results of operations and cash flows.

Revenue Recognition – For revenue from product sales, the Company recognizes revenue in accordance with Staff Accounting Bulletin No. 104, "Revenue Recognition" ("SAB No. 104"), which superseded Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB No. 101"). SAB No. 104 requires that four basic criteria must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred; (3) the selling price is fixed and determinable; and (4) collectability is reasonably assured. Determination of criteria (3) and (4) are based on management's judgment regarding the fixed nature of the selling prices of the products delivered and the collectability of those amounts. Provisions for discounts and rebates to customers, estimated returns and allowances, and other adjustments are provided for in the same period the related sales are recorded. The Company recognized no such provision for the 12 months ended December 31, 2011.

Research and Development - Research and development costs are expensed as incurred. The Company accounts for research and development expenses under two main categories:

- Research Expenses, consisting of salaries and equipment and related expenses incurred for product research studies conducted primarily within the Company and by Company personnel. Research expenses were approximately $42,000 and $110,000 for the years ended December 31, 2011 and 2010, respectively;

- Clinical Studies Expenses, consisting of fees, charges, and related expenses incurred in the conduct of clinical studies conducted with Company products by independent external entities. External clinical studies expenses were approximately $336,000 and $286,000 for the years ended December 31, 2011 and 2010, respectively.

Income Taxes - The Company accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The tax effects of temporary differences that gave rise to the deferred tax assets and deferred tax liabilities at December 31, 2011 and 2010 were primarily attributable to net operating loss carry forwards. Since the Company has a history of losses, and it is more likely than not that some portion or all of the deferred tax assets will not be realized, a full valuation allowance has been established. In addition, utilization of net operating loss carry-forwards are subject to a substantial annual limitation due to the "change in ownership" provisions of the Internal Revenue Code. The annual limitation may result in the expiration of net operating loss carry-forwards before utilization.

Stock Based Compensation –We account for stock-based compensation in accordance with FASB ASC 718, *Compensation – Stock Compensation.* Under the provisions of FASB ASC 718, stock-based compensation cost is estimated at the grant date based on the award's fair value and is recognized as expense over the requisite service period. The company generally issues grants to its employees, consultants and board members. At the date of grant, the company determines the fair value of the stock option award and recognizes compensation expense over the requisite service period. The fair value of the stock option or warrant award is calculated using the Black Scholes option pricing model.

During 2011 and 2010, warrants were granted to employees, directors and consultants of the Company. As a result of these grants, the Company recorded compensation expense of $130,862 and $1,968,971 during the years ended December 31, 2011 and 2010 respectively.

The fair value of warrants was estimated on the date of grant using the Black-Scholes option-pricing model based on the following weighted average assumptions:

	Year Ended December 31,	
	2011	2010
Expected volatility	60.75% to 77.05%	123.94% to 297.46%
Expected dividends	0%	0%
Expected term	3 years	3.32 years
Risk free rate	3.1%	3.1%

The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option-pricing models require the input of highly subjective assumptions, including the expected stock price volatility. Because the Company's employee warrants have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion the existing models may not necessarily provide a reliable single measure of the fair value of its employee options.

Loss Per Share - The computation of loss per share is based on the weighted average number of common shares outstanding during the period presented. Diluted loss per share is the same as basic loss per share, as the effect of potentially dilutive securities (warrants and convertible debt – 27,769,208 and 23,073,999 shares at December 31, 2011 and 2010 respectively) are anti-dilutive.

Concentrations of Credit Risk - Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents.

The Company maintains cash balances at financial institutions which exceed the current Federal Deposit Insurance Corporation ("FDIC") limit of $250,000 at times during the year.

Reclassifications – Certain items in these consolidated financial statements have been reclassified to conform to the current period presentation.

Recently-Enacted Accounting Standards –

Recent Accounting Pronouncements

In January 2010, the FASB issued Accounting Standards Update 2010-06, Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements. This guidance amends the disclosure requirements related to recurring and nonrecurring fair value measurements and requires new disclosures on the transfers of assets and liabilities between Level 1 (quoted prices in active market for identical assets or liabilities) and Level 2 (significant other observable inputs) of the fair value measurement hierarchy, including the reasons and the timing of the transfers. Additionally, the guidance requires a roll forward of activities on purchases, sales, issuance and settlements of the assets and liabilities measured using significant unobservable inputs (Level 3 fair value measurements). The guidance became effective for the reporting period beginning January 1, 2010, except for the disclosure on the roll forward activities for Level 3 fair value measurements, which will become effective for the reporting period beginning January 1, 2011. The Company's adoption of this updated guidance was not significant to our consolidated financial statements.

In February 2010, the FASB issued updated guidance related to subsequent events. As a result of this updated guidance, public filers must still evaluate subsequent events through the issuance date of their financial statements; however, they are not required to disclose the date in which subsequent events were evaluated in their financial statements disclosures. This amended guidance became effective upon its issuance on February 24, 2010 at which time the Company adopted this updated guidance.

Accounting Codification Standards - In June 2009, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification 105, "Generally Accepted Accounting Principles" ("ASC 105"). On July 1, 2009, the FASB completed ASC 105 as the single source of authoritative U. S. generally accepted accounting principles ("GAAP"), superseding all then-existing authoritative accounting and reporting standards, except for rules and interpretive releases for the SEC under authority of federal securities laws, which are sources of authoritative GAAP for Securities and Exchange Commission registrants. ASC 105 reorganizes the authoritative literature comprising U. S. GAAP into a topical format that eliminates the current GAAP hierarchy. ASC 105 is effective for the company in its year ended December 31, 2010. ASC 105 is not intended to change U. S. GAAP and will have no impact on the company's consolidated financial position, results of operations or cash flows. However, since it completely supersedes existing standards, it will affect the way the Company references authoritative accounting pronouncements in its financial statements and other disclosure documents.

Share-Based Payment Transactions - The Company adopted a provision in accordance with ASC guidance for earnings per share (originally issued as FASB Staff Position No. EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities").* This guidance establishes that unvested share-based payment awards that contain nonforfeitable rights to dividends are participating securities and shall be included in the computation of earnings per share under the two-class method. The adoption of the ASC did not have a material effect on the Company's Consolidated Financial Statements.

Accounting for the Useful Life of Intangibles - In April 2008, the ASC guidance for goodwill and other intangibles was updated to amend the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset. The intent of this update is to improve the consistency between the useful life of a recognized intangible asset and the period of expected cash flows used to measure the fair value of the asset under guidance for business combinations. The adoption had no impact on the Company's consolidated financial position, result of operations or cash flows.

NOTE 4 - INVENTORIES

Inventories at December 31, 2011 and 2010 consist of the following:

	December 31, 2011	December 31, 2010
Raw Materials	$ -	$ 5,650
Finished Goods	-	4,904
	$ -	$ 10,554

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2011 and 2010 consist of the following:

	December 31, 2011	December 31, 2010
Furniture & fixtures	$ 51,617	$ 51,617
Equipment	112,879	112,879
Leasehold improvements	148,359	143,639
	312,855	308,135
Less accumulated depreciation and amortization	(229,309)	(137,876)
	$ 83,546	$ 170,259

Depreciation and amortization was $36,560 and $91,433 for the years ended December 31, 2010 and 2011, respectively.

NOTE 6 – DEFINITE-LIFE INTANGIBLE ASSETS

Definite-life intangible assets at December 31, 2011 and 2010 consist of the following:

	December 31, 2011	December 31, 2010
Patent applications pending	$ 14,501	$ 14,500
Less: accumulated amortization	7,300	6,334
	$ 7,201	$ 8,168

The Company's definite-life intangible assets are being amortized, upon being placed in service, over 15 years, the estimated useful lives of the assets, with no residual value. Amortization expense was $967 and $966 for the years ended December 31, 2010 and 2011, respectively.

NOTE 7 – LOAN PAYABLE – RELATED PARTY

In April of 2010, the Company entered into a line of credit agreement with Christopher Maggiore, a significant shareholder. Under the terms of the line of credit agreement, the shareholder agreed to advance, upon request, a maximum of $675,000 as needed. This Line of credit Agreement terminated, by its terms, April 24, 2011. The advances are to be repaid on or before April 24, 2012 with interest accrued at the rate of 7% annually. During 2010 the Company received advances totaling $373,600, and accrued interest totaling $4,209. During the quarter ended December 31, 2010, the Company issued an aggregate of 1,940,000 shares of common stock to Mr. Maggiore as follows: (i) 838,986 shares were issued upon exercise of outstanding warrants at an average exercise price of $.23 per share (the shareholder paid the exercise price by forgiving $188,898 in indebtedness owing to the shareholder) and (ii) 1,101,014 shares (valued at $374,344) were issued in full satisfaction of the approximately $110,000 in remaining principal amount plus accrued interest owing to this related party in connection with advances made to the Company. In connection with this loan repayment the Company incurred finance charges of $259,293. As of December 31, 2010 there is a balance due of $12,000.

During 2011, Mr. Maggiore paid expenses of $164,675 on behalf of the Company that were repaid as follows: on November 1, 2011, the Company issued 664,848 shares of common stock and warrants to purchase 997,272 shares of common stock at an exercise price of $.125 per share in repayment of $83,106, and recognized finance costs of $88,380. On December 1, 2011, the Company issued 652,550 shares of common stock and warrants to purchase 978,825 shares of common stock at an exercise price of $.125 per share in repayment of $81,568 and recognized finance costs of $90,158. As of December 31, 2011 there is no balance due.

NOTE 8 – LONG TERM DEBT

Long term debt at December 31, 2011 and 2010 consists of the following:

	December 31, 2011	December 31, 2010
Installment note bearing interest at 8.8% per annum and due March, 2011. The loan is secured by certain equipment of the Company	$ 0	$ 3,516
Less current portion	0	3,516
	$ -	$ -

NOTE 9 – CONVERTIBLE DEBT

On December 2, 2011, the Company and HEP Investments, LLC, a Michigan limited liability company ("Lender"), entered into the following documents, effective as of December 1, 2011: (i) a Loan Agreement under which the Lender has agreed to advance up to $2,000,000 to the Company, subject to certain conditions, (ii) a Convertible Secured Promissory Note in the initial principal amount of $600,000 ("Note") and (iii) (a) a Security Agreement, under which the Company granted the Lender a security interest in all of its assets and (b) an IP security agreement under which the Company and its subsidiaries granted the Lender a security interest in all their respective intellectual properties, including patents, in each case order to secure their respective obligations to the Lender under the Note and related documents. In addition, the Company's subsidiaries have guaranteed the Company's obligations under the Note.

As of December 5, 2011, the Lender has advanced the Company $600,000, consisting of $500,000 in cash and $100,000 previously advanced by the Lender in connection with a transaction previously disclosed in a Current Report on Form 8-K dated September 12, 2011. The Lender has agreed to advance the remaining $1,400,000 in $250,000 increments (final increment of $150,000) upon request of the Company's CEO, subject to satisfaction of certain conditions. In addition, the Company has agreed to (i) issue the Lender warrants to purchase 1,666,667 shares of common stock at an exercise price of $.12 per share (including a cashless exercise provision), expiring September 30, 2016 and (ii) enter into a Registration Rights Agreement with respect to all the shares of common stock issuable to the Lender in connection with the Loan transaction, in each case subject to completion of funding of the full $2,000,000 called for by the Loan Agreement.

Amounts advanced under the Note are (i) secured by all the Company's assets, (ii) convertible into the Company's restricted common stock at the lesser of $.12 per share or a 25% discount off of the ten day trailing quoted price of the common stock in the over the counter (OTC) market, (iii) bear interest at the rate of 11% per annum and (iv) must be repaid as follows: accrued interest must be paid on the first and second anniversary of the Note and unpaid principal not previously converted into common stock must be repaid on the second anniversary of the Note December 1, 2013. The Company has also agreed to a specified use of proceeds. The Note may be prepaid upon sixty days written notice, provided that the Company shall be required to pay a prepayment premium equal to 5% of the amount repaid.

The Company has made certain agreements with the Lender which shall remain in effect as long as any amount is outstanding under the Loan. These agreements include an agreement not to make any change in the Company's senior management, without the prior written consent of the Lender. Two representatives of the Lender will have the right to attend Board of Director meetings as non-voting observers.

The Company recorded a debt discount of $500,000 against this transaction. In addition, the Company recorded a derivative liability of $552,988. This represents the future value of the stock to be issued under the terms of the convertible debt. We valued this stock utilizing the Black-Scholes method of valuation using the following assumptions: volatility 151.45%, annual rate of dividends 0% and a risk free interest rate of .27%. In addition, the Company has recognized other income of $24,422 representing the change in fair value of this derivative liability. We marked this derivative liability to fair value at December 31, 2011 utilizing the Black-Scholes method of valuation using the following assumptions: volatility 151.49%, annual rate of dividends 0%, and a risk free rate of .25%.

During the year ended December 31, 2011, the Company issued eleven (11) three (3) year convertible notes aggregating $134,500 of principal and a debt discount of $130,421 was recorded. These notes are due at various dates from February 2014 through August 2014 and are convertible at $.125 per share. The convertible notes include warrants to purchase 1,614,000 shares of the Company's common stock at $.125 per share. The warrants expire at various dates from February 2014 through August 2014.

In connection with the $134,500 in convertible notes, the Company recorded non-cash finance charges of $119,020.

Convertible debt consists of the following:

	December 31, 2011	December 31, 2010
1% Convertible notes payable, net of unamortized discount of $98,814 and $89,973 respectively, due at various dates ranging from January 2012 to September 2014	$ 386,786	$ 261,127
11% Convertible note payable, net of unamortized discount of $479,167 and $-0-, respectively, due December 2013	120,833	-0-
	507,619	261,127
Less: Current portion	84,226	157,064
Long term portion	$ 423,393	$ 104,063

Amortization of the debt discount on all convertible debt was $162,371 and $142,413 for the year ended December 31, 2010 and 2011.

NOTE 10 - DERIVATIVE LIABILITY

The Company reclassified certain outstanding warrants and options as derivative liabilities, which are marked to fair value periodically pursuant to Emerging Issues Task Force guidance EITF 00-19 "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, A Company's Own Stock" ("EITF 00-19"). The Company valued these options and warrants utilizing the Black-Scholes method of valuation using the following assumptions: volatility from 128.47% to 138.84%, annual rate of dividends 0% and a risk free interest rate of 3.1%. The valuation resulted in a reclassification from stockholders' equity for the year ended December 31, 2010 of $3,048,306. As of December 31, 2010, the derivative liability has been reclassified to additional paid in capital, since the Company obtained stockholder approval to increase the total authorized common stock to 150,000,000 shares, which was effective June 23, 2010.

Pursuant to ASC guidance, if a company has more than one contract subject to this issue, and partial reclassification is required, there may be different methods that could be used to determine which contracts, or portions of contracts, should be reclassified. The Company's method for reclassification of such contracts is reclassification of contracts with the latest inception or maturity date first.

As part of the funding agreement signed December 1, 2011 with HEP Investments, LLC, the Company recorded a derivative liability of $552,988. This represents the future value of the stock to be issued under the terms of the convertible debt. We valued this stock utilizing the Black-Scholes method of valuation using the following assumptions: volatility 151.45%, annual rate of dividends 0% and a risk free interest rate of .27%. In addition, the Company has recognized other income of $24,422 representing the change in fair value of this derivative liability. We marked this derivative liability to fair value at December 31, 2011 utilizing the Black-Scholes method of valuation using the following assumptions: volatility 151.49%, annual rate of dividends 0%, and a risk free rate of .25%.

NOTE 11 - RELATED PARTY TRANSACTIONS

Loan Payable

In April of 2010, the Company entered into a line of credit agreement with Christopher Maggiore, a significant shareholder. Under the terms of the line of credit agreement, the shareholder agreed to advance, upon request, a maximum of $675,000 as needed. This Line of credit Agreement terminated, by its terms, April 24, 2011. The advances are to be repaid on or before April 24, 2012 with interest accrued at the rate of 7% annually. During 2010 the Company received advances totaling $373,600, and accrued interest totaling $4,209. During the quarter ended December 31, 2010, the Company issued an aggregate of 1,940,000 shares of common stock to Mr. Maggiore as follows: (i) 838,986 shares were issued upon exercise of outstanding warrants at an average exercise price of $.23 per share (the shareholder paid the exercise price by forgiving $188,898 in indebtedness owing to the shareholder) and (ii) 1,101,014 shares (valued at $374,344) were issued in full satisfaction of the approximately $110,000 in remaining principal amount plus accrued interest owing to this related party in connection with advances made to the Company. In connection with this loan repayment the Company incurred finance charges of $259,293. As of December 31, 2010 there is a balance due of $12,000.

During 2011, Mr. Maggiore paid expenses of $164,675 on behalf of the Company that were repaid as follows: on November 1, 2011, the Company issued 664,848 shares of common stock and warrants to purchase 997,272 shares of common stock at an exercise price of $.125 per share in repayment of $83,106, and recognized finance costs of $88,380. On December 1, 2011, the Company issued 652,550 shares of common stock and warrants to purchase 978,825 shares of common stock at an exercise price of $.125 per share in repayment of $81,568 and recognized finance costs of $90,158. At December 31, 2011 there is no balance due.

License Agreement

Mr. Maggiore has an equity interest in Ceptazyme, LLC, the purported assignee of Zus Health under the license agreement discussed under Note 12 – License Agreement. Mr. McLain, , a significant shareholder, also has an equity interest in Ceptazyme, LLC, the purported assignee of Zus Health under the license agreement discussed under Note 12 – License Agreement.

Transactions with Howard Baer

Although Mr. Howard R. Baer has represented to the Company that he is no longer a significant shareholder, Mr. Baer was a significant shareholder at the time we entered into the following transactions with him.

Office Space

The Company is leasing office and production space located in Scottsdale, Arizona from a former significant shareholder, Howard Baer, pursuant to an Amended and Restated Sublease which expires on February 9, 2020, subject to the Company's unilateral right to terminate the Lease on March 31, 2013. Under the original terms of the Amended and Restated Sublease, the annual base rent for the 15,000 square foot facility was approximately $237,000, payable in equal monthly installments of approximately $20,000. The annual base rent is subject to increase annually in an amount equal to the greater of 2.5% of the prior year's base rent and the percentage increase in the Consumer Price Index. The Company paid an additional security deposit of approximately $110,000. The Amended and Restated Sublease is a "net lease", which means that the Company is responsible for the real estate taxes, maintenance, insurance and repairs related to the premises being leased.

In October, 2009, the Company and Mr. Baer agreed in principle to (i) reduce from 15,000 to 11,000 the square footage of the space being occupied and (ii) to reduce the base rent from $20,000 to $16,720 monthly (not including real estate taxes (currently $1,480 per month)). In addition, Mr. Baer has assumed the responsibility for maintenance and repairs for the building and the Company is obligated to reimburse Mr. Baer for 70% of such expenses. The Company incurred approximately $174,000 in rent expense for the year ended December 31, 2011.

In May of 2011, we and Mr. Baer agreed to (i) further reduce from 11,000 to 5,600 the square footage we are occupying, and (ii) reduce our rent to $12,320 (not including real estate taxes of $1,480 per month).

Marketing Consultant/Distributorship Agreement

In 2008, the Company entered into an agreement with Mr. Baer, a significant shareholder, to provide marketing services to the Company, in consideration for which the Company would pay commissions at the rate of $.50 per bottle for every bottle sold under this agreement. The Company paid no commissions under this Agreement. In April of 2009, the Company amended this agreement to grant to Changing Times Vitamins, Inc. ("CTV"), a company controlled by Mr. Baer, worldwide distribution and marketing rights to the Company's product. This agreement called for minimum monthly sales levels and a term of two years. The Company recognized $54,000 in minimum distribution fees in 2009. This contract was terminated by mutual agreement in October of 2009. In exchange for the termination of this contract, CTV received cash payments of $300,000 and was issued 750,000 shares of common stock, which were valued for financial reporting purposes at $352,500. During the quarter ended March 31, 2010, prior to consummation of the increase in the Company's authorized shares, the Company issued CTV the 750,000 shares owing to CTV in connection with the termination agreement. In connection with this transaction, Mr. Baer waived his right to exercise warrants to purchase 750,000 shares of the Company's common stock until the number of its authorized shares is increased to at least 125,000,000. Effective June 23, 2010, the authorized shares were increased to 150,000,000, by stockholder approval.

Board of Directors fees

During the second, third and fourth quarters of 2010, the Company issued warrants to purchase 900,000 shares of stock to the board members and 200,000 shares of stock to our science board member. These warrants have an exercise price of $.15 to $.225 and a term of 3 years. The warrants were valued at $458,607 using the Black Scholes pricing model (see Note 3). During the fourth quarter of 2011, the Company issued warrants to purchase 900,000 shares of stock to the board members and 200,000 shares of stock to our science board member. These warrants have an exercise price of $.15 and a term of 3 years. The warrants were valued at $87,278 using the Black Scholes pricing model (see Note 3).

NOTE 12 – LICENSE AGREEMENT

On September 2, 2010, the Company entered into a multi-year exclusive worldwide License Agreement ("Agreement") for its ProAlgaZyme ® product ("Product") with a distributor of health and nutritional products, Zus Health, LLC ("Zus"). Under the terms of the Agreement, Zus had the exclusive right to distribute the Product to customers and distributors worldwide, excluding pharmaceutical applications and food, supplement and medicinal ingredient applications outside of multi-level, network or affiliate marketing ("MLM"). On January 9, 2012, we notified the sole known representative of the exclusive distributor that it has been determined that there have been multiple material breaches by Zus Health, LLC (as well as its purported assignee, Ceptazyme, LLC) of its License Agreement with the Company dated September 2, 2010, and that they immediately cease any and all activities with respect to the sale or distribution of HEPI products. The Company had received a payment of $255,000, as provided in the Agreement, for the exclusive distribution rights. As discussed in Note 16 – Subsequent Events, the Company filed a lawsuit in Michigan against Zus Health and Ceptazyme on January 9, 2012, alleging breach of contract. Subsequently, Ceptazyme filed suit in Utah against the Company on January 24, 2012, also alleging breach of contract. Until this matter is resolved, the Company has classified the remaining $235,000 as Deferred Revenue, noncurrent

NOTE 13 - STOCKHOLDERS' DEFICIENCY

During the quarter ended March 31, 2010, the Company issued 5,587,416 shares of common stock and received proceeds of $671,729 upon the exercise of warrants. Convertible debentures in the face amount of $15,000 (plus $121 in accrued interest) were converted during the quarter ended March 31, 2010, into 302,425 shares of common stock. The Company issued 215,154 shares of common stock for services valued at $102,000. The Company also issued 95,000 shares of common stock, valued at $50,500, for finders' fees. The Company also issued 500,000 shares of common stock, valued at $160,000, in satisfaction of an obligation to issue common stock. As noted above in Note 11, the Company issued CTV 750,000 shares (valued at $352,500) owing to CTV in connection with a termination agreement. In connection with this transaction, CTV waived its right to exercise warrants to purchase 750,000 shares of the Company's common stock until the number of its authorized shares was increased to at least 125,000,000. Effective June 23, 2010, the authorized shares were increased to 150,000,000.

During the quarter ended June 30, 2010, the Company issued 2,815,000 shares of common stock and received proceeds of $398,500 upon the exercise of warrants. The Company issued 126,795 shares of common stock for services, valued at $142,000. In addition, the Company issued 180,000 shares of common stock, valued at $149,550, in satisfaction of an obligation to issue common stock. The Company issued warrants to purchase 800,000 shares of common stock to consultants. These warrants have an exercise price between $.25 and $.50, and a term of 3 years. The warrants were valued at $596,852 using the Black Scholes pricing model, with the following assumptions: volatility 134.91%, annual rate of dividends 0%, discount rate 3.1%. The Company issued warrants to purchase 500,000 shares to each of its two directors (who were also executive officers) as compensation for past service. These warrants have an exercise price of $.15 and a term of 3 years. The warrants were valued at $516,050 using the Black Scholes pricing model, with the following assumptions: volatility 138.84%, annual rate of dividends 0%; discount rate 3.1%. The Company issued warrants to purchase 100,000 shares of common stock to its Chief Science Officer. These warrants have an exercise price of $.15 and a term of 3 years. The warrants were valued at $93,347 using the Black Scholes pricing model with the following assumptions: volatility 138.84%, annual rate of dividends 0%; discount rate 3.1%. Finally, the Company issued warrants to purchase 500,000 shares of common stock to a significant shareholder as compensation for prior loan guarantees. These warrants have an exercise price of $.15 and a term of 3 years. The warrants were valued at $405,925 using the Black Scholes pricing model with the following assumptions: volatility 137.66%; annual rate of dividends 0%; discount rate 3.1%.

During the quarter ended September 30, 2010, the Company issued 707,716 shares of common stock and received proceeds of $107,500 upon the exercise of warrants. The Company issued 180,000 shares of common stock for services, valued at $75,900. In addition, the Company issued 206,032 shares of common stock in satisfaction of the conversion of $100,000 of convertible notes and accrued interest of $3,016, and issued warrants for 200,000 shares of stock to a board member. These warrants have an exercise price of $.225 and a term of 3 years. The warrants were valued at $82,343 using the Black Scholes pricing model with the following assumptions: volatility 130.77%; annual rate of dividends 0%; discount rate 3.1%.

During the quarter ended December 31, 2010, we issued an aggregate of 1,940,000 shares of common stock to a related party as follows: (i) 838,986 shares were issued upon exercise of outstanding warrants at an average exercise price of $.23 per share (the shareholder paid the exercise price by forgiving $188,898 in indebtedness owing to the shareholder) and (ii) 1,101,014 shares (valued at $374,344) were issued in full satisfaction of the approximately $110,000 in remaining principal amount plus accrued interest owing to this related party in connection with advances made to us. In connection with this loan repayment we incurred finance charges of $259,293. The Company issued 333,000 shares of common stock valued at $129,410 to consultants for services. 124,392 shares of common stock were issued to a science board member for his services, valued at $50,000. The Company issued 6,095 shares of common stock upon the exercise of a cashless warrant. The Company issued warrants to a board member valued at $55,587 for director's fees. These warrants have a term of three years at an exercise price of $.225 per share. The warrants were valued using the Black Scholes pricing model with the following assumptions: volatility 126.47%; annual rate of dividends 0%; discount rate 3.1%. In addition, the Company issued 250,000 warrants to an employee valued at $87,500 for services. These warrants have a term of three years at an exercise price of $.15 per share. The warrants were valued using the Black Scholes pricing model with the following assumptions: volatility 126.47%; annual rate of dividends 0%; discount rate 3.1%. Finally, the Company issued 200,000 warrants valued at $59,738 to a board member for science advisory services. These warrants have a term of three years at an exercise price of $.225 per share. The warrants were valued using the Black Scholes pricing model with the following assumptions: volatility 129.00%; annual rate of dividends 0%; discount rate 3.1%.

During the quarter ended March 31, 2011, the Company issued 1,866,667 shares of common stock and received proceeds of $180,000 for the exercise of warrants. In addition, the Company issued 400,000 shares of common stock and received proceeds of $50,000 from investors. Pursuant to a private placement, convertible debentures were issued during the quarter ended March 31, 2011, for which a discount of $62,500 was recorded, and warrants to purchase 1,240,000 shares of common stock were repriced, resulting in deferred finance costs of $57,706. Finally, the Company issued 100,000 shares of common stock for services, valued at $25,000.

During the quarter ended June 30, 2011, the Company issued 740,000 shares of common stock and received $92,500 in proceeds from investors. The Company issued 500,000 shares of common stock and received $50,000 in proceeds upon the exercise of warrants. Pursuant to a private placement, convertible debentures were issued during the quarter ended June 30, 2011, for which a discount of $52,000 was recorded. The Company issued warrants to purchase 75,000 shares of common stock valued at $8,584 for services, and issued 333,334 shares of common stock in satisfaction of an obligation to issue common stock valued at $50,000.

During the quarter ended September 30, 2011, the Company issued 1,100,000 shares of common stock and received $130,000 in proceeds from investors. The Company issued 16,000 shares of common stock upon the cashless exercise of 24,000 common stock warrants. Pursuant to a private placement, convertible debentures were issued during the quarter ended September 30, 2011, for which a discount of $15,921 was recorded. In addition, in July, 2011, the Company issued a significant shareholder, Chris. Maggiore, warrants to purchase 3,000,000 shares at an exercise price of $.25 per share for a term of three years. These warrants were issued to Mr. Maggiore in consideration Mr. Maggiore providing financing to the Company which prevented him from being able to avail himself of a company offer to certain warrant holders to exercise their warrants on a reduced exercise price basis. The Company recognized finance costs of $203,069 in connection with the grant.

During the quarter ended December 31, 2011, the Company issued 37,594 shares of common stock, valued at $10,000, to a consultant. The Company issued 920,000 shares of common stock and warrants to purchase 180,000 shares of common stock and received $115,000 in proceeds from investors. The Company issued 1,317,398 shares of common stock, and warrants to purchase 1,976,097 shares of common stock in repayment of loans from a significant shareholder totaling $164,675, and recognized finance costs of $178,538 from this transaction.

On December 2, 2011, the Company and HEP Investments, LLC, a Michigan limited liability company ("Lender"), entered into the following documents, effective as of December 1, 2011: (i) a Loan Agreement under which the Lender has agreed to advance up to $2,000,000 to the Company, subject to certain conditions, (ii) a Convertible Secured Promissory Note in the initial principal amount of $600,000 ("Note") and (iii) (a) a Security Agreement, under which the Company granted the Lender a security interest in all of its assets and (b) an IP security agreement under which the Company and its subsidiaries granted the Lender a security interest in all their respective intellectual properties, including patents, in each case order to secure their respective obligations to the Lender under the Note and related documents. In addition, the Company's subsidiaries have guaranteed the Company's obligations under the Note.

As of December 5, 2011, the Lender has advanced the Company $600,000, consisting of $500,000 in cash and $100,000 previously advanced by the Lender in connection with a transaction previously disclosed in a Current Report on Form 8-K dated September 12, 2011. The Lender has agreed to advance the remaining $1,400,000 in $250,000 increments (final increment of $150,000) upon request of the Company's CEO, subject to satisfaction of certain conditions. In addition, the Company has agreed to (i) issue the Lender warrants to purchase 1,666,667 shares of common stock at an exercise price of $.12 per share (including a cashless exercise provision), expiring 09/30/2016 and (ii) enter into a Registration Rights Agreement with respect to all the shares of common stock issuable to the Lender in connection with the Loan transaction, in each case subject to completion of funding of the full $2,000,000 called for by the Loan Agreement.

Amounts advanced under the Note are (i) secured by all the Company's assets, (ii) convertible into the Company's restricted common stock at the lesser of $.12 per share or a 25% discount off of the ten day trailing quoted price of the common stock in the over the counter (OTC) market, (iii) bear interest at the rate of 11% per annum and (iv) must be repaid as follows: accrued interest must be paid on the first and second anniversary of the Note and unpaid principal not previously converted into common stock must be repaid on the second anniversary of the Note (12/01/2013). The Company has also agreed to a specified use of proceeds. The Note may be prepaid upon sixty days written notice, provided that the Company shall be required to pay a prepayment premium equal to 5% of the amount repaid.

The Company has made certain agreements with the Lender which shall remain in effect as long as any amount is outstanding under the Loan. These agreements include an agreement not to make any change in the Company's senior management, without the prior written consent of the Lender. Two representatives of the Lender will have the right to attend Board of Director meetings as non-voting observers.

A summary of the status of the Company's warrants is presented below.

	December 31, 2011		December 31, 2010	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	15,856,999	0.17	22,723,401	0.50
Issued	11,055,097	0.16	3,880,000	0.21
Exercised	(2,740,000)	0.09	(9,951,402)	0.13
Expired	(3,758,666)	0.11	(795,000)	0.50
Outstanding, end of period	20,413,430	$ 0.19	15,856,999	$ 0.17

Warrants outstanding and exercisable by price range as of December 31, 2011 were as follows:

	Outstanding Warrants			Exercisable Warrants	
Range	Number	Average Weighted Remaining Contractual Life in Years	Number	Weighted Average Exercise Price	
$ 0.100	1,170,000	0.79	1,170,000	$	0.100
$ 0.125	6,880,097	2.77	6,880,097	$	0.125
$ 0.150	3,923,333	1.95	3,923,333	$	0.150
$ 0.225	600,000	2.35	600,000	$	0.225
$ 0.250	6,825,000	1.81	6,825,000	$	0.250
$ 0.500	1,015,000	1.24	1,015,000	$	0.500
	20,413,430	2.09	20,413,430	$	0.19

NOTE 14- INCOME TAXES

At December 31, 2011 the Company had available net-operating loss carry-forwards for Federal tax purposes of approximately $18,600,000, which may be applied against future taxable income, if any, at various dates from 2025 through 2031. Certain significant changes in ownership of the Company may restrict the future utilization of these tax loss carry-forwards.

At December 31, 2011 the Company had a deferred tax asset of approximately $7,500,000 representing the benefit of its net operating loss carry-forwards. The Company has not recognized the tax benefit because realization of the tax benefit is uncertain and thus a valuation allowance has been fully provided against the deferred tax asset. The difference between the Federal and State Statutory Rate of 40% and the Company's effective tax rate of 0% is due to an increase in the valuation allowance of approximately $1,000,000 in 2011.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

Lease Commitment

The Company is leasing office and production space located in Scottsdale, Arizona from a significant shareholder, Howard Baer, pursuant to an Amended and Restated Sublease which expires on February 9, 2020, subject to the Company's unilateral right to terminate the Lease on March 31, 2013. Under the original terms of the Amended and Restated Sublease, the annual base rent for the 15,000 square foot facility was approximately $237,000, payable in equal monthly installments of approximately $20,000. The annual base rent is subject to increase annually in an amount equal to the greater of 2.5% of the prior year's base rent and the percentage increase in the Consumer Price Index. The Company paid an additional security deposit of approximately $110,000. The Amended and Restated Sublease is a "net lease", which means that the Company is responsible for the real estate taxes, maintenance, insurance and repairs related to the premises being leased.

In October, 2009, the Company and Mr. Baer agreed in principle to (i) reduce from 15,000 to 11,000 the square footage of the space being occupied and (ii) to reduce the base rent from $20,000 to $16,720 monthly (not including real estate taxes (currently $1,480 per month)). In addition, Mr. Baer has assumed the responsibility for maintenance and repairs for the building and the Company is obligated to reimburse Mr. Baer for 70% of such expenses. The Company incurred approximately $174,000 in rent expense for the year ended December 31, 2011.

In May of 2011 we and Mr. Baer agreed to (i) further reduce from 11,000 to 5,600 the square footage we are occupying, and (ii) reduce our rent to $12,320 (not including real estate taxes of $1,480 per month).

The future minimum lease payments related to the Amended and Restated Sublease, as revised in October 2009, and the new lease occupied April 2011, are as follows:

Year Ending December 31,	
2012	$ 216,925
2013	107,749
2014	48,156
Totals	$ 372,830

Employment Agreements

On December 16, 2011, the Company entered into an employment agreement with Andrew Dahl. Under the terms of Mr. Dahl's employment agreement, he will be CEO for one year, subject to automatic renewal for successive one year terms, unless either party terminates the Agreement on sixty days' notice prior to the expiration of the term of the agreement. Mr. Dahl will be compensated as follows: he will receive an annual base salary of $240,000 which is partially deferred until the Company meets its funding objectives. In addition, Mr. Dahl is entitled to monthly bonus compensation equal to 2% of the Company's revenue, but only to the extent that such bonus amount exceeds his base salary for the month in question. In addition, Mr. Dahl will be entitled to warrants having an exercise price of $.25 per share, upon the attainment of specified milestones as follows: 1) Warrants for 500,000 shares upon identification of bio-active agents in the Company's product and filing of a patent with respect thereto, 2) Warrants for 500,000 shares upon entering into a contract under which the Company receives at least $500,000 in cash payments, 3) Warrants for 1,000,000 shares upon the Company entering into a co-development agreement with a research company to develop medicinal or pharmaceutical applications (where the partner provides at least $2 million in cash or in-kind outlays), 4) Warrants for 1,000,000 shares upon the Company entering into a co-development agreement for nutraceutical or dietary supplement applications (where the partner provides at least $2 million in cash or in-kind outlays), 5) Warrants for 1,000,000 shares upon the Company entering into a pharmaceutical development agreement.

Business Services Agreement

On October 19, 2009, the Company and Great Northern Reserve Partners, LLC ("GNRP") entered into a Business Services Agreement ("Agreement"), which supersedes the prior agreement between them entered into in February, 2009 ("February Agreement").

The Company entered into the Agreement to continue the pursuit of its strategic product and business development objectives. GNRP was issued 500,000 shares of the Company's Common Stock in connection with the execution of the Agreement, in full payment of any and all amounts owing under the February Agreement (approximately $142,000 per GNRP) and in recognition of GNRP's contribution to the achievement of recent product testing results. In addition, GNRP will be compensated based on hours expended, sales and other payments (licensing payments, etc.) received by the Company, and the achievement of specified milestones.

This agreement was terminated by mutual agreement of the Company and GNRP concurrently with the signing of a funding agreement with HEP Investments, LLC and the appointment of Andrew Dahl, principal of Great Northern and Reserve Partners, LLC, as the new CEO of the Company. The Company agreed to issue common stock valued at $277,064 in full settlement of any and all amounts owed under the prior contract.

Workers' Compensation – The Company does not carry workers' compensation insurance, which covers on the job injury.

Guarantees – In May, 2010, we entered into an indemnity agreement under which we indemnified Howard R. Baer for any liability incurred in connection with guarantying company obligations. We also issued Mr. Baer warrants to purchase 500,000 shares of common stock as compensation for prior loan guarantees he made with respect to company indebtedness. These warrants have an exercise price of $.15 (cashless) and a term of 3 years. The warrants were valued at $405,925 using the Black Scholes pricing model with the following assumptions: volatility 137.66%; annual rate of dividends 0%; discount rate 3.1%.

NOTE 16 – SUBSEQUENT EVENTS

On January 3, 2012, Stephen J. Warner resigned as a director and from all offices of the Company and HEPI Pharmaceuticals, Inc., its wholly owned subsidiary. On January 4, 2012, Dr. John Crissman also resigned as a director and from all offices of the Company and HEPI Pharmaceuticals. On January 4, 2012, Philip M. Rice, II, currently the Chief Financial Officer of the Company, was appointed to the Board of Directors of the Company, to serve in such capacity until his until his successor is appointed and qualified or until his earlier resignation or removal. As compensation for serving as a member of the board of directors of the Company, Mr. Rice was granted warrants to purchase 200,000 shares of the Company's common stock, at an exercise price of $.12 per share. Such warrants have a term of three years and vest as follows: 50,000 are immediately vested, and the remaining 150,000 vest in three equal quarterly installments commencing April 1, 2012.

At various times between during the first quarter of 2012, 1% convertible notes in the aggregate principal amount of $47,500 came due. At the option of the Company, these notes may be paid in cash or converted into common stock at the rate of $.05 per share (950,000 shares).

On January 9, 2012, the Company notified Zus Health's purported assignee (Ceptazyme LLC), its purported assignee, (i) that there was no agreement between the Company and Ceptazyme, as the Company had not approved any assignment of the License Agreement by Zus Health to Ceptazyme and (ii) that, even if there had been a valid assignment to Ceptazyme, Ceptazyme had committed multiple material breaches of the agreement. The Company believes that Zus Health/Ceptazyme, LLC (i) has failed to market the Company's product in a manner compliant with state and federal regulations, and (ii) that it allowed its distributors to make claims and representations that were not in compliance with applicable regulations, among many other breaches. Subsequently, we notified Zus and Ceptazyme that the ZUS Agreement was subject to termination due to failure to cure the specified breaches of such Agreement. Based on the foregoing, the Company filed a lawsuit in Michigan against Zus Health and Ceptazyme on January 16, 2012, alleging breach of contract. Subsequently, Ceptazyme filed suit in Utah against the Company on January 24, 2012, also alleging breach of contract. The Company intends to prosecute and defend this matter vigorously.

On January 27, 2012, the Company and The Venture Group, LLC, a Maryland limited liability company ("Venture Group"), entered into the following agreements, effective as of January 26, 2012: (i) a Subscription Agreement under which the Lender has agreed to advance $500,000 to the Company, as follows: $332,000 on January 26, 2012, which advance has been made, and $168,000 by February 3, 2012, (ii) a Subordinated Convertible Promissory Note in the principal amount of $500,000 ("Note"); (iii) (a) a Security Agreement, under which the Company granted the Lender a subordinated security interest in all of its assets and (b) an IP security agreement under which the Company granted the Lender a subordinated security interest in all its intellectual properties, including patents, to secure its obligations to the Lender under the Note and related documents; (iv) a Termination and Mutual Release Agreement under which the Company and Venture Group terminated their prior agreements and released each other from any liability, including liabilities related to the financing agreements they previously executed (See Form 8-K current Report dated December 2, 2011); and (v) a Termination and Release Agreement under which the Company and Oxford Holdings, LLC terminated their prior agreement and Oxford Holdings released the Company from any liability, including liabilities related to the agreement they previously executed. The Company also acknowledged an intercreditor agreement between Venture Group and HEP Investments, LLC, the Company senior secured lender. As of the date hereof, Venture Group has advanced an aggregate of $388,000 to the Company. Based on discussions with Venture Group, the Company expects the remaining $112,000 to be advanced within 10 days.

In addition, the Company has agreed to issue the Lender warrants to purchase an aggregate of 833,333 shares of common stock at an exercise price of $.12 per share, for a term of three years. The Warrants are issuable to the Lender pro rata based on the amount invested in relation to the total investment amount (about 166,667 warrants per $100,000 invested). Amounts advanced under the Note are (i) secured on a subordinated basis by all the Company's assets, (ii) convertible into the Company's restricted common stock at $.12 per share, (iii) bear interest at the rate of 11% per annum (payable on the first and second anniversary of the Note (unless earlier paid off), in cash or stock, at the Company's option), and (iv) unpaid principal not previously converted into common stock must be repaid on the second anniversary of the Note (January 2, 2014). The Note may be prepaid upon thirty days written notice, but not before August 31, 2012, provided that in the event of prepayment, the Company must pay the Lender an additional 5% of the outstanding principal amount. The Company has agreed to pay the following aggregate fees to Oxford Holdings, LLC in connection with the Loan transaction (assuming funding of the full $500,000): (i) finder's fees of approximately $27,600 in cash, (ii) warrants to purchase 200,000 shares of common stock at an exercise price of $.15 per share for a term of two years, and (iii) a $15,000 non-accountable expense allowance. In addition, The Company has agreed to pay Venture Group $10,000 in cash in payment of the Venture Group's legal fees.

On March 12, 2012, HEP Investments advanced the Company an additional $100,000 pursuant to the Loan Agreement entered into December 2, 2011.

EXHIBIT INDEX

Exhibit Number	Title	
3.1	Articles of Incorporation of Health Enhancement Products, Inc., as amended	(1)
3.2	Amended and restated By-laws of the Company	(2)
10.02	Amended and Restated Sublease between Howard R. Baer and the Company, dated April 12, 2006	(3)
10.03	Letter Agreement amending Amended and Restated Sublease between Howard R. Baer and the Company, dated April 6, 2006	*
10.04	Security Agreement with HEP Investments, LLC ($100K loan) dated September 8, 2011	*
10.05	Senior Secured Note with HEP Investments, LLC ($100K loan) dated September 8, 2011	*
10.06	Loan Agreement with HEP Investments, LLC ($2M loan) dated December 2, 2011	*
10.07	Senior Secured Note with HEP Investments, LLC ($2M loan) dated December 2, 2011	*
10.08	Security Agreement with HEP Investments, LLC ($2M loan) dated December 2, 2011	*
10.09	IP Security Agreement with HEP Investments, LLC ($2M loan) dated December 2, 2011	*
10.10	Investor Rights Agreement with Venture Group, LLC ($500K loan) dated November 8, 2011	*
10.14	Subscription Agreement with Venture Group, LLC ($500K loan) dated January 26, 2012	*
10.15	Subordinated Convertible Note with Venture Group, LLC ($500K loan) dated January 27, 2012	*
10.16	Warrant Agreement with Venture Group, LLC ($500K loan) dated January 26, 2012	*
10.17	Security Agreement with Venture Group, LLC ($500K loan) dated January 26, 2012	*
10.18	Termination Agreement with Venture Group, LLC ($500K loan) dated January 26, 2012 (terminating agreements with Venture Group, LLC dated November 8, 2011)	*
10.19	Termination Agreement with Oxford Holdings, LLC, dated January 26, 2012	*
10.20	Indemnity Agreement between Howard Baer and the Company dated May 11, 2010	(4)
10.21	Warrant Agreement issued to Howard R. Baer and dated May 11, 2010	(5)
10.22	License Agreement between Zus Health LLC and the Company dated September 2, 2010	(6)
10.23	Lease Agreement between the Company and BCO, LLC dated February 28, 2011	(7)
10.24	Employment Agreement with Andrew Dahl, the Registrant's CEO	*
10.25	Employment Agreement with John Gorman, the Registrant's EVP – Operations	*
14.1	Code of Ethics	*
21	Subsidiaries of the Registrant	*
31.1	Certification of the Principal Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended	*
31.2	Certification of the Principal Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended	*
32.1	Certification of the Principal Executive Officer pursuant to U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	*
32.2	Certification of the Principal Financial Officer pursuant to U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	*

*Filed herewith

(1) Filed as Exhibit 3.1 to the Registrant's Form 10K filed with the Commission on April 14, 2010 and incorporated herein by this reference.

(2) Filed as Exhibit 3.2 to the Registrant's Form 10Q filed with the Commission on May 17, 2010 and incorporated by this reference.

(3) Filed as Exhibit 10.02 to the Registrant's Form 10KSB filed with the Commission on April 17, 2006 and incorporated herein by this reference.

(4) Filed as Exhibit 10.1 to the Registrant's Form 10Q filed with the Commission on May 17, 2010 and incorporated by this reference.

(5) Filed as Exhibit 10.2 to the Registrant's Form 10Q filed with the Commission on May 17, 2010 and incorporated by this reference.

(6) Filed as Exhibit 10.10 to Form 10K filed with the Commission on April 15, 2011 and incorporated by this reference.

(7) Filed as Exhibit 10.1 to Form 10Qfiled with the Commission on August 22, 2011 and incorporated by this reference.

Exhibit 10.03

April 6, 2010

Health Enhancement Products, Inc.
7740 E. Evans Rd. St A101
Scottsdale, AZ 85260
Attn: Janet Crance, CFO

RE: Amended and Restated Sublease

Dear Janet:

Reference is made to that certain amended and restated sublease between the undersigned and Health Enhancement Products, Inc. ("Company"), dated April 12, 2006 ("Sublease").
We have agreed in principle to amend the Sublease effective October 1, 2009, as follows:

- The Company will no longer occupy those portions of the premises designated Space B and Space C in the Sublease.
- The square footage occupied by the Company of that portion of the premises designated Space D in the Sublease has been reduced from 5,900 sq. ft. to 2,949 sq. ft.
- The total space to be occupied by the Company will consist of 4,672 sq. ft. of warehouse space and 4,794 of office space.
- The monthly rent shall be $18,200, which includes monthly real estate taxes of $1,480.
- I as landlord will be responsible for taxes, repairs and maintenance; the Company shall reimburse me for 70% of repairs and maintenance, upon submission of proper documentation. The Company's portion of real estate taxes (currently $1,480 per mo.) is included in the monthly rent, as noted above. The annual escalation shall not apply to that portion of the rent constituting real estate taxes, which shall be subject to annual adjustment based on actual taxes payable.

We will work to enter into a Second Amended and Restated Lease which reflects the above terms, as soon as reasonably possible.

Please indicate your agreement with the foregoing by countersigning this letter agreement below where indicated, whereupon this agreement will be deemed to have amended the Sublease between us. The sublease remains in full force and effect except as amended hereby.

/s/ Howard Baer
Howard. R. Baer

Accepted and Agreed:
Health enhancement Products, Inc.

/s/ Janet Crance
Janet Crance, CFO

Exhibit 10.4

SECURITY AGREEMENT

This Security Agreement (this "Agreement") is made and entered into effective as of September 8, 2011, by and among **HEP INVESTMENTS LLC**, a Michigan limited liability company ("Secured Party") and **HEALTH ENHANCEMENT PRODUCTS, INC.**, a Nevada corporation ("Borrower").

Recitals:

A. Borrower is indebted to Secured Party pursuant to that certain Senior Secured Convertible Demand Promissory Note, dated as of the date of this Agreement, in the original principal amount of One Hundred Thousand Dollars ($100,000.00) (as amended, restated or otherwise modified from time to time, the "Note").

B. As security for the payment and performance of the indebtedness, and all other obligations of Borrower, under the Note (collectively, the "Obligations"), the Secured Party has required that Borrower execute and deliver this Agreement.

C. Borrower has agreed to secure the Obligations by granting Secured Party a security interest in the Collateral (as defined below).

Agreements:

NOW, THEREFORE, the parties agree as follows:

1. Security Interest. To secure payment of the Obligations, Borrower hereby grants to Secured Party a continuing security interest in and to all of Borrower's rights, title and interest in and to all of its property of any kind or description, tangible and intangible personal property, assets and rights, wherever located, whether now existing or owned or hereafter arising or acquired and the proceeds and products therefrom, including, without limitation, the following (collectively, the "Collateral"):

(a) All Accounts, including, without limitation, accounts receivable, insurance receivables and prepaid premiums, if any, and all Goods whose sale, lease or other disposition has given rise to Accounts and have been returned to, or repossessed or stopped in transit by, Borrower, or rejected or refused by an Account Debtor;

(b) All Chattel Paper, including, without limitation, Electronic Chattel Paper and liens and lien rights on customer property; Documents; Instruments, including, without limitation, Promissory Notes; Letter of Credit Rights and proceeds of letters of credit; Supporting Obligations; Liabilities secured by real estate; Commercial Tort Claims and General Intangibles, including, without limitation, Payment Intangibles and Software;

(c) All Inventory, including, without limitation, raw materials, work in process, materials and finished goods leased by Borrower as lessor or held for sale or lease or furnished or to be furnished under contracts of service or used or consumed in a business;

(d) All Goods and all Equipment;

(e) All Securities, Investment Property and Deposit Accounts;

(f) all patents, patent applications and inventions and all issued patents in the United States of America or elsewhere and any future patents, including any reissue, continuation, division or other extension in whole or part of any such patent;

(g) All products of, additions and accessions to, and substitutions, betterments and replacements for the foregoing property;

(h) All sums at any time credited by or due from Secured Party to Borrower;

(i) All property in which Borrower has an interest now or at any time hereafter coming into the possession or under the control of Secured Party or in transit by mail or carrier to or from Secured Party or in possession of or under the control of any third party acting on Secured Party's behalf without regard to whether Secured Party received the same in pledge, for safekeeping, as agent for collection or transmission or otherwise or whether Secured Party has conditionally released the same (excluding, nevertheless, any of the foregoing property of Borrower which now or any time hereafter is in possession or control of Secured Party under any written trust agreement wherein Secured Party is trustee and Borrower is trustor); and

(j) All Proceeds (whether Cash Proceeds or Noncash Proceeds) of the foregoing property, including, without limitation, proceeds of insurance payable by reason of loss or damage to the foregoing property and of eminent domain or condemnation awards.

Terms used and not otherwise defined in this Agreement shall have the meaning given such terms in the Michigan Uniform Commercial Code (the "UCC"). In the event the meaning of any term defined in the UCC is amended after the date of this Agreement, the meaning of such term as used in this Agreement shall be that of the more encompassing of: (i) the definition contained in the UCC prior to the amendment, and (ii) the definition contained in the UCC after the amendment.

2. Perfection of Security Interest. Borrower hereby irrevocably authorizes Secured Party to file financing statement(s) and notices describing the Collateral in all public offices deemed necessary by Secured Party (including the United States Patent and Trademark Office), and to take any and all actions, including, without limitation, filing all financing statements, continuation financing statements and all other documents that Secured Party may reasonably determine to be necessary to perfect and maintain the security interests in the Collateral. Borrower shall have possession of the Collateral. Where Collateral is in the possession of a third party, Borrower will join with Secured Party in notifying the third party of the security interest and obtaining an acknowledgement from the third party that it is holding the Collateral for the benefit of Secured Party. Borrower agrees to promptly execute and deliver to Secured Party all financing statements, continuation financing statements, assignments and all other documents that Secured Party may reasonably request in form satisfactory to Secured Party to perfect and maintain Secured Party's security interests in the Collateral. In order to fully consummate all of the transactions contemplated under this Agreement, Borrower shall make appropriate entries on its books and records disclosing Secured Party's security interests in the Collateral.

3. Warranties and Representations. Borrower represents and warrants that: (a) Borrower has rights in or the power to transfer the Collateral; (b) the Collateral, wherever located, is covered by this Agreement; (c) there are no actions or proceedings which are threatened or pending against Borrower which could reasonably be expected to result in any material adverse change in Borrower's financial condition or which could reasonably be expected to materially affect any of the Collateral; (d) Borrower has duly filed all federal, state, and other governmental tax returns which Borrower is required by law to file, and will continue to file same during such time as any of the Obligations remain owing to Secured Party, and all such taxes required to be paid have been paid, in full; and (e) Borrower is or will become the owner of the Collateral free from any liens, encumbrances or security interests, except for this security interest and existing liens disclosed to and accepted by the Secured Party in writing, and will defend the Collateral against all claims and demands of all persons at any time claiming any interest in it.

4. Covenants. Borrower covenants and agrees that while any of the Obligations remain unperformed and unpaid it will: (a) preserve its legal existence and not, in one transaction or a series of related transactions, merge into or consolidate with any other entity, or sell all or substantially all of its assets; (b) not change the state in which it is organized; (c) neither change its name, form of business entity nor address of its chief executive office without giving written notice to Secured Party at least thirty (30) days prior to the effective date of such change, and Borrower agrees that all documents, instruments, and agreements demanded by Secured Party in response to such change shall be prepared, filed, and recorded at Borrower's expense prior to the effective date of such change; (d) not use the Collateral, nor permit the Collateral to be used, for any unlawful purpose; (e) maintain the Collateral in working condition and repair; and (f) indemnify and hold Secured Party harmless against claims of any persons or entities not a party to this Agreement concerning disputes arising over the Collateral.

5. Insurance, Taxes, Etc. Borrower has the risk of loss of the Collateral. Borrower shall: (a) pay promptly all taxes, levies, assessments, judgments, and charges of any kind upon or relating to the Collateral, to Borrower's business, and to Borrower's ownership or use of any of its assets, income, or gross receipts, except to the extent contested in good faith; and (b) at its own expense, keep and maintain all of the Collateral fully insured against loss or damage by fire, theft, explosion and other risks, and shall furnish Secured Party with such policies and evidence of payment of premiums upon request. If Borrower fails to obtain or maintain any of the policies required above or pay any premium in whole or in part, or shall fail to pay any such tax, assessment, levy, or charge or to discharge any such lien, claim, or encumbrance, then Secured Party, without waiving or releasing any obligation or default of Borrower hereunder, may at any time thereafter (but shall be under no obligation to do so) make such payment or obtain such discharge or obtain and maintain such policies of insurance and pay such premiums, and take such action as Secured Party deems reasonably advisable. All sums so disbursed by Secured Party, including reasonable attorney fees, court costs, expenses, and other charges, shall be part of the Obligations, covered by this Agreement, and payable upon demand together with interest at the highest rate payable in connection with any of the Obligations from the date when advanced until paid.

6. Information. Borrower shall permit Secured Party or its agents, upon reasonable request, to have access to, and to inspect, all the Collateral.

7. Events of Default. The Borrower, without notice or demand of any kind, shall be in default under this Agreement upon the occurrence and during the continuance of any "Event of Default" as defined in the Note (an "Event of Default").

8. Remedies Upon Default.

(a) Upon the occurrence of any Event of Default, Secured Party may exercise from time to time any rights and remedies including the right to immediate possession of the Collateral available to it under applicable law. Secured Party may directly contact third parties and enforce against them all rights which arise with respect to the Collateral and to which Borrower or Secured Party would be entitled.

(b) Borrower waives any right it may have to require Secured Party to pursue any third person for any of the Obligations. Borrower agrees, upon the occurrence of an Event of Default, to assemble at its expense all the Collateral and make it available to Secured Party at a convenient place acceptable to Secured Party. Borrower agrees to pay all costs of Secured Party of collection of the Obligations, and enforcement of rights under this Agreement, including reasonable attorney fees and legal expenses, including participation in Secured bankruptcy proceedings, and expense of locating the Collateral and expenses of any repairs to any realty or other property to which any of the Collateral may be affixed or be a part. If any notification of intended disposition of any of the Collateral is required by law, such notification, if mailed, shall be deemed reasonably and properly given if sent at least ten (10) days before such disposition, postage pre-paid, addressed to the Borrower at the address of the Borrower appearing on the Notes or records of Secured Party.

(c) Any sale shall conform to commercially reasonable standards as provided in the UCC. Borrower acknowledges that Secured Party may be unable to effect a public sale of all or any portion of the Collateral because of certain legal and/or practical restrictions and provisions which may be applicable to the Collateral and, therefore, may be compelled to resort to one or more private sales to a restricted group of offerees and purchasers. Secured Party shall have no obligation to clean up or otherwise prepare the Collateral for sale. Secured Party may comply with any applicable state or federal law requirements in connection with a disposition of the Collateral and compliance will not be considered to adversely affect the commercial reasonableness of any sale of the Collateral. Secured Party may specifically disclaim any warranties as to the Collateral. If the Secured Party resorts to one or more private sales, Secured Party shall give Borrower notice and the right to match bids. If Secured Party sells any of the Collateral upon credit, Borrower will be credited only with payments actually made by the purchaser, received by Secured Party and applied to the indebtedness of the purchaser. In the event the purchaser fails to pay for the Collateral, Secured Party may resell the Collateral and the Borrower shall be credited with the proceeds of sale. Secured Party shall have no obligation to marshal any assets in favor of the Borrower. Borrower waives the right to jury trial in any proceeding instituted with respect to the Collateral. Out of the net proceeds from sale or disposition of the Collateral, Secured Party shall retain all the Obligations then owing to it and the actual cost of collection (including reasonable attorney fees) and shall tender any excess to Borrower or its successors or assigns. If the Collateral shall be insufficient to pay the entire Obligations, Borrower shall pay to Secured Party the resulting deficiency upon demand.

(d) Except as otherwise provided in this Agreement, Borrower expressly waives any and all claims of any nature, kind or description which it has or may have against Secured Party or its representatives, by reason of taking, selling or collecting any portion of the Collateral. Borrower consents to releases of the Collateral at any time (including prior to default) and to sales of the Collateral in groups, parcels or portions, or as an entirety, as Secured Party shall deem appropriate. Borrower expressly absolves Secured Party from any loss or decline in market value of any Collateral by reason of delay in the enforcement or assertion or nonenforcement of any rights or remedies under this Agreement. Borrower agrees that Secured Party shall, upon the occurrence of an Event of Default, have the right to peacefully retake any of the Collateral. Borrower waives any right it may have in such instance to a judicial hearing prior to such retaking.

(e) Secured Party may exercise all rights and remedies provided by the UCC as it exists on the date of this Agreement or as it may be amended.

(f) Notwithstanding anything in this Agreement to the contrary, Secured Party hereby agrees that upon the occurrence of an Event of Default, it will not exercise any of its rights and remedies under this Agreement unless or until: (i) Borrower files a voluntary petition in bankruptcy; (ii) Borrower makes a general assignment for the benefit of its creditors or Borrower's creditors file against Borrower any involuntary petition under any bankruptcy or insolvency law; (iii) any court appoints a receiver to take possession of substantially all of Borrower's assets; (iv) Borrower consummates a debt or equity financing; or (v) six months after the date of the Note.

9. General.

(a) Time shall be deemed of the very essence of this Agreement.

(b) Secured Party shall be deemed to have exercised reasonable care in the custody and preservation of any Collateral in its possession if it takes such action for that purpose as Borrower requests in writing, but failure of Secured Party to comply with any such request shall not of itself be deemed a failure to exercise reasonable care, and failure of Secured Party to preserve or protect any rights with respect to such Collateral against any prior parties or to do any act with respect to the preservation of such Collateral not so requested by Borrower shall not be deemed a failure to exercise reasonable care in the custody and preservation of such Collateral.

(c) This Agreement has been delivered in Michigan and shall be construed in accordance with the laws of the State of Michigan.

(d) Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

(e) The rights and privileges of Secured Party under this Agreement shall inure to the benefit of its successors and assigns, and this Agreement shall be binding on all assigns and successors of Borrower and all persons who become bound as a debtor to this Agreement.

(f) Borrower hereby expressly authorizes and appoints Secured Party to act as its attorney-in-fact for the sole purpose of executing any and all financing statements or other documents deemed necessary to perfect the security interest herein contemplated.

(g) Any delay on the part of Secured Party in exercising any power, privilege or right under this Agreement shall not operate as a waiver, and no single or partial exercise, or the exercise of any other power, privilege or right shall preclude other or further exercise, or the exercise of any other power, privilege or right. The waiver of Secured Party of any default by Borrower shall not constitute a waiver of any subsequent defaults, but shall be restricted to the specific default waived. All rights, remedies and powers of Secured Party under this Agreement are irrevocable and cumulative, and not alternative or exclusive, and shall be in addition to all rights, remedies, and powers given under this Agreement or in or by any other instruments, or by the UCC or any laws.

(h) This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument. Facsimile or photostatic copies of signatures to this Agreement shall be deemed to be originals and may be relied on to the same extent as the originals.

[*Signatures on the following page*]

IN WITNESS WHEREOF, the parties have caused this Security Agreement to be fully executed as of the day and year first written above.

BORROWER:

HEALTH ENHANCEMENT PRODUCTS, INC.

/s/ John Gorman
By: John Gorman, EVP, Operations

SECURED PARTY:

HEP INVESTMENTS LLC

/s/ Laith Yaldoo
By: Laith Yaldoo, Manager

[Signature Page to Security Agreement]

Exhibit 10.5

SENIOR SECURED CONVERTIBLE DEMAND PROMISSORY NOTE

$100,000.00 **Keego Harbor, Michigan**
September 8, 2011

FOR VALUE RECEIVED, **HEALTH ENHANCEMENT PRODUCTS, INC.**, a Nevada corporation ("Borrower"), whose address is 7740 E. Evans Rd., Suite A100, Scottsdale, AZ 85260, promises to pay to the order of **HEP INVESTMENTS LLC**, a Michigan limited liability company ("Lender") at 2804 Orchard Lake Road, Suite 205, Keego Harbor, Michigan 48320, or at such other place as Lender may designate in writing, in lawful money of the United States of America, the principal sum of One Hundred Thousand Dollars ($100,000.00), together with interest as provided herein, in accordance with the terms of this Senior Secured Convertible Demand Promissory Note (this "Note").

1. Payment. The unpaid principal balance of this Note shall bear interest computed upon the basis of a year of 360 days for the actual number of days elapsed in a month at a rate of fifteen percent (15%) per annum (the "Effective Rate"). Upon the occurrence and during the continuance of an Event of Default (as defined below), the unpaid principal balance of this Note shall bear interest, computed upon the basis of a year of 360 days for the actual number of days elapsed in a month, at a rate of the lesser of five percent (5%) over the Effective Rate or the highest rate allowed by applicable law. The indebtedness represented by this Note shall be repaid to Lender upon demand, with ten (10) days' advance written notice (the date of such demand, the "Due Date"), upon which date the entire unpaid principal balance of this Note, together with all accrued and unpaid interest, shall be immediately due and payable in full. Absent the occurrence of an Event of Default, Lender agrees not to demand payment until at least thirty (30) days after the date of this Note.

2. Use of Proceeds. The funds advanced pursuant to this Note shall be used by Borrower as set forth on Exhibit A.

3. Conversion Right.

(a) At Lender's option, at any time after the date of this Note, but prior to the repayment in full of this Note, the outstanding indebtedness of this Note (including all accrued and unpaid interest) may be converted into shares of common stock of the Borrower ("Shares") at a conversion ratio of $0.12 per share (the "Conversion Price"). No fractional Shares shall be issued upon any conversion of this Note, and if the conversion of this Note results in a fractional Share, in lieu of such fractional Share, the Borrower shall pay cash equal to such fraction multiplied by the Conversion Price.

(b) Upon conversion of this Note as provided herein, (i) this Note shall be deemed cancelled and shall be converted into such Shares as specified above; (ii) Lender, by acceptance of this Note, agrees to deliver the executed original of this Note to Borrower within ten (10) days of such conversion and to execute all governing documents of Borrower and such other agreements as are necessary to document the issuance of the Shares and to comply with applicable securities laws; and (iii) as soon as practicable after Borrower's receipt of the documents referenced above, Borrower shall issue and deliver to Lender stock certificates evidencing the Shares.

4. Default. Each of the following constitutes an "Event of Default" under this Note:

(a) Borrower breaches of any of the terms and conditions of this Note or the Security Agreement (defined below);

(b) Borrower files a voluntary petition in bankruptcy;

(c) Borrower makes a general assignment for the benefit of its creditors or Borrower's creditors file against Borrower any involuntary petition under any bankruptcy or insolvency law that is not dismissed within ninety (90) days after it is filed; or

(d) Any court appoints a receiver to take possession of substantially all of Borrower's assets and such receivership is not terminated within ninety (90) days after its appointment.

5. Security. This Note is secured by all of the assets of the Borrower pursuant to that certain Security Agreement, dated as of the date of this Note (the "Security Agreement").

6. Miscellaneous.

(a) All modifications, consents, amendments or waivers of any provision of any this Note shall be effective only if in writing and signed by Lender and then shall be effective only in the specific instance and for the limited purpose for which given.

(b) All communications provided in this Note shall be personally delivered or mailed, postage prepaid, by registered or certified mail, return receipt requested, to the addresses set forth at the beginning of this Note or such other addresses as Borrower or Lender may indicate by written notice.

(c) The headings used in this Note are for convenience of reference only and shall not in any way affect the meaning or interpretation of this Note.

(d) This Note shall be binding upon and inure to the benefit of Borrower and Lender and their respective successors and assigns; provided, however, that neither party may, without the prior written consent of the other party, assign any rights, powers, duties or obligations under this Note.

(e) This Note shall be construed and enforced in accordance with the laws of the State of Michigan. All actions arising out of or relating to this Note shall be heard and determined exclusively by any state or federal court with jurisdiction in the Eastern District of the State of Michigan. Consistent with the preceding sentence, the parties hereto hereby irrevocably waive, and agree not to assert by way of motion, defense, or otherwise, in any such action, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that the action is brought in an inconvenient forum, that the venue of the action is improper, or that this Note or the transactions contemplated by this Note may not be enforced in or by any of the above-named courts.

(f) This Note may be executed in counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument. Facsimile or photostatic copies of signatures to this Note shall be deemed to be originals and may be relied on to the same extent as the originals.

[*Signatures on the following page*]

IN WITNESS WHEREOF, the undersigned have duly executed this Note as of the day and year first written above.

BORROWER:

HEALTH ENHANCEMENT PRODUCTS, INC.

/s/ John Gorman
By: John Gorman, EVP - Operations

LENDER:

HEP INVESTMENTS LLC

/s/ Laith Yaldoo
By: Laith Yaldoo, Manager

[Signature Page to Note]

EXHIBIT A
Use of Proceeds

Exhibit 10.6

LOAN AGREEMENT

THIS LOAN AGREEMENT (this "Agreement") is made and entered into as of December 1, 2011 by and between HEP INVESTMENTS LLC, a Michigan limited liability company ("Lender"), whose address is 2804 Orchard Lake Road, Suite 205, Keego Harbor, Michigan 48320, and HEALTH ENHANCEMENT PRODUCTS, INC., a Nevada corporation ("Borrower"), whose address is 7740 E. Evans Rd., Suite A100, Scottsdale, Arizona 85260.

RECITALS:

A. Borrower has requested that Lender makes certain loans in such amounts and upon such terms as requested by Borrower in accordance with the terms of this Agreement.

B. The parties are entering into this Agreement to define their rights and responsibilities.

NOW, THEREFORE, the parties agree as follows:

1. **Loan**. Lender agrees to make a loan to Borrower in the amount of $2,000,000 (the "Loan") in accordance with the terms of that certain Senior Secured Convertible Promissory Note attached hereto as Exhibit A (the "Note"). .

2. **Funding Timing**. Lender hereby agrees to fund the proceeds of the Note as follows:

(a) Initial Funding Date. $600,000 shall be advanced pursuant to the Note as of the date of this Agreement (the "Initial Funding Date"), which shall consist of (i) $100,000 previously advanced by Lender; and (ii) $500,000 in cash.

(b) Subsequent Funding Dates. Provided that no Event of Default (as defined in the Note) has occurred, the balance of $1,400,000 shall be advanced pursuant to the Note in increments of $250,000 (and $150,000 for the last draw), within ten (10) days after request therefor by Borrower's Chief Executive Officer.

3. **Use of Proceeds**. Borrower shall use all proceeds from the Loan for working capital purposes in accordance with the operating budget of Borrower attached hereto as Exhibit B (the "Budget"), as revised from time to time with the approval of Lender. Lender shall not unreasonably withhold, condition, or delay any disbursement of funds consistent with an approved Budget. All proceeds from the Loan shall initially be deposited in a bank account that is jointly controlled by the Lender and Borrower and disbursed in accordance with the Budget; provided, however, that there will be no additional disbursements of the proceeds from and after an Event of Default, or upon the occurrence of a material adverse change to the business, assets, condition (financial or otherwise), operating results or operations of Borrower.

4. **Fees and Expenses**. On the Initial Funding Date, Borrower shall pay all of Lender's reasonable fees and expenses incurred in connection with the transactions contemplated by this Agreement and the Loan Documents (as defined below), including, without limitation, any and all due diligence expenses and legal fees and expenses; provided, however, that such fees and expenses shall not exceed $35,000. In addition, Borrower shall pay Lender a closing fee in the amount of $180,000.00, $108,000.00 of which shall be paid in cash and $72,000.00 of which shall be paid by Borrower's issuance of 600,000 shares of its common stock. Such closing fee shall be paid at such times and in such proportion as the Loan is funded, provided that no portion of such fee shall be paid in connection with the $500,000 paid on the Initial Funding Date. All fees and expenses to be paid by Borrower hereunder may be held back from the proceeds from the Loan otherwise due to Borrower.

5. **Stock Certificate**. Pursuant to Section 4 of this Agreement, Borrower hereby agrees to issue Lender 600,000 shares of its common stock.

6. **Ancillary Documents**. The Loan shall be: (a) secured by a security interest in all of the assets of Borrower pursuant to the terms of that certain Security Agreement attached hereto as Exhibit C (the "Security Agreement"); (b) guaranteed by Borrower's wholly owned subsidiaries, Health Enhancement Corporation and HEPI Pharmaceuticals, Inc. (collectively, the "Subsidiaries"), pursuant to the terms of that certain Guaranty attached hereto as Exhibit D (the "Guaranty"), which guaranty will be secured by a security interest in all of the assets of Subsidiaries pursuant to the terms of that certain Security Agreement attached hereto as Exhibit E (the "Subsidiaries' Security Agreement"); and (c) secured by a security interest in all of the intellectual property of Borrower and the Subsidiaries pursuant to the terms of that certain Patent, Copyright, License and Trademark Security Agreement attached hereto as Exhibit F (the "IP Security Agreement"). In addition, upon Borrower's receipt of the full $2,000,000 Loan, Borrower shall issue Lender a warrant to purchase 1,666,667 shares of Borrower's common stock pursuant to the terms of that certain warrant attached hereto as Exhibit G (the "Warrant") and Borrower and Lender shall enter into a registration rights agreement in the form attached hereto as Exhibit H (the "Registration Rights Agreement"). Parties acknowledge and agree that the fair market value of the Warrant is one hundred dollars ($100).

7. **Representations and Warranties of Borrower**. Borrower makes the following representations and warranties to Lender: (a) Borrower is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada; (b) Borrower has the requisite corporate power to own and operate its properties and assets, carry on its business as presently conducted, and execute and deliver this Agreement, the Note, the Security Agreement, the IP Security Agreement, the Warrant, the Registration Rights Agreement and all other documents, instruments and agreements related hereto or thereto (collectively, the "Loan Documents"); (c) all corporate action on the part of Borrower, its officers, directors and stockholders necessary for the authorization, execution and delivery of the Loan Documents by Borrower and for the performance of Borrower's obligations hereunder and thereunder has been taken; (d) each of the Loan Documents constitutes the legal and binding obligation of Borrower, enforceable against Borrower in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect generally relating to or affecting creditors' rights and general principles of equity; (e) there are no civil or criminal proceedings pending before any court, government agency, arbitration panel, or administrative tribunal or, to Borrower's knowledge, threatened against Borrower; (f) except for the Subsidiaries, Borrower does not own or control any equity security or other interest of any other corporation, partnership, limited liability company or other business entity; (g) as of October 31, 2011, Borrower's authorized capital stock consists solely of 150,000,000 shares of common stock, of which 114,951,491 are issued and outstanding on a fully diluted and as converted basis; (h) other than as set forth on Schedule 7(h), there are no outstanding options, warrants, rights (including conversion or preemptive rights and rights of first refusal), proxy or stockholder agreements, or agreements of any kind for the purchase or acquisition from Borrower of any of its securities; (i) all issued and outstanding securities of Borrower were issued in compliance with all applicable state and federal laws concerning the issuance of securities; (j) Borrower has made available to Lender (by public filing with the Securities and Exchange Commission ("SEC") or otherwise) a true and complete copy of each report, schedule, registration statement and definitive proxy statement filed by Borrower with the SEC since January 1, 2010 (the "SEC Documents"); (k) the SEC Documents were filed with the SEC in a timely manner and constitute all forms, reports and documents required to be filed by Borrower under the Securities Act of 1933, as amended (the "1933 Act"), the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder since January 1, 2010; (l) as of their respective dates, the SEC Documents complied in all material respects with the requirements of the 1933 Act or the Exchange Act, as the case may be, and the rules and regulations of the SEC thereunder applicable to such SEC Documents and none of the SEC Documents contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; (m) the consolidated financial statements of Borrower included in the SEC Documents complied as to form in all material respects with the applicable accounting requirements and the published rules and regulations of the SEC with respect thereto, have been prepared in accordance with GAAP applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto, or, in the case of the unaudited statements, as permitted by Rule 10-01 of Regulation S-X under the Exchange Act) and fairly presented, in accordance with applicable requirements of GAAP and the applicable rules and regulations of the SEC (subject, in the case of the unaudited statements, to normal, recurring adjustments, none of which are material), the consolidated financial position of Borrower as of their respective dates and the consolidated statements of income and the consolidated cash flows of Borrower for the periods presented therein; (n) a complete and accurate list of all of Borrower's outstanding indebtedness for borrowed money, including the name of the holder of such indebtedness, the amount of such indebtedness and the number of shares of Borrower's common stock into which such indebtedness is convertible, is set forth on the attached Schedule 7(n); (o) attached hereto as Schedule 7(o) is a true, complete and accurate copy of that certain License Agreement, dated as of September 2, 2010, by and between Borrower and Zus Health, LLC (the "License Agreement"); and (p) the minimum sales levels required by Section 3.2 of the License Agreement have not been satisfied and, other than the License Agreement, neither Borrower nor either of the Subsidiaries has entered into any agreement or arrangement to exclusively sell, lease or license any product to any third-party.

8. **Representations and Warranties of Lender**. Lender makes the following representations and warranties to Borrower: (a) Lender is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Michigan; (b) Lender has the requisite limited liability company power to own and operate its properties and assets, carry on its business as presently conducted, and execute and deliver this Agreement and the Loan Documents to which it is a party; (c) all action on the part of Lender, its managers and members necessary for the authorization, execution and delivery of the Loan Documents by Lender and for the performance of Lender's obligations hereunder has been taken; (d) each of the Loan Documents to which Lender is a party constitutes the legal and binding obligation of Lender, enforceable against Lender in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect generally relating to or affecting creditors' rights and general principles of equity; (e) the Loan is being made for Lender's own account and not with the view to, or for resale in connection with, any distribution or public offering thereof within the meaning of the 1933 Act; (f) Lender is an "accredited investor" as defined in Rule 501(a) of Regulation D promulgated under the 1933 Act; (g) Lender has such knowledge and experience in financial and business matters that Lender is capable of independently evaluating the risks and merits of making the Loans; and (h) Lender acknowledges that neither the Notes nor the shares of common stock issuable upon conversion of the Convertible Note or the exercise of the Warrant have been registered under the 1933 Act or under the securities laws of any other jurisdiction, and therefore may not be resold unless they are subsequently registered under the 1933 Act and any applicable state blue sky law or an exemption from registration is available under the 1933 Act and any applicable state blue sky law.

9. **Negative Covenants**. Until such time as the Loan is repaid in full, Borrower covenants with Lender that Borrower shall not take any of the following actions, and shall not cause either of the Subsidiaries to take any of the following actions, without the prior written consent of Lender: (a) purchase or retire any of its shares of capital stock or declare any dividends on, or make any other distributions with respect to, any shares of its capital stock; (b) sell, transfer or otherwise dispose of all or any portion of its assets or shares of capital stock (whether by merger, consolidation, recapitalization or otherwise) as a result of which stockholders immediately prior to such transaction possess less than 50% of the voting power of the acquiring or surviving entity immediately following such transaction; (c) except for the Loan, incur any indebtedness for borrowed money or become liable, whether as an endorser, guarantor, surety, or otherwise, for any debt or obligation of any other person or entity; (d) pledge, mortgage or otherwise encumber, or subject to or permit to exist upon or be subjected to any lien, security interest or charge, any of its asset or any property of any kind or character, except for liens for taxes not yet due which are being contested and other statutory liens incurred in the ordinary course of business; (e) enter into any transaction, agreement or arrangement with any director, employee, officer or affiliate of Borrower, or any close relative of any director, officer or affiliate of Borrower, on terms which are less favorable to Borrower or such Subsidiary than would be usual and customary in similar contracts, agreements or business arrangements between parties not affiliated with each other; or (f) change the senior management of Borrower, including replacing Andrew Dahl as CEO and President or Phillip Rice as CFO.

10. **Affirmative Covenants**. Until such time as the Loan is repaid in full, Borrower covenants with Lender that Borrower shall: (a) furnish to Lender monthly financial statements containing at a minimum a consolidated balance sheet, income statement and statement of cash flow, together with analyses of variances from the annual operating budget and detailed use of the proceeds from the Loans, no later than twenty (20) days after the end of each month, and such additional information, reports, budgets or statements as Lender may from time to time reasonably request in connection with this Agreement; (b) file all periodic reports (including Forms 10-Q and Forms 10-K) required by the Exchange Act in a timely manner; (c) promptly (and in any event within five (5) days after receipt) notify Lender of any actions, suits, proceedings or claims before any court, governmental department, commission, board, bureau, agency or instrumentality, commenced or threatened against Borrower or either of its Subsidiaries; (d) promptly (and in any event within five (5) days after receipt) provide Lender with a copy of any management letter or comparable analysis from Borrower's auditors; (e) provide to Lender within thirty (30) days prior to the beginning of each fiscal year the annual operating budget of Borrower and its Subsidiaries for such fiscal year; (f) and shall cause each Subsidiary to, comply in all respects with the requirements of all applicable federal, state, and local laws, rules, regulations, ordinances and orders; and (g) permit, upon reasonable notice, a representative of Lender to inspect the books, records, budgets, documents and properties of Borrower at reasonable times and to make copies and abstracts of such books and records and any documents relating to such properties, and to discuss the Borrower's affairs, finances, and accounts with its officers and auditors.

11. **Board Rights**. As long as Lender owns at least two percent (2%) of the issued and outstanding shares of Borrower's common stock or any portion of the Loan remains outstanding, Borrower shall invite two (2) representatives of Lender to attend all meetings of its Board of Directors in a nonvoting observer capacity and, in this respect, shall give such representatives copies of all notices, minutes, consents, and other materials that it provides to its directors at the same time and in the same manner as provided to such directors; provided, however, that such representatives shall agree to hold in confidence and trust and to act in a fiduciary manner with respect to all information so provided; and, provided further, that Borrower reserves the right to withhold any information and to exclude such representative from any meeting or portion thereof if access to such information or attendance at such meeting could reasonably be expected to adversely affect the attorney-client privilege between Borrower and its counsel.

12. **Miscellaneous**.

(a) Entire Agreement. This Agreement, together with the Loan Documents, constitutes the entire agreement of the parties with respect to the subject matter of this Agreement and supersedes any and all prior arrangements, agreements or understandings (whether written or oral) with respect to the subject matter of this Agreement. All prior correspondence and proposals (including, without limitation, term sheets and summaries of proposed terms) and all prior offer letters, promises, representations, understandings, arrangements and agreements relating to such subject matter are merged herein and superseded hereby.

(b) Binding Effect. The terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties hereto. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

(c) Governing Law. This Agreement shall be governed by and construed under the internal laws of the State of Michigan, without giving effect to principles of conflicts of laws. Borrower and Lender irrevocably submit to the exclusive jurisdiction of the State or Federal courts sitting in the State of Michigan with respect to any dispute or controversy arising out of this Agreement or the other Loan Documents. The parties do knowingly, voluntarily and intelligently waive their constitutional right to a trial by jury with respect to any claim, dispute, conflict, or contention, if any, as may arise under this Agreement, and agree that any litigation between the parties concerning this Agreement shall be heard in the Michigan Courts sitting without a jury. The parties have each reviewed the effect of this waiver of jury trial with their respective competent legal counsel, or have been afforded the opportunity to do so, prior to signing this Agreement.

(d) Notices. All notices and other communications required or permitted hereunder shall be in writing (or in the form of a telecopy (confirmed in writing) to be given only during the recipient's normal business hours unless arrangements have otherwise been made to receive such notice by telecopy outside of normal business hours) and shall be mailed by registered or certified mail, postage prepaid, or otherwise delivered by hand, messenger, or telecopy (as provided above) addressed: (i) if to Lender, at the address as such Lender shall have furnished to Borrower in writing, or (ii) if to Borrower, to the address specified above or at such other address as Borrower shall have furnished in writing to Lender. Each such notice or other communication shall for all purposes of this Agreement be treated as effective or having been given when delivered if delivered personally, or, if sent by mail, at the earlier of its receipt or seventy-two (72) hours after the same has been deposited in a regularly maintained receptacle for the deposit of the United States mail, addressed and mailed as aforesaid, or, if by telecopy pursuant to the above, when received.

(e) Legal Representation. The parties acknowledge and agree that they have fully and carefully read this Agreement (and the Loan Documents) in its entirety and have had the opportunity to consult with legal counsel.

(f) Counterparts. This Agreement may be executed in one or more counterparts, each of which shall constitute an original, and all of which together shall constitute one and the same instrument. Copies (whether photostatic, facsimile or otherwise) of this Agreement may be made and relied upon to the same extent as an original.

(g) Employment Agreement. Within five (5) days after the date hereof, Borrower and Andrew Dahl shall enter into an employment agreement pursuant to which Mr. Dahl shall serve as CEO of Borrower, on terms and conditions mutually acceptable to Borrower, Lender and Mr. Dahl.

[Signatures on next page]

IN WITNESS WHEREOF, the parties have executed this Loan Agreement as of the date first written above.

BORROWER:

HEALTH ENHANCEMENT PRODUCTS, INC.,
a Nevada corporation

/s/ Andrew Dahl
Andrew Dahl, Duly Authorized

LENDER:

HEP INVESTMENTS LLC, a Michigan limited
liability company

/s/ Laith Yaldoo
LaithYaldoo, Manager

Exhibits:

A	Note
B	Use of Proceeds
C	Security Agreement
D	Guaranty
E	Subsidiaries' Security Agreement
F	IP Security Agreement
G	Warrant
H	Registration Rights Agreement

Exhibit 10.7

SENIOR SECURED CONVERTIBLE PROMISSORY NOTE

$2,000,000 **Keego Harbor, Michigan**
December 1, 2011

FOR VALUE RECEIVED, **HEALTH ENHANCEMENT PRODUCTS, INC.**, a Nevada corporation ("Borrower"), whose address is 7740 E. Evans Rd., Suite A100, Scottsdale, AZ 85260, promises to pay to the order of **HEP INVESTMENTS LLC**, a Michigan limited liability company ("Lender"), whose address is 2804 Orchard Lake Road, Suite 205, Keego Harbor, Michigan 48320, or at such other place as Lender may designate in writing, in lawful money of the United States of America, the principal sum of Two Million Dollars ($2,000,000.00), or such lesser sum as shall have been advanced by Lender to Borrower under the loan agreement hereinafter described, together with interest as provided herein, in accordance with the terms of this Senior Secured Convertible Promissory Note (this "Note").

In accordance with the terms of that certain Loan Agreement, of even date herewith, by and between Lender and Borrower (the "Loan Agreement"), Lender will loan to Borrower, an initial sum of Six Hundred Thousand Dollars ($600,000.00), and upon not less than ten (10) days written notice to Lender, the balance of One Million Four Hundred Thousand Dollars ($1,400,000.00) in increments of Two Hundred Fifty Thousand Dollars ($250,000.00). All advances made hereunder shall be charged to a loan account in Borrower's name on Lender's books, and Lender shall debit to such account the amount of each advance made to, and credit to such account the amount of each repayment made by Borrower. From time to time but not less than quarterly, Lender shall furnish Borrower a statement of Borrower's loan account, which statement shall be deemed to be correct, accepted by, and binding upon Borrower, unless Lender receives a written statement of exceptions from Borrower within ten (10) days after such statement has been furnished. Terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Loan Agreement.

1. Payment. The unpaid principal balance of this Note shall bear interest computed upon the basis of a year of 360 days for the actual number of days elapsed in a month at a rate of eleven percent (11%) per annum (the "Effective Rate"). Upon the occurrence and during the continuance of an Event of Default (as defined below), the unpaid principal balance of this Note shall bear interest, computed upon the basis of a year of 360 days for the actual number of days elapsed in a month, at a rate equal to the lesser of five percent (5%) over the Effective Rate or the highest rate allowed by applicable law. The indebtedness represented by this Note shall be paid to Lender in an installment of interest only on the first anniversary of the date of this Note, and, if not sooner converted in accordance with the terms of this Note, the entire unpaid principal balance of this Note, together with all accrued and unpaid interest, shall be immediately due and payable in full on the second anniversary of the date of this Note (the "Due Date").

2. Pre-payment Premium. Borrower may prepay the principal balance of this Note, in whole or in part, plus all accrued interest then outstanding upon sixty (60) days prior written notice to Lender; provided, however, there shall be a pre-payment premium of five (5%) percent of each amount prepaid at any time during the term of this Note.

3. Use of Proceeds. The funds advanced pursuant to this Note shall be used by Borrower for working capital purposes in accordance with the operating budget of Borrower attached to the Loan Agreement as Exhibit B.

4. Conversion Right.

(a) At Lender's option, at any time prior to the repayment in full of this Note, increments of Two Hundred Fifty Thousand Dollars ($250,000.00) of the outstanding indebtedness of this Note (including all accrued and unpaid interest) may be converted into shares of common stock of Borrower ("Shares") at the lesser of $0.12 per share or a 25% discount to the then current ten day average trading price of Shares on the Over the Counter Securities Market (the "Conversion Price"). No fractional Shares shall be issued upon any conversion of this Note, and if the conversion of this Note results in a fractional Share, in lieu of such fractional Share, Borrower shall pay cash equal to such fraction multiplied by the Conversion Price.

(b) Upon conversion of this Note as provided herein, (i) the portion of this Note so converted shall be deemed cancelled and shall be converted into the Shares as specified above; (ii) Lender, by acceptance of this Note, agrees to deliver the executed original of this Note to Borrower within ten (10) days of the conversion of the entire outstanding indebtedness of this Note and to execute all governing documents of Borrower and such other agreements as are necessary to document the issuance of the Shares and to comply with applicable securities laws; and (iii) as soon as practicable after Borrower's receipt of the documents referenced above, Borrower shall issue and deliver to Lender stock certificates evidencing the Shares.

5. Default. Each of the following constitutes an "Event of Default" under this Note:

(a) Borrower's failure to pay the outstanding indebtedness of this Note within ten (10) days of the date on which such payment is due hereunder, whether at maturity or otherwise;

(b) Borrower's breach of or failure to perform or observe any covenant, condition or agreement contained in this Note, the Loan Agreement or the Security Agreement (defined below), which breach or failure continues unremedied for a period of thirty (30) calendar days after receipt by Borrower of written notice specifying the nature of the default. Notwithstanding the foregoing, Borrower shall not be in default under this subsection (b) with respect to any non-monetary breach that can be cured by the performance of affirmative acts if Borrower promptly commences the performance of said affirmative acts and diligently prosecutes the same to completion within a period of forty-five (45) calendar days after receipt by Borrower of written notice specifying the nature of the default;

(c) Borrower files a voluntary petition in bankruptcy;

(d) Borrower makes a general assignment for the benefit of its creditors or Borrower's creditors file against Borrower any involuntary petition under any bankruptcy or insolvency law that is not dismissed within ninety (90) days after it is filed; or

(e) Any court appoints a receiver to take possession of substantially all of Borrower's assets and such receivership is not terminated within ninety (90) days after its appointment.

Upon the occurrence and during the continuance of an Event of Default, at the election of Lender, the entire unpaid principal balance of this Note, together with all accrued and unpaid interest, shall be immediately due and payable in full.

6. Security. This Note is secured by all of the assets of Borrower pursuant to that certain Security Agreement, dated as of the date of this Note (the "Security Agreement").

7. Waivers. Borrower and all endorsees, sureties and guarantors hereof hereby jointly and severally waive presentment for payment, demand, notice of non-payment, notice of protest or protest of this Note, and Lender diligence in collection or bringing suit, and do hereby consent to any and all extensions of time, renewals, waivers or modifications as may be granted by Lender with respect to payment or any other provisions of this Note. The liability of Borrower under this Note shall be absolute and unconditional, without regard to the liability of any other party.

8. Usury. Notwithstanding anything herein to the contrary, in no event shall Borrower be required to pay a rate of interest in excess of the Maximum Rate. The term "Maximum Rate" shall mean the maximum non-usurious rate of interest that Lender is allowed to contract for, charge, take, reserve or receive under the applicable laws of any applicable state or of the United States of America (whichever from time to time permits the highest rate for the use, forbearance or detention of money) after taking into account, to the extent required by applicable law, any and all relevant payments or charges hereunder, or under any other document or instrument executed and delivered in connection therewith and the indebtedness evidenced hereby.

In the event Lender ever receives, as interest, any amount in excess of the Maximum Rate, such amount as would be excessive interest shall be deemed a partial prepayment of principal, and, if the principal hereof is paid in full, any remaining excess shall be returned to Borrower. In determining whether or not the interest paid or payable, under any specified contingency, exceeds the Maximum Rate, Borrower and Lender shall, to the maximum extent permitted by law, (a) characterize any non-principal payment as an expense, fee, or premium rather than as interest; (b) exclude voluntary prepayments and the effects thereof; and (c) amortize, prorate, allocate and spread the total amount of interest through the entire contemplated term of such indebtedness until payment in full of the principal (including the period of any extension or renewal thereof) so that the interest on account of such indebtedness shall not exceed the Maximum Rate.

9. Miscellaneous.

(a) All modifications, consents, amendments or waivers of any provision of any this Note shall be effective only if in writing and signed by Lender and then shall be effective only in the specific instance and for the limited purpose for which given.

(b) All communications provided in this Note shall be personally delivered or mailed, postage prepaid, by registered or certified mail, return receipt requested, to the addresses set forth at the beginning of this Note or such other addresses as Borrower or Lender may indicate by written notice.

(c) The headings used in this Note are for convenience of reference only and shall not in any way affect the meaning or interpretation of this Note.

(d) This Note shall be binding upon and inure to the benefit of Borrower and Lender and their respective successors and assigns; provided, however, that neither party may, without the prior written consent of the other party, assign any rights, powers, duties or obligations under this Note.

(e) This Note shall be construed and enforced in accordance with the laws of the State of Michigan. All actions arising out of or relating to this Note shall be heard and determined exclusively by any state or federal court with jurisdiction in the Eastern District of the State of Michigan. Consistent with the preceding sentence, the parties hereto hereby irrevocably waive, and agree not to assert by way of motion, defense, or otherwise, in any such action, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that the action is brought in an inconvenient forum, that the venue of the action is improper, or that this Note or the transactions contemplated by this Note may not be enforced in or by any of the above-named courts.

[*Signature on the following page*]

IN WITNESS WHEREOF, the undersigned have duly executed this Senior Secured Convertible Promissory Note as of the day and year first written above.

BORROWER:
HEALTH ENHANCEMENT PRODUCTS, INC.

/s/ Andrew Dahl
By: Andrew Dahl, Duly Authorized

Exhibit 10.8

SECURITY AGREEMENT

This Security Agreement (this "Agreement") is made and entered into effective as of December 1, 2011, by **HEALTH ENHANCEMENT PRODUCTS, INC.**, a Nevada corporation ("Borrower") in favor of **HEP INVESTMENTS LLC**, a Michigan limited liability company ("Secured Party").

Recitals:

A. Borrower has delivered to Secured Party a certain Senior Secured Convertible Promissory Note, dated as of the date of this Agreement, in the original principal amount of Two Million Dollars ($2,000,000.00) (as amended, restated or otherwise modified from time to time, the "Note").

B. As security for the payment and performance of the indebtedness, and all other obligations of Borrower, under the Note (collectively, the "Obligations"), the Secured Party has required that Borrower execute and deliver this Agreement.

C. Borrower has agreed to secure the Obligations by granting Secured Party a security interest in the Collateral (as defined below).

Agreements:

NOW, THEREFORE, in consideration of the Recitals and the covenants and agreements contained in this Agreement, Borrower hereby agree as follows:

1. Security Interest. To secure payment of the Obligations, Borrower hereby grants to Secured Party a continuing security interest in and to all of Borrower's rights, title and interest in and to all of its property of any kind or description, tangible and intangible personal property, assets and rights, wherever located, whether now existing or owned or hereafter arising or acquired and the proceeds and products therefrom, including, without limitation, the following (collectively, the "Collateral"):

(a) All Accounts, including, without limitation, accounts receivable, insurance receivables and prepaid premiums, if any, and all Goods whose sale, lease or other disposition has given rise to Accounts and have been returned to, or repossessed or stopped in transit by, Borrower, or rejected or refused by an Account Debtor;

(b) All Chattel Paper, including, without limitation, Electronic Chattel Paper and liens and lien rights on customer property; Documents; Instruments, including, without limitation, Promissory Notes; Letter of Credit Rights and proceeds of letters of credit; Supporting Obligations; Liabilities secured by real estate; Commercial Tort Claims and General Intangibles, including, without limitation, Payment Intangibles and Software;

(c) All Inventory, including, without limitation, raw materials, work in process, materials and finished goods leased by Borrower as lessor or held for sale or lease or furnished or to be furnished under contracts of service or used or consumed in a business;

(d) All Goods and all Equipment;

(e) All Securities, Investment Property and Deposit Accounts;

(f) All products of, additions and accessions to, and substitutions, betterments and replacements for the foregoing property;

(g) All sums at any time credited by or due from Secured Party to Borrower;

(h) All property in which Borrower has an interest now or at any time hereafter coming into the possession or under the control of Secured Party or in transit by mail or carrier to or from Secured Party or in possession of or under the control of any third party acting on Secured Party's behalf without regard to whether Secured Party received the same in pledge, for safekeeping, as agent for collection or transmission or otherwise or whether Secured Party has conditionally released the same (excluding, nevertheless, any of the foregoing property of Borrower which now or any time hereafter is in possession or control of Secured Party under any written trust agreement wherein Secured Party is trustee and Borrower is trustor); and

(i) All Proceeds (whether Cash Proceeds or Noncash Proceeds) of the foregoing property, including, without limitation, proceeds of insurance payable by reason of loss or damage to the foregoing property and of eminent domain or condemnation awards.

Terms used and not otherwise defined in this Agreement shall have the meaning given such terms in the Michigan Uniform Commercial Code (the "UCC"). In the event the meaning of any term defined in the UCC is amended after the date of this Agreement, the meaning of such term as used in this Agreement shall be that of the more encompassing of: (i) the definition contained in the UCC prior to the amendment, and (ii) the definition contained in the UCC after the amendment.

2. Perfection of Security Interest. Borrower hereby irrevocably authorizes Secured Party to file financing statement(s) and notices describing the Collateral in all public offices deemed necessary by Secured Party (including the United States Patent and Trademark Office), and to take any and all actions, including, without limitation, filing all financing statements, continuation financing statements and all other documents that Secured Party may reasonably determine to be necessary to perfect and maintain Secured Party's security interests in the Collateral. Borrower shall have possession of the Collateral, except where expressly otherwise provided in this Agreement or where Secured Party chooses to perfect its security interest by possession, whether or not in addition to the filing of a financing statement. Where Collateral is in the possession of a third party, Borrower will join with Secured Party in notifying the third party of the Secured Party's security interest and obtaining an acknowledgement from the third party that it is holding the Collateral for the benefit of Secured Party. Borrower shall pay the cost of filing or recording all financing statement(s) and other documents. Borrower agrees to promptly execute and deliver to Secured Party all financing statements, continuation financing statements, assignments and all other documents that Secured Party may reasonably request in form satisfactory to Secured Party to perfect and maintain Secured Party's security interests in the Collateral. In order to fully consummate all of the transactions contemplated under this Agreement, Borrower shall make appropriate entries on its books and records disclosing Secured Party's security interests in the Collateral.

3. Warranties and Representations. Borrower represents and warrants that: (a) Borrower has rights in or the power to transfer the Collateral and its title to the Collateral is free and clear of all liens, claims or security interests; (b) the Collateral, wherever located, is covered by this Agreement; (c) there are no actions or proceedings which are threatened or pending against Borrower which could reasonably be expected to result in any material adverse change in Borrower's financial condition or which could reasonably be expected to materially affect any of the Collateral; (d) the Borrower's exact legal name is as set forth in the first paragraph of this Agreement; (e) Borrower has duly filed all federal, state, and other governmental tax returns which Borrower is required by law to file, and will continue to file same during such time as any of the Obligations remain owing to Secured Party, and all such taxes required to be paid have been paid, in full; (f) the execution and delivery of this Agreement and any instruments evidencing Obligations will neither violate nor constitute a breach of any agreement or restriction of any type to which Borrower is a party or is subject; and (g) Borrower is or will become the owner of the Collateral free from any liens, encumbrances or security interests, except for this security interest and existing liens disclosed to and accepted by the Secured Party in writing, and will defend the Collateral against all claims and demands of all persons at any time claiming any interest in it.

4. Covenants. Borrower covenants and agrees that while any of the Obligations remain unperformed and unpaid it will: (a) preserve its legal existence and not, in one transaction or a series of related transactions, merge into or consolidate with any other entity, or sell all or substantially all of its assets; (b) not change the state in which it is organized; (c) neither change its name, form of business entity nor address of its chief executive office without giving written notice to Secured Party at least thirty (30) days prior to the effective date of such change, and Borrower agrees that all documents, instruments, and agreements demanded by Secured Party in response to such change shall be prepared, filed, and recorded at Borrower's expense prior to the effective date of such change; (d) not use the Collateral, nor permit the Collateral to be used, for any unlawful purpose; (e) maintain the Collateral in working condition and repair; and (f) indemnify and hold Secured Party harmless against claims of any persons or entities not a party to this Agreement concerning disputes arising over the Collateral.

5. Insurance, Taxes, Etc. Borrower has the risk of loss of the Collateral. Borrower shall: (a) pay promptly all taxes, levies, assessments, judgments, and charges of any kind upon or relating to the Collateral, to Borrower's business, and to Borrower's ownership or use of any of its assets, income, or gross receipts, except to the extent contested in good faith; and (b) at its own expense, keep and maintain all of the Collateral fully insured against loss or damage by fire, theft, explosion and other risks, and shall furnish Secured Party with such policies and evidence of payment of premiums upon request. If Borrower fails to obtain or maintain any of the policies required above or pay any premium in whole or in part, or shall fail to pay any such tax, assessment, levy, or charge or to discharge any such lien, claim, or encumbrance, then Secured Party, without waiving or releasing any obligation or default of Borrower hereunder, may at any time thereafter (but shall be under no obligation to do so) make such payment or obtain such discharge or obtain and maintain such policies of insurance and pay such premiums, and take such action as Secured Party deems reasonably advisable. All sums so disbursed by Secured Party, including reasonable attorney fees, court costs, expenses, and other charges, shall be part of the Obligations, covered by this Agreement, and payable upon demand together with interest at the highest rate payable in connection with any of the Obligations from the date when advanced until paid.

6. Care, Custody, and Dealings with Collateral. Secured Party shall have no liability to Borrower with respect to Secured Party's care and custody of any Collateral in Secured Party's possession and shall have no duty to sell, surrender, collect or protect the same or to preserve rights against prior parties or to take any action with respect to them beyond the custody of them, exercising that reasonable custodial care which it would exercise in holding similar interests for its own account. Secured Party shall only be liable for its acts of gross negligence. Secured Party is hereby authorized and empowered to take the following steps, subsequent to a default: (a) to deal directly with issuers, entities, owners, transfer agents and custodians to effect changes in the registered name of any such Collateral, to effect substitutions and replacements necessitated by any reason (including by reason of recapitalization, merger, acquisition, debt restructuring or otherwise), to execute and deliver receipts and to take possession of them; (b) to communicate and deal directly with payors of instruments (including securities, promissory notes, letters of credit, certificates of deposits and other instruments), which may be payable to or for the benefit of Borrower at any time, with respect to the terms of payment of them; (c) in the Borrower's name, to agree to any extension of payment, any substitution of Collateral or any other action or event with respect to the Collateral; (d) to notify parties who have an obligation to pay or deliver anything of value (including money or securities) with respect to the Collateral to pay or deliver the same directly to Secured Party on behalf of Borrower and to receive and receipt for any such payment or delivery in Borrower's name as an addition to the Collateral; (e) to surrender renewable certificates or any other instruments or securities forming a portion of the Collateral which may permit or require reissuance, renewal or substitution at any time and to immediately take possession of and receive directly from the issuer, maker or other obligor, the substituted instrument or securities; (f) to exercise any right which Borrower may have with respect to any portion of the Collateral, including rights to seek and receive information with respect thereto; and (g) to do or perform any other act and to enjoy all other benefits with respect to the Collateral as Borrower could in its own name.

7. Information. Borrower shall permit Secured Party or its agents, upon reasonable request, to have access to, and to inspect, all the Collateral.

8. Events of Default. The Borrower, without notice or demand of any kind, shall be in default under this Agreement upon the occurrence and during the continuance of any "Event of Default" as defined in the Note (an "Event of Default").

9. Remedies Upon Default.

(a) Upon the occurrence of any Event of Default, Secured Party may exercise from time to time any rights and remedies including the right to immediate possession of the Collateral available to it under applicable law. Secured Party may directly contact third parties and enforce against them all rights which arise with respect to the Collateral and to which Borrower or Secured Party would be entitled.

(b) Borrower waives any right it may have to require Secured Party to pursue any third person for any of the Obligations. Borrower agrees, upon the occurrence of an Event of Default, to assemble at its expense all the Collateral and make it available to Secured Party at a convenient place acceptable to Secured Party. Borrower agrees to pay all costs of Secured Party of collection of the Obligations, and enforcement of rights under this Agreement, including reasonable attorney fees and legal expenses, including participation in Secured bankruptcy proceedings, and expense of locating the Collateral and expenses of any repairs to any realty or other property to which any of the Collateral may be affixed or be a part. If any notification of intended disposition of any of the Collateral is required by law, such notification, if mailed, shall be deemed reasonably and properly given if sent at least ten (10) days before such disposition, postage pre-paid, addressed to the Borrower at the address of the Borrower appearing on the Note or records of Secured Party.

(c) Any sale shall conform to commercially reasonable standards as provided in the UCC. Borrower acknowledges that Secured Party may be unable to effect a public sale of all or any portion of the Collateral because of certain legal and/or practical restrictions and provisions which may be applicable to the Collateral and, therefore, may be compelled to resort to one or more private sales to a restricted group of offerees and purchasers. Secured Party shall have no obligation to clean up or otherwise prepare the Collateral for sale. Secured Party may comply with any applicable state or federal law requirements in connection with a disposition of the Collateral and compliance will not be considered to adversely affect the commercial reasonableness of any sale of the Collateral. Secured Party may specifically disclaim any warranties as to the Collateral. If the Secured Party resorts to one or more private sales, Secured Party shall give Borrower notice and the right to match bids. If Secured Party sells any of the Collateral upon credit, Borrower will be credited only with payments actually made by the purchaser, received by Secured Party and applied to the indebtedness of the purchaser. In the event the purchaser fails to pay for the Collateral, Secured Party may resell the Collateral and the Borrower shall be credited with the proceeds of sale. Secured Party shall have no obligation to marshal any assets in favor of the Borrower. BORROWER WAIVES THE RIGHT TO JURY TRIAL IN ANY PROCEEDING INSTITUTED WITH RESPECT TO THE COLLATERAL. Out of the net proceeds from sale or disposition of the Collateral, Secured Party shall retain all the Obligations then owing to it and the actual cost of collection (including reasonable attorney fees) and shall tender any excess to Borrower or its successors or assigns. If the Collateral shall be insufficient to pay the entire Obligations, Borrower shall pay to Secured Party the resulting deficiency upon demand.

(d) Except as otherwise provided in this Agreement, Borrower expressly waives any and all claims of any nature, kind or description which it has or may have against Secured Party or its representatives, by reason of taking, selling or collecting any portion of the Collateral. Borrower consents to releases of the Collateral and to sales of the Collateral in groups, parcels or portions, or as an entirety, as Secured Party shall deem appropriate. Borrower expressly absolves Secured Party from any loss or decline in market value of any Collateral by reason of delay in the enforcement or assertion or nonenforcement of any rights or remedies under this Agreement. Borrower agrees that Secured Party shall, upon the occurrence of an Event of Default, have the right to peacefully retake any of the Collateral. Borrower waives any right it may have in such instance to a judicial hearing prior to such retaking.

(e) Secured Party may exercise all rights and remedies provided by the UCC as it exists on the date of this Agreement or as it may be amended.

10. General.

(a) Time shall be deemed of the very essence of this Agreement.

(b) Secured Party shall be deemed to have exercised reasonable care in the custody and preservation of any Collateral in its possession if it takes such action for that purpose as Borrower requests in writing, but failure of Secured Party to comply with any such request shall not of itself be deemed a failure to exercise reasonable care, and failure of Secured Party to preserve or protect any rights with respect to such Collateral against any prior parties or to do any act with respect to the preservation of such Collateral not so requested by Borrower shall not be deemed a failure to exercise reasonable care in the custody and preservation of such Collateral.

(c) This Agreement has been delivered in Michigan and shall be construed in accordance with the laws of the State of Michigan.

(d) Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

(e) The rights and privileges of Secured Party under this Agreement shall inure to the benefit of its successors and assigns, and this Agreement shall be binding on all assigns and successors of Borrower and all persons who become bound as a debtor to this Agreement.

(f) Borrower hereby expressly authorizes and appoints Secured Party to act as its attorney-in-fact for the sole purpose of executing any and all financing statements or other documents deemed necessary to perfect the security interest herein contemplated.

(g) Any delay on the part of Secured Party in exercising any power, privilege or right under this Agreement, or under any other instrument executed by Borrower to Secured Party in connection with this Agreement, shall not operate as a waiver, and no single or partial exercise, or the exercise of any other power, privilege or right shall preclude other or further exercise, or the exercise of any other power, privilege or right. The waiver of Secured Party of any default by Borrower shall not constitute a waiver of any subsequent defaults, but shall be restricted to the specific default waived. All rights, remedies and powers of Secured Party under this Agreement are irrevocable and cumulative, and not alternative or exclusive, and shall be in addition to all rights, remedies, and powers given under this Agreement or in or by any other instruments, or by the UCC or any laws now existing or enacted after the date of this Agreement.

(h) This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument. Facsimile or photostatic copies of signatures to this Agreement shall be deemed to be originals and may be relied on to the same extent as the originals.

[*Signatures on the following page*]

IN WITNESS WHEREOF, the undersigned has caused this Security Agreement to be fully executed as of the day and year first written above.

BORROWER:
HEALTH ENHANCEMENT PRODUCTS, INC.

/s/ Philip M. Rice
By: Philip M. Rice, II, CFO

[Signature Page to Security Agreement]

Exhibit 10.9

PATENT, COPYRIGHT, LICENSE AND TRADEMARK SECURITY AGREEMENT

THIS PATENT, COPYRIGHT, LICENSE AND TRADEMARK SECURITY AGREEMENT (this " Agreement") is made as of December 2, 2011, by and among HEALTH ENHANCEMENT PRODUCTS, INC., a Nevada corporation ("Borrower"), HEALTH ENHANCEMENT CORPORATION, a Nevada corporation (" HEC"), and HEPI PHARMACEUTICALS, INC., a Delaware corporation ("HEPI," and together with Borrower and HEC, the "Obligors"), in favor of HEP INVESTMENTS LLC, a Michigan limited liability company ("Secured Party").

Recitals:

A. Borrower and Secured Party have entered into that certain Loan Agreement, dated as of the date of this Agreement (as amended, modified or supplemented from time to time, the "Loan Agreement"), pursuant to which Borrower has delivered to Secured Party a certain Senior Secured Convertible Promissory Note, dated as of the date of this Agreement, in the original principal amount of Two Million Dollars ($2,000,000.00), as is may be amended or restated and including all renewals and extensions thereof (the "Note").

B. In connection with the Loan Agreement, HEC and HEPI have delivered to Secured Party a certain Guaranty (the "Guaranty") dated as of the date of this Agreement, guarantying repayment of all obligations under the Note.

C. As security for the payment and performance of the indebtedness, and all other obligations of Borrower, under the Note, and to secure the Guaranty and any and all other sums and obligations that may be due and owing from HEC and HEPI to Secured Party from time to time pursuant to the Guaranty (collectively, the "Liabilities"), the Secured Party has required that the Obligors execute and deliver this Agreement.

Agreements:

NOW, THEREFORE, in consideration of the premises set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each Obligor agrees as follows:

1. Incorporation of Loan Agreement. The Loan Agreement and the terms and provisions thereof are hereby incorporated herein in their entirety by this reference thereto. Terms used in this Agreement which are not defined in this Agreement but are defined in the Loan Agreement or that certain Security Agreement, executed by Borrower in connection with the Loan Agreement, shall have the meanings ascribed to them therein.

2. Grant of Security Interest, Etc. To secure the complete and timely satisfaction of all of each Obligor's Liabilities, each Obligor hereby grants to Secured Party a security interest in and to all of such Obligor's right, title and interest in, to and under all of the following, whether now existing or hereafter arising:

(i) patents and patent applications, including, without limitation, the inventions and improvements described and claimed therein, and those patents and patent applications listed on Schedule A attached hereto and made a part hereof, and (a) the reissues, divisions, continuations, renewals, extensions and continuations-in-part thereof, (b) all income, royalties, damages and payments now and hereafter due and/or payable under and with respect thereto, including, without limitation, damages and payments for past or future infringements thereof, (c) the right to sue for past, present and future infringements thereof, and (d) all rights corresponding thereto throughout the world (all of the foregoing patents and applications, together with the items described in clauses (a) through (d), inclusive, in which such Obligor now or hereafter has any right, title or interest are sometimes hereinafter individually and/or collectively referred to as the "Patents");

(ii) all copyrights, copyright registrations and copyright applications including, without limitation, the copyrights and applications listed on Schedule B attached hereto and made a part hereof, and (a) renewals thereof, (b) all income, royalties, damages and payments now and hereafter due and/or payable with respect thereto, including, without limitation, damages and payments for past or future infringements thereof, (c) the right to sue for past, present and future infringements thereof, and (d) all rights corresponding thereto throughout the world (all of the foregoing copyrights, copyright registrations and copyright applications, together with the items described in clauses (a) through (d), inclusive, in which such Obligor now or hereafter has any right, title or interest are sometimes hereinafter individually and/or collectively referred to as the "Copyrights");

(iii) all such Obligor's rights and obligations pursuant to its license agreements with any other person or persons with respect to any Patents and Copyrights, whether such Obligor is a licensor or licensee under any such license agreements, including, without limitation, the licenses listed on Schedule C attached hereto and made a part hereof, and, subject to the terms of such licenses, the right to prepare for sale, sell and advertise for sale, all Inventory now or hereafter owned by such Obligor and now or hereafter covered by such licenses (all of the foregoing is hereinafter referred to collectively as the "Patent and Copyright Licenses");

(iv) all service marks, trademarks, trademark or service mark registrations, trademark or service mark applications, domain names and trade names including, without limitation, the trademarks and service marks listed on Schedule D attached hereto and made a part hereof, and (a) renewals thereof, (b) all income, royalties, damages and payments now and hereafter due and/or payable with respect thereto, including, without limitation, damages and payments for past or future infringements thereof, (c) the right to sue for past, present and future infringements thereof, and (d) all rights corresponding thereto throughout the world (all the foregoing service marks, trademarks, registrations, applications and trade names, together with the items described in clauses (a) through (d), inclusive, with respect thereto in which such Obligor now or hereafter has any right, title or interest are sometimes hereinafter and/or collectively referred to as the "Marks");

(v) all such Obligor's rights and obligations pursuant to its license agreements with any other person or persons with respect to any Marks, whether such Obligor is a licensor or licensee under any such license agreements, including, without limitation, the licenses listed on Schedule E attached hereto and made a part hereof, and, subject to the terms of such licenses, the right to prepare for sale, sell and advertise for sale, all Inventory now or hereafter owned by such Obligor and now or hereafter covered by such licenses (all of the foregoing is hererinafter referred to as "Trademark Licenses"; Patent and Copyright Licenses and Trademark Licenses are hereinafter referred to collectively as "Licenses"); and

(vi) the goodwill of such Obligor's business connected with and symbolized by the Marks;

provided, however, that there shall be excluded from the foregoing grant of security interest any of the existing Licenses to which any Obligor is a licensee (and any Patents, Marks and Copyrights currently licensed by others to any Obligor pursuant to such Licenses) in each case to the extent (but only to the extent) that the applicable License lawfully prohibits such grant; provided further, however, that, upon Secured Party's request, each Obligor will use its good faith reasonable efforts to obtain any consent needed to subject any such property to this grant of security interest.

3. Restrictions on Future Agreements. Each Obligor agrees and covenants that until the Liabilities shall have been satisfied in full and the Loan Agreement shall have been terminated, such Obligor will not, without Secured Party's prior written consent, take any action or enter into any agreement, including, without limitation entering into any license agreement, which is inconsistent with such Obligor's obligations under this Agreement, and each Obligor further agrees and covenants that without Secured Party's prior written consent it will not take any action, or permit any action to be taken by others subject to its control, including its licensees, or fail to take any action which would affect the validity or enforcement or nature of the rights transferred to Secured Party under this Agreement. Each Obligor agrees and covenants not to sell or assign its interest in, or grant any license under, the Patents, Marks, Copyrights or Licenses, without receiving the prior written consent of Secured Party thereto.

4. Certain Covenants, Representations and Warranties of each Obligor. Each Obligor covenants, represents and warrants that: (i) the Patents, Marks, Copyrights and Licenses are subsisting, have not been adjudged invalid or unenforceable in whole or in part, and are not currently being challenged in any way; (ii) none of the Patents, Marks, Copyrights and Licenses have lapsed or expired or have been abandoned, whether due to any failure to pay any maintenance or other fees or make any filing or otherwise; (iii) such Obligor owns the entire right, title and interest in and to each of the Patents, Marks and Copyrights (other than those being licensed to such Obligor pursuant to the Licenses) free and clear of any liens, claims, encumbrances and security interests of every kind and nature, and the Licenses are valid and subsisting licenses with respect to the Patents, Marks, Copyrights described therein, free and clear of any liens, claims, encumbrances and security interests of every kind and nature arising by, through or under such Obligor, in each case except for (A) rights granted by such Obligor pursuant to the applicable licenses listed on Schedules C and E, and (B) liens, claims, encumbrances and security interests in favor of Secured Party pursuant to this Agreement or any other agreements executed in connection with the Loan Agreement; (iv) the Patents, Marks and Copyrights and Licenses listed on Schedules A, B, C, D and E constitute all such items in which such Obligor has any right, title or interest; (v) such Obligor has the unqualified right to enter into this Agreement and perform its terms; and (vi) such Obligor will use standards of quality in its manufacture of products sold under the Marks consistent with those currently employed by it.

5. New Patents, Marks, Copyrights and Licenses. If, before the Liabilities shall have been satisfied in full and the Loan Agreement shall have been terminated, any Obligor shall (i) obtain rights to any new patentable inventions, trademarks, service marks, trademark or service mark registrations, copyrights, copyright registrations, trade names or licenses, or (ii) become entitled to the benefit of any patent, trademark or service mark application, trademark, service mark, trademark or service mark registration, copyrights, copyright registrations, license or license renewal, or patent for any reissue, division, continuation, renewal, extension, or continuation-in-part of any Patent or any improvement on any Patent, the provisions of Section 2 above shall automatically apply thereto and such Obligor shall give to Secured Party prompt written notice thereof. Each Obligor hereby authorizes Secured Party to modify this Agreement by noting any future acquired Patents, Marks, Copyrights on Schedule A, B or D and any Licenses and licensed Patents, Marks or Copyrights on Schedules C or E, as applicable; provided, however, that the failure of Secured Party to make any such notation shall not limit or affect the obligations of any Obligor or rights of Secured Party hereunder.

6. Royalties; Terms. Each Obligor hereby agrees that the security interest of Secured Party in all Patents, Marks, Copyrights and Licenses as described above shall be worldwide (or in the case of the Patents, Marks and Copyrights licensed to an Obligor such smaller geographic location if any is specified for such Obligor's use in the applicable License) and, without any liability for royalties or other related charges from Secured Party to such Obligor. The term of the security interest granted herein shall extend until the earlier of (i) the expiration of each of the respective Patents, Marks, Copyrights and Licenses assigned hereunder, or (ii) satisfaction in full of the Liabilities and termination of the Loan Agreement.

7. Inspection. From and after the occurrence and during the continuance of an Event of Default and notice by Secured Party to each Obligor of Secured Party's intention to enforce its rights and claims against any of the Patents, Marks, Copyrights and Licenses, each Obligor agrees that Secured Party, or a conservator appointed by Secured Party, shall have the right to establish such additional product quality controls as Secured Party or said conservator, in its sole judgment, may deem necessary to assure maintenance of the quality of products sold by such Obligor under the Marks consistent with the quality of products now manufactured by such Obligor.

8. Termination of Each Obligor's Interest. This Agreement is made for collateral purposes only. Upon satisfaction in full of the Liabilities and termination of the Loan Agreement, subject to any disposition thereof which may have been made by Secured Party pursuant hereto or pursuant to any of the other agreements executed in connection with the Loan Agreement, the security interest granted hereunder shall automatically be extinguished. Secured Party shall, at the request of any Obligor and at each Obligor's reasonable expense, execute and deliver to such Obligor, all termination statements and other instruments as may be necessary or proper to evidence the termination of Secured Party's security interest granted to Secured Party pursuant to this Agreement, subject to any disposition thereof which may have been made by Secured Party pursuant hereto or pursuant to any of the other agreements executed in connection with the Loan Agreement. Any such termination statements and instruments shall be without recourse upon or warranty by Secured Party.

9. Duties of the Obligors. Except to the extent the same is no longer material to such Obligor's business, each Obligor shall have the duty (i) to prosecute diligently any application with respect to Patents, Marks and Copyrights, in each case pending as of the date hereof or hereafter, (ii) to make application on unpatented but patentable inventions and on registerable but unregistered trademarks, service marks and copyrights, and (iii) use all commercially reasonable efforts to preserve, maintain and enforce against infringement all rights in patent applications and patents constituting the Patents, in trademark or service mark applications, trademarks, service marks, and trademark or service mark registrations constituting the Marks, and in copyright applications, copyrights and copyright registrations constituting the Copyrights. Any expenses incurred in connection with the foregoing (including, but not limited to, maintenance or renewal fees) shall be borne by the Obligors. Except to the extent the same is no longer material to such Obligor's business, each Obligor shall not abandon any pending patent application, trademark application, copyright application, service mark application, patent, trademark, service mark or copyright without the written consent of Secured Party.

10. Secured Party's Right to Sue. From and after the occurrence and during the continuance of an Event of Default, Secured Party shall have the right, but shall in no way be obligated, to bring suit in its own name to enforce the Patents, the Marks, the Copyrights and the Licenses, and any licenses thereunder, and, if Secured Party shall commence any such suit, each Obligor shall, at the request of Secured Party, do any and all lawful acts and execute any and all proper documents reasonably required by Secured Party in aid of such enforcement, and each Obligor shall promptly, upon demand, reimburse and indemnify Secured Party for all reasonable costs and expenses incurred by Secured Party in the exercise of its rights under this Section 10.

11. Waivers. No course of dealing between any Obligor and Secured Party, nor any failure to exercise, nor any delay in exercising, on the part of Secured Party, any right, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or thereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

12. **Severability**. The provisions of this Agreement are severable, and if any clause or provision shall be held invalid and unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part thereof, in such jurisdiction, and shall not in any manner affect such clause or provision in any other jurisdiction, or any other clause or provision of this Agreement in any jurisdiction.

13. **Modification**. This Agreement cannot be altered, amended or modified in any way, except as specifically provided in Section 5 hereof or by a writing signed by the parties hereto.

14. **Further Assurances.** Each Obligor shall execute and deliver to Secured Party, at any time or times hereafter at the request of Secured Party, all papers (including, without limitation, any as may be deemed desirable by Secured Party for filing or recording with any Patent and Trademark Office, and any successor thereto) and take all such actions (including, without limitation, paying the cost of filing or recording any of the foregoing in all public offices reasonably deemed desirable by Secured Party), as Secured Party may reasonably request, to evidence Secured Party's interest in the Patents, Marks, Copyrights and Licenses and the goodwill associated therewith and enforce Secured Party's rights under this Agreement.

15. **Cumulative Remedies; Power of Attorney; Effect on Ancillary Agreements** . All of Secured Party's rights and remedies with respect to the Patents, Marks, Copyrights and Licenses, whether established hereby, by any of the agreements executed in connection with the Loan Agreement, or otherwise, or by any other agreements or by law shall be cumulative and may be exercised singularly or concurrently. Each Obligor hereby constitutes and appoints Secured Party as such Obligor's true and lawful attorney-in-fact, with full power of substitution in the premises, with power at any time after the occurrence and during the continuance of an Event of Default, to (i) endorse such Obligor's name on all applications, documents, papers and instruments determined by Secured Party as necessary or desirable for Secured Party in the use of the Patents, Marks, Copyrights and Licenses, (ii) take any other actions with respect to the Patents, Marks, Copyrights and Licenses as Secured Party deems in good faith to be in the best interest of Secured Party, (iii) grant or issue any exclusive or non-exclusive license under the Patents, Marks or Copyrights to any person, or (iv) assign, pledge, convey or otherwise transfer title in or dispose of the Patents, Marks, Copyrights or Licenses to any person. Each Obligor hereby ratifies all that such attorney shall lawfully do or cause to be done by virtue hereof. This power of attorney shall be irrevocable until the Liabilities shall have been satisfied in full and the Loan Agreement shall have been terminated. Each Obligor acknowledges and agrees that this Agreement is not intended to limit or restrict in any way the rights and remedies of Secured Party under the Loan Agreement or any of the agreements executed in connection with the Loan Agreement but rather is intended to facilitate the exercise of such rights and remedies. Secured Party shall have, in addition to all other rights and remedies given it by the terms of this Agreement, all rights and remedies allowed by law and the rights and remedies of a secured party under the Uniform Commercial Code as enacted in any jurisdiction in which the Patents, Marks, Copyrights or Licenses may be enforced. Each Obligor hereby releases the Secured Party from any and all claims, causes of action and demands at any time arising out of or with respect to any actions taken or omitted to be taken by the Secured Party under the powers of attorney granted herein.

16. **Binding Effect; Benefits.** This Agreement shall be binding upon each Obligor and its respective successors and assigns and shall inure to the benefit of Secured Party and its respective successors, assigns and nominees.

17. **Governing Law.** THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS, AND NOT THE CONFLICT OF LAW PROVISIONS, OF THE STATE OF MICHIGAN, AND ANY DISPUTE BETWEEN THE PARTIES HERETO ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED BETWEEN THEM IN CONNECTION WITH THIS AGREEMENT, AND WHETHER ARISING IN CONTRACT, TORT, EQUITY, OR OTHERWISE, SHALL BE RESOLVED IN ACCORDANCE WITH THE INTERNAL LAWS, AND NOT THE CONFLICT OF LAW PROVISIONS, OF THE STATE OF MICHIGAN.

18. **Counterparts.** This Agreement may by executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. The delivery of an executed counterpart of a signature page or acceptance to this Agreement by telecopier or other electronic transmission shall be effective as delivery of a manually executed counterpart of this Agreement.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have entered into this Patent, Copyright, License and Trademark Security Agreement as of the date first above written.

OBLIGORS:

HEALTH ENHANCEMENT PRODUCTS, INC.

/s/ Andrew Dahl
By: Andrew Dahl, Duly Authorized

HEALTH ENHANCEMENT CORPORATION

/s/ Andrew Dahl
By: Andrew Dahl, Duly Authorized

HEPI PHARMACEUTICALS, INC.

/s/ Andrew Dahl
By: Andrew Dahl, Duly Authorized

The undersigned accepts and agrees to the foregoing Patent, Copyright, License and Trademark Security Agreement as of the date first written above
HEP INVESTMENTS LLC

/s/ Laith Yaldoo
By: Laith Yaldoo, Manager

STATE OF _____)
) SS.
COUNTY OF _____)

I, the undersigned, a Notary Public in and for said State and County, do hereby certify that _____, personally known to me to be the _____ of Health Enhancement Products, Inc., a Nevada corporation (the "Company"), and personally known to me to be the same person whose name is subscribed to the foregoing Patent, Copyright, License and Trademark Security Agreement, appeared before me this day and acknowledged that he/she signed and delivered said agreement as an officer of the Company pursuant to authority given by the board of directors, managers or similar governing body of the Company, as his/her free and voluntary act and as the free and voluntary act and deed of the Company, for the uses and purposes therein set forth.

GIVEN under my hand and official seal as of the ___ day of December, 2011.

(NOTARIAL SEAL)

_____
Notary Public
My Commission Expires: _____

STATE OF _____)
) SS.
COUNTY OF _____)

I, the undersigned, a Notary Public in and for said State and County, do hereby certify that _____, personally known to me to be the _____ of Health Enhancement Products, Inc., a Nevada corporation (the "Company"), and personally known to me to be the same person whose name is subscribed to the foregoing Patent, Copyright, License and Trademark Security Agreement, appeared before me this day and acknowledged that he/she signed and delivered said agreement as an officer of the Company pursuant to authority given by the board of directors, managers or similar governing body of the Company, as his/her free and voluntary act and as the free and voluntary act and deed of the Company, for the uses and purposes therein set forth.

GIVEN under my hand and official seal as of the ___ day of December, 2011.

(NOTARIAL SEAL)

_____
Notary Public
My Commission Expires: _____

STATE OF _____)
) SS.
COUNTY OF _____)

I, the undersigned, a Notary Public in and for said State and County, do hereby certify that _____, personally known to me to be the _____ of Health Enhancement Products, Inc., a Nevada corporation (the "Company"), and personally known to me to be the same person whose name is subscribed to the foregoing Patent, Copyright, License and Trademark Security Agreement, appeared before me this day and acknowledged that he/she signed and delivered said agreement as an officer of the Company pursuant to authority given by the board of directors, managers or similar governing body of the Company, as his/her free and voluntary act and as the free and voluntary act and deed of the Company, for the uses and purposes therein set forth.

GIVEN under my hand and official seal as of the ___ day of December, 2011.

(NOTARIAL SEAL)

_____
Notary Public
My Commission Expires: _____

STATE OF _____)
) SS.
COUNTY OF _____)

I, the undersigned, a Notary Public in and for said State and County, do hereby certify that _____, personally known to me to be the _____ of Health Enhancement Products, Inc., a Nevada corporation (the "Company"), and personally known to me to be the same person whose name is subscribed to the foregoing Patent, Copyright, License and Trademark Security Agreement, appeared before me this day and acknowledged that he/she signed and delivered said agreement as an officer of the Company pursuant to authority given by the board of directors, managers or similar governing body of the Company, as his/her free and voluntary act and as the free and voluntary act and deed of the Company, for the uses and purposes therein set forth.

GIVEN under my hand and official seal as of the ___ day of December, 2011.

(NOTARIAL SEAL)

_____
Notary Public
My Commission Expires: _____

SCHEDULE A
PATENTS AND PATENT APPLICATIONS

APPL. NO.	PATENT NO. and DATE OF REGISTRATION	TITLE	ABSTRACT	INVENTORS/ OWNERS AND COUNTRY
11/606,676 Filed 11/30/2006	7,807,622 10/5/2010	COMPOSITION AND USE OF PHYTO-PERCOLATE FOR TREATMENT OF DISEASE	This invention relates generally to a method of preparation of a phyto-percolate that is derived from fresh water mixture including algae. The phyto-percolate is believed to contain an enzyme having proteolytic activity. The invention further relates to the use of the phyto-percolate in a variety of disease states.	Inventors: Thomas; Tiffany (Phoenix, AZ), Tempesta; Michael (El Granada, CA) Assignee: Health Enhancement Products, Inc. Country: U.S.
PCT/US11/25713 Filed 2/22/2011	Not applicable	AGENTS AND MECHANISMS FOR TREATING HYPERCHOLESTEROLEMIA	This invention relates to the use of isolated or refined phyto-percolates that regulate hypercholesterolemia through signal transduction at the genetic level. These compounds affect the regulation of APOA1 and CETP specifically to raise HDL cholesterol levels and lower LDL cholesterol levels.	Inventor: Thomas; Tiffany; *(Scottsdale, AZ)* ; Sarkar; Fazlul; *(Plymouth, MI)* ; Callewaert; Denis M.; *(Metamora, MI)* ; Dahl; Andrew; *(Bloomfield Hills, MI)*; Smiti Gupta; (*Rochester Hills, MI)*; Martinez; Enrique; *(Clinton Township, MI)* Assignee: Health Enhancement Products, Inc. on 11/17/10 Country: U.S. Country: U.S.

APPL. NO.	PATENT NO. and DATE OF REGISTRATION	TITLE	ABSTRACT	INVENTORS/ OWNERS AND COUNTRY
12/067,735 Filed 10/3/08	Not applicable	COMPOSITION AND USE OF PHYTO-PERCOLATE FOR TREATMENT OF DISEASE	This invention relates generally to a method of preparation of a phyto-percolate that is derived from fresh water mixture including algae. The invention further relates to the use of the phyto-percolate in a variety of disease states. The phyto-percolate is believed to contain an activity that induces the reduction of soluble and insoluble fibrin. Further, the phyto-percolate is believed to reduce oxidative stress in the body.	Inventor: Thomas; Tiffany; *(Phoenix, AZ)* Assignee: Health Enhancement Products, Inc. on 3/24/10. Country: U.S.
12/897,574 Filed 10/4/10	Not applicable	COMPOSITION AND USE OF PHYTO-PERCOLATE FOR TREATMENT OF DISEASE	This invention relates generally to a method of preparation of a phyto-percolate that is derived from fresh water mixture including algae. The phyto-percolate is believed to contain an enzyme having proteolytic activity. The invention further relates to the use of the phyto-percolate in a variety of disease state.	Inventors: Thomas; Tiffany; *(Scottsdale, AZ)* ; Tempesta; Michael; *(El Granada, CA)* Assignee: Health Enhancement Products, Inc. On 12/20/10 Country: U.S.
2006320264		COMPOSITION AND USE OF PHYTO-PERCOLATE FOR TREATMENT OF DISEASE		Country: Australia
	2,631,773	COMPOSITION AND USE OF PHYTO-PERCOLATE FOR TREATMENT OF DISEASE		Country: Canada
6758513.3		COMPOSITION AND USE OF PHYTO-PERCOLATE FOR TREATMENT OF DISEASE		Country: European Union

APPL. NO.	PATENT NO. and DATE OF REGISTRATION	TITLE	ABSTRACT	INVENTORS/ OWNERS AND COUNTRY
2008-543545		Composition and Use of Phyto-percolate For Treatment of Disease		Country: Japan
PCT/US10/56862 Filed: 11/16/10	Not applicable	Composition and Method For Affecting Cytokines and NF-κB	Cannot confirm	Cannot confirm Country: U.S. PCT
12/947,684 Filed 11/16/10	Not applicable	COMPOSITION AND METHOD FOR AFFECTING CYTOKINES AND NF-kB	The present invention discloses a composition and method for effecting various cytokines and NF-kappa B by administering an effective amount of a phyto-percolate composition to an individual. In various exemplary embodiments, the composition is claimed to be useful for the effective treatment of inflammation, cancer, and/or various infections including HIV by regulation of various interleukins, such as IL-10 and IL-2, and of transcription factors including NF-kappa B.	Inventors: Thomas; Tiffany; (Scottsdale, AZ) ; Sarkar; Fazlul; (Plymouth, MI) ; Callewaert; Denis M.; (Metamora, MI) ; Dahl; Andrew; (Bloomfield Hills, MI) ; Martinez; Enrique; (Clinton Township, MI) Assignee: Health Enhancement Products, Inc. on 11/17/10 Country: U.S.

SCHEDULE B

COPYRIGHTS

None.

SCHEDULE C

PATENT AND COPYRIGHT LICENSES

License Agreement to Zus/Ceptazyme

SCHEDULE D

TRADEMARKS, SERVICE MARKS

SERIAL NO.	REG. NO	MARK	APPLICATION OR REGISTRATION DATE	NEXT DEADLINE
78908973	3229753	PROALGAZYME	REGISTRATION DATE: 4/17/07	Section 8/15 due: 4/17/12 – 4/17/13

Domain Name: www.heponline.com

SCHEDULE E

TRADEMARK LICENSES

None.

SPECIAL POWER OF ATTORNEY
(Patent, Trademark, Copyright and License)

STATE OF)
) SS.
COUNTY OF)

KNOW ALL MEN BY THESE PRESENTS, that HEALTH ENHANCEMENT PRODUCTS, INC., a Nevada corporation ("Borrower"), HEALTH ENHANCEMENT CORPORATION, a [Nevada] corporation ("HEC"), and HEPI PHARMACEUTICALS, INC. ("HEPI"; Borrower, HEC and HEPI are referred to herein, collectively, as "Obligors" and, individually, as an "Obligor"), pursuant to that certain Patent, Copyright, License and Trademark Security Agreement, dated December ___, 2011 (the "Collateral Agreement") among Obligors and HEP INVESTMENTS LLC, a Michigan limited liability company (the "Company"), each hereby appoints and constitutes the Company its true and lawful attorney, with full power of substitution, and with full power and authority to perform the following acts on behalf of such Obligor at and during the time periods specified in the Collateral Agreement:

1. Assigning, selling or otherwise disposing of all right, title and interest of such Obligor in and to the patents, copyrights, licenses and trademarks listed on Schedules A, B, C, D and E of the Collateral Agreement, and including those patents copyrights and licenses which are added to the same subsequent hereto, and all registrations and recordings thereof, and all pending applications therefor, and for the purpose of the recording, registering and filing of, or accomplishing any other formality with respect to, the foregoing, and to execute and deliver any and all agreements, documents, instruments of assignment or other writings necessary or advisable to effect such purpose; and

2. To execute any and all documents, statements, certificates or other writings necessary or advisable in order to effect the purposes described above as the Company may in its sole discretion determine.

This power of attorney is made pursuant to that certain Loan and Security Agreement, dated as of December __, 2011, among the Obligors and the Company and may not be revoked until the payment in full of all liabilities and obligations of the Obligors under such Loan and Security Agreement.

HEALTH ENHANCEMENT PRODUCTS, INC.

By: _____
Name: _____
Title: _____

HEALTH ENHANCEMENT CORPORATION

By: _____
Name: _____
Title: _____

HEPI PHARMACEUTICALS, INC.

By: _____
Name: _____
Title: _____

Exhibit 10.10

INVESTOR RIGHTS AGREEMENT (the "Agreement"), dated November 8, 2011, is made and granted by **HEALTH ENHANCEMENT PRODUCTS, INC**.., a Nevada corporation (the "**Company**"), to **THE VENTURE GROUP LLC**, a Maryland limited liability company, as Investor (the "**Investor**").

PRELIMINARY STATEMENTS

A. The Company and the Investor have entered into a Subscription Agreement dated November __, 2011 for the issuance by the Company of Series A Convertible Promissory Notes (the "***Notes"***) in an initial amount of $500,000 and up to $2,500,000 (the "***Loan Agreement***").

B. Pursuant to the Loan Agreement, the Company is entering into this Agreement in order to acknowledge and agree certain rights and obligations which are not contained within the Loan Agreement.

NOW, THEREFORE, in consideration of the premises and in order to induce the Investor to provide the funding under the Loan Agreement, the Company hereby agrees with the Investor as follows upon the close of the initial $500,000:

1. Investor has the right to appoint two directors to the Company's Board of Directors.

2. Investor's representative may elect to exempt the Note investors from any underwriter lockup. For added clarity, this can only be elected as an entire class.

3. Investor's representative may elect to require the Company to file and complete a registration under the Securities Act of all shares of Common Stock to be issued upon the conversion of the Notes and all other Series A Notes and exercise of the Warrants.

4. The Company has advised the Investor(s) that the Company intends to initiate a search for a new Chief Executive Officer within the next thirty (30) days and to proceed diligently to designate a new Chief Executive Officer and the parties have agreed that, so long as the Series A Notes are outstanding, the Investor ' s representative shall participate in such search and process and have the right to approve a new Chief Executive Officer.

5. The Company has advised the Investor(s) that the Company intends to enter into an acquisition of Ceptazyme LLC, the holder of the natural application rights of the Company's patents and intellectual property, and the Company shall consider the Investor's Representative's input regarding the terms of any such acquisition.

6. The Company has advised the Investor(s) that it intends to enter into a strategic partnership for the distribution of the natural products now marketed by Ceptazyme LLC with an established multi-level marketing company and the Company shall consider the Investor's Representative's input regarding the terms of such strategic partnership.

7. The Company shall pay a finder's fee as set forth in the Consulting Agreement, as amended, existing with Oxford Holdings LLC.

8. The Company agrees to deal exclusively with Investor regarding the transaction set forth above for a period of ninety (90) days from and after full execution and delivery of the Loan Agreement; it being understood that the Company may raise up to $500,000 from other sources subject to compliance with the Loan Agreement .

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.

HEALTH ENHANCEMENT PRODUCTS, INC.

By */s/ John Gorman*
John Gorman
Executive Vice President of Operations

THE VENTURE GROUP LLC

By */s/ Jeff Rice*
Jeff Rice
Managing Member

Exhibit 10.14

January 26, 2012

Health Enhancement Products, Inc.
7 West Square Lake Rd.
Bloomfield Hills, MI 48302
Scottsdale, AZ 85260

Attn: Philip M. Rice, II, CFO

Ladies and Gentlemen:

The undersigned hereby subscribe to the acquisition of (i) a subordinated convertible note in the aggregate principal amount of up to $500,000 (such Note is convertible into common stock of Health Enhancement Products, Inc., a Nevada corporation (the "Company"), on the terms and conditions set forth in the Subordinated Convertible Note of even date and (ii) warrants to purchase up to 833,333 shares of Common Stock on the terms and conditions set forth in the Warrant Agreement of even date. The undersigned agrees to advance $332,000 immediately and the remaining $168,000 prior to February 3, 2012. The undersigned agrees that no Note or Warrant shall be issued until after February 3, 2012, at which time the Company shall issue (i) a Note in the principal amount of $500,000 and (ii) warrants to purchase 833,333 shares of Common Stock, provided however, that if the undersigned shall fail to invest the second tranche in the amount of $168,000, then, in such case, the Company shall issue (i) a Note in the principal amount of $332,000 and (ii) warrants to purchase 553,333 shares of Common Stock. The Notes and the Warrants (as well as the underlying shares) are referred to collectively herein as the "Securities."

In connection with the purchase of the Securities, the undersigned acknowledges, warrants and represents to and agrees with the Company as follows:

1. The undersigned is acquiring the Securities for investment for his/her/its own account and without the intention of participating, directly or indirectly, in a distribution of the Securities, and not with a view to resale or any distribution of the Securities, or any portion thereof.

2. The undersigned has such knowledge and experience in financial and business matters that he/she/it is capable of evaluating the merits and risks of this investment. The undersigned has consulted with his/her/its own professional representatives as he/she/it has considered appropriate to assist in evaluating the merits and risks of this investment. The undersigned has carefully reviewed all of the Company's filings with the Securities and Exchange Commission. The undersigned has had access to and an opportunity to question the officers of the Company, or persons acting on their behalf, with respect to material information about the Company, and, in connection with the evaluation of this investment, has, to the best of his/her/its knowledge, received all information and data with respect to the Company that the undersigned has requested and which is necessary to enable the undersigned to make an informed decision regarding the purchase of the Securities. The undersigned is acquiring the Securities based solely upon his/her/its independent examination and judgment as to the prospects of the Company. The undersigned acknowledges that minimum amount of the offering with respect to the Securities is $340,000. The undersigned acknowledges that once the Company accepts the minimum subscription amount, the Company may use the funds representing the purchase price of the Securities for general corporate purposes.

3. The Securities were not offered to the undersigned by means of publicly disseminated advertisements or sales literature.

4. The undersigned acknowledges that an investment in the Securities is speculative and involves a high degree of risk and the undersigned may have to continue to bear the economic risk of the investment in the Securities for an indefinite period. An investment in the Company involves a high degree of risk because, among other reasons, the Company (i) has only a nominal amount of revenue; (ii) is experiencing significant negative cash flow and operating losses; (iii) has a substantial working capital deficiency; and (iv) has an immediate and urgent need for additional capital. The undersigned acknowledges that the foregoing factors raise substantial doubt about the Company's ability to continue as a going concern as disclosed in the Company's Form 10K for the year ended December 31, 2010. The undersigned acknowledges that, as a result of all of the foregoing, among other reasons, there is a significant risk that the undersigned could sustain a total loss of its investment in the Company.

5. The undersigned acknowledges that the Securities are being sold to the undersigned without registration under any state or federal law requiring the registration of securities for sale, and accordingly will constitute "restricted securities" as defined in Rule 144 of the U.S. Securities and Exchange Commission. Consequently, the transferability of the Securities is restricted by applicable United States Federal and state securities laws. The undersigned understands that the Company's common stock is currently quoted on the OTC Bulletin Board (in the "over-the-counter" market), and is highly illiquid.

6. In consideration of the acceptance of this subscription, the undersigned agrees that the Securities will not be offered for sale, sold or transferred by the undersigned other than pursuant to (i) an effective registration under the Securities Act of 1933, as amended ("the Act"), an exemption available under the Act or a transaction that is otherwise in compliance with the Act; and (ii) an effective registration under the securities law of any state or other jurisdiction applicable to the transaction, an exemption available under such laws, or a transaction that is otherwise in compliance with such laws.

7. The undersigned understands that no U.S. federal or state agency has passed upon the offering of the Securities or has made any finding or determination as to the fairness of any investment in the Securities.

8. The undersigned agrees not to disclose or use any information provided to the undersigned by the Company or any of its agents in connection with the offering of the Securities, except for the purpose of evaluating an investment in the Securities.

9. The residence address of the undersigned is as set forth below.

10. The undersigned is an "accredited investor" as defined in Appendix A hereto

11. The undersigned agrees to indemnify and hold harmless the Company and its officers, directors, employees and agents from and against any and all costs, liabilities and expenses (including attorneys' fees) arising out of or related in any way to any breach of any representation or warranty contained herein.

12. That no person, other than Oxford Holdings, LLC is entitled to any commission, finder's fees or similar remuneration in connection with the investment in the Company contemplated hereby.

13. This Agreement shall survive the closings contemplated hereby.

Executed as an instrument under seal.

The Venture Group, LLC

/s/ Jeff Rice
By: David J. Rice, Managing Member
Duly authorized

ACCEPTANCE OF SUBSCRIPTION

Health Enhancement Products, Inc.

/s/ Philip Rice
By: Philip Rice
Philip M. Rice, II, CFO

Executed Effective as of:

January 26, 2012

[**Intentionally Left Blank]**

APPENDIX A

An “Accredited Investor” within the meaning of Regulation D under the Securities Act of 1933 includes the following:

Organizations

(1) A bank as defined in section 3(a)(2) of the Act, or any savings and loan association or other institution as defined in section 3(a)(5)(A) of the Act, whether acting in its individual or fiduciary capacity; a broker or dealer registered pursuant to section 15 of the Securities Exchange Act of 1934; insurance company as defined in section 2(13) of the Act; an investment company registered under the Investment Company Act of 1940 or a business development company as defined in section 2(a)(48) of that act; a Small Business Investment Company licensed by the U.S. Small Business Administration under section 301(c) or (d) of the Small Business Investment Act of 1958; an employee benefit plan within the meaning of Title I of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in section 3(21) of such act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of $5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors.

(2) A private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940.

(3) A trust (i) with total assets in excess of $5,000,000, (ii) not formed for the specific purpose of acquiring the Securities, (iii) whose purchase is directed by a person who, either alone or with his purchaser representative, has such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of the proposed investment.

(4) A corporation, business trust, partnership, or an organization described in section 501(c)(3) of the Internal Revenue Code, which was not formed for the specific purpose of acquiring the Securities, and which has total assets in excess of $5,000,000.

(5) An entity, all of whose equity owners are “accredited investors”, as defined herein.

Individuals

(6) Individuals with income from all sources for each of the last two full calendar years whose reasonably expected income for this calendar year exceeds either of:

(i) $200,000 individual income; or
(ii) $300,000 joint income with spouse.

NOTE: Your "income" for a particular year may be calculated by adding to your adjusted gross income as calculated for Federal income tax purposes any deduction for long term capital gains, any deduction for depletion allowance, any exclusion for tax exempt interest and any losses of a partnership allocated to you as a partner.

(7) Individuals with net worth as of the date hereof (individually or jointly with your spouse), including the value of home, furnishings, and automobiles, in excess of $1,000,000.

(8) Directors, executive officers or general partners of the Issuer.

Exhibit 10.15

THIS SUBORDINATED CONVERTIBLE PROMISSORY NOTE (THIS "NOTE") AND THE SECURITIES THAT MAY BE ACQUIRED PURSUANT TO THIS NOTE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR UNDER THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. THIS NOTE AND SUCH OTHER SECURITIES MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF A REGISTRATION STATEMENT AND LISTING APPLICATION IN EFFECT WITH RESPECT TO THIS NOTE OR SUCH OTHER SECURITIES UNDER THE SECURITIES ACT AND ANY OTHER APPLICABLE SECURITIES LAW, OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION AND LISTING ARE NOT REQUIRED PURSUANT TO A VALID EXEMPTION THEREFROM UNDER THE SECURITIES ACT AND THE APPLICABLE SECURITIES LAW OF ANY STATE OR OTHER JURISDICTION.

SUBORDINATED CONVERTIBLE PROMISSORY NOTE

US $332,000 Janaury 27, 2012

FOR VALUE RECEIVED, **Health Enhancement Products, Inc.**, a Nevada corporation (the "Company"), having an address of 7740 E. Evans Road, Scottsdale, Arizona 85260, hereby promises to pay, pursuant to the provisions of this Subordinated Convertible Promissory Note (the "Note"), to the order of The Venture Group, LLC (the "Holder"), at the offices of Holder at 1122 Kenilworth Drive, Suite 100, Towson, Maryland 21204 or such other place as may be designated by Holder to the Company in writing, the aggregate principal amount of FIVE HUNRED THOUSAND U.S. Dollars ($500,000) (the "Principal") together with accrued and unpaid interest, upon the terms and conditions hereinafter set forth.

1. Payment Terms. The Company promises to pay to Holder the Final Payment Amount (as hereinafter defined) on the date which occurs two (2) years from the date of execution and delivery of this Note (the "Maturity Date") . All accrued and unpaid interest shall be due and payable in accordance with Section 2 hereof. All payments hereunder shall be made in lawful money of the United States of America. Payment shall be credited first to the accrued and unpaid interest then due and payable and the remainder to Principal. "Final Payment Amount" means an amount equal to the sum of the total unpaid Principal plus any accrued and unpaid interest.

2. Interest. Interest on the outstanding portion of Principal of this Note shall accrue at a rate of eleven percent (11%) per annum. All computations of interest shall be made on the basis of a 360-day year for actual days elapsed. All accrued interest shall be due and payable on the first anniversary hereof and then on the Maturity Date or the Company Redemption Date (as hereinafter defined), as the case may be, in each case in accordance with the terms and conditions of this Note. Interest may be paid, at the option of the Company, in cash or in shares of common stock at a rate equal to the Conversion Rate (as defined below). If the Maturity Date or the Company Redemption Date is on a day that is not a business day, payment of any amounts due and payable on such date shall be effected on the immediately following business day.

3. Conversion or Redemption of this Note.

(a) Conversion at Option of Holder. This Note may, at the sole option of Holder, at any time and from time to time this Note remains outstanding be, in whole or in part, (i) converted into shares of the Company's common stock, par value $0.001 per share ("Common Stock"), by written notice from Holder to the Company (the "Conversion Notice"). The date of conversion is referred to as the "Conversion Date". In the event Holder's Conversion Notice to convert this Note, in whole or in part, into Common Stock, the number of shares of Common Stock to which Holder shall be entitled upon such conversion (the "Conversion Shares") shall be equal to the amount of principal the Holder elects to convert divided by twelve cents ($.12) (the "Conversion Price") .

(b) Redemption. The Company may, at its sole option, effect a redemption of this Note at any time during the term hereof, but not before August 31, 2012 and subject to the terms of the Intercreditor Agreement among Holder and HEP Investments, LLC (the "Intercreditor Agreement"), upon 30 days prior written notice to Holder, by paying, in immediately available funds (and at the option of the Company shares of stock for accrued interest), an amount to Holder equal to the Final Payment Amount, plus an additional five (5%) percent of the outstanding principal amount. The date of any such redemption is referred to herein as the "Company Redemption Date."

(c) Automatic Conversion. This Note and the other Series A Notes shall automatically be converted into shares of Common Stock, at the applicable Conversion Price, upon the closing of a secondary offering by the Company of $25,000,000 or more.

(d) Adjustments. The number of Shares issuable upon the conversion of this Note is subject to adjustment from time to time upon the occurrence of any of the events enumerated in Section 6 of that certain Warrant issued to Holder in connection with this Note:

(e) No Fractional Shares. The number of Conversion Shares resulting from a conversion of this Note pursuant to Section 3(a) above shall be rounded up to the next higher integral share of Common Stock, and no fractional shares shall be issuable by the Company upon conversion of this Note. Conversion of this Note shall be deemed payment in full of this Note and this Note shall thereupon be cancelled.

4. Priority of Note. The indebtedness evidenced hereby is subordinate to the Senior Secured Convertible Note issued to HEP Investments, LLC as more fully identified in the Intercreditor Agreement. The indebtedness evidenced hereby ranks senior in right of payment to any unsecured convertible debt securities issued by the Company and to all classes and series of the Company's capital stock.

5. Preference. Except upon the prior written consent of Holder and as set forth in the Intercreditor Agreement, this Note must be converted in the Final Payment Amount or the Final Payment Amount must be paid in full before any other unsecured notes (excluding accounts payable) can be paid in cash by the Company.

6. Representations and Warranties of the Company. The Company represents and warrants to Holder as follows:

(a) The execution and delivery by the Company of this Note (i) are within the Company's corporate power and authority, and (ii) have been duly authorized by all necessary corporate action.

(b) This Note is a legally binding obligation of the Company, enforceable against the Company in accordance with the terms hereof, except to the extent that (i) such enforceability is limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights, (ii) such enforceability is limited by the Interecreditor Agreement and (iii) the availability of the remedy of specific performance or in injunctive or other equitable relief is subject to the discretion of the court before which any proceeding therefore may be brought.

7. Use of Proceeds. The proceeds received by the Company from the sale of this Note shall be used by the Company for working capital and other general corporate purposes.

8. No Waiver in Certain Circumstances. No course of dealing of Holder nor any failure or delay by Holder to exercise any right, power or privilege under this Note shall operate as a waiver hereunder and any single or partial exercise of any such right, power or privilege shall not preclude any later exercise thereof or any exercise of any other right, power or privilege hereunder.

9. Certain Waivers by the Company. Except as expressly provided otherwise in this Note, the Company and every endorser or guarantor, if any, of this Note waive presentment, demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note, and assent to any extension or postponement of the time of payment or any other indulgence, to any substitution, exchange or release of collateral available to Holder, if any, and to the addition or release of any other party or person primarily or secondarily liable.

10. No Unlawful Interest. Notwithstanding anything herein to the contrary, payment of any interest or other amount hereunder shall not be required if such payment would be unlawful. In any such event, this Note shall automatically be deemed amended so that interest charges and all other payments required hereunder, individually and in the aggregate, shall be equal to but not greater than the maximum permitted by law.

11. Security Interest. The Company's obligations under this Note are secured by a grant of a security interest to Holder in all tangible and intangible assets of Company, it being understood that the security interest is subordinate in all respects to the security interest granted to HEP Investments, LLC as set forth in the Intercreditor Agreement (the "Collateral"). In the event Company fails to perform any of its repayment obligations under this Note, and such default is continuing for a period of 10 business days after written notice from Holder to the Company ("Default"), subject to the Intercreditor Agreement, Holder may accelerate repayment of the Principal plus any accrued interest and exercise, without further notice, all rights and remedies under this Note or enforce any rights otherwise available. In the case of such Default, Holder shall give the Company not less than 60 business days prior written notice of its intended disposition of the Collateral; provided, however, if Company cures such Default prior to expiration of such notice period, Default will be not deemed to have occurred and Holder shall have no rights to accelerate repayment or enforce the Collateral. For the purpose of enforcing any and all rights and remedies under this Agreement, Holder may, to the extent permitted by applicable law, subject to the Interecreditor Agreement (i) require the Company to, upon Holder's reasonable request, assemble all or any part of the Collateral as directed by the Holder and make it available to Holder during normal business hours at the Company's headquarters, (ii) enter, without breach of the peace, any premises where any such Collateral is or may be located and, reasonably seize and remove such Collateral from such premises, (iii) direct the Company to reasonably provide relevant information from the Company's books and records relating to the Collateral, and (iv) prior to the disposition of any of the Collateral, store or transfer the Collateral, process, repair or recondition such Collateral or otherwise prepare it for disposition in any manner and to the extent Holder deems reasonably appropriate. Notwithstanding anything to the contrary herein, the security interest granted under the Security Agreement of even date is expressly limited to the Final Payment Amount outstanding under this Note and Holder shall exercise the foregoing rights in such a fashion so as to minimize disruption to Company and its business operations and only to the extent necessary to recover such unpaid Final Payment Amount. Holder and the Company shall work in good faith to effectuate the intent of the previous sentence. The security interest provided hereby shall expire upon the payment in full of the Final Payment Amount or the Conversion Date of all sums constituting the Final Payment Amount. Holder will execute any documents or instruments the Company may reasonably request to evidence such expiration. By acceptance of this Note (i) Holder and any subsequent holder of this Note acknowledges and agrees that the Company may issue other convertible debt securities, and in connection therewith, grant security interests in the Collateral which may be subordinate to or pari passu with the security interest granted hereby, (ii) Holder hereby consents to the grant by the Company of such security interests, and (iii) Holder shall perform, from time to time, such acts, and shall execute, acknowledge and/or deliver such other instruments, documents and agreements as the Company reasonably may request in order to consummate the transactions provided for in this Note.

NOTWITHSTANDING ANYTHING TO THE CONTRARY HEREIN, THE SECURED PARTY ACKNOWLEDGES AND AGREES THAT THE SECURITY INTEREST GRANTED TO IT HEREUNDER IS SUBORDINATE IN ALL RESPECTS TO THE SECURITY INTEREST GRANTED TO HEP IN THE SECURITY AGREEMENTS DELIVERED BY GRANTOR TO HEP ("HEP SECURITY AGREEMENTS"), AND THAT ALL RIGHTS GRANTED TO THE SECURED PARTY ARE SUBJECT TO THE SECURITY INTEREST GRANTED TO HEP AND TO THE INTERECREDITOR AGREEMENT.

12. Lock-up. In the event of a secondary offering of Common Stock by the Company, Holder agrees to sign a customary lock up agreement in connection therewith unless the Holder's representative exempts the Holder's shares of Common Stock from such lock up agreements.

13. Reserved.

14. Legal Fees. The Company has reimbursed Holder for the costs incurred by Holder's legal counsel in preparing this Note and all documents executed in connection with this Note in the amount of $10,000.

15. Miscellaneous. No modification, rescission, waiver, forbearance, release or amendment of any provision of this Note shall be made, except by a written agreement duly executed by each of the Company and Holder. This Note may not be conveyed, assigned or transferred by Holder without the prior written consent of the Company, subject to compliance with applicable securities laws. All notices hereunder shall be in writing and be deemed given if personally delivered, sent by overnight courier (provided proof of delivery is received) or sent by telecopy (provided a confirmation of transmission is received) at the addresses of the respective parties set forth in the initial paragraph of this Note or such other address as either party shall notify the other of from time to time. The Company hereby submits to personal jurisdiction in the State of Maryland, consent to the jurisdiction of any competent state or federal district court sitting in the County of Montgomery County, Maryland, and waives any and all rights to raise lack of personal jurisdiction as a defense in any action, suit or proceeding in connection with this Note or any related matter. This Note shall be governed by, and construed and interpreted in accordance with, the laws of the State of Maryland, without reference to conflicts of law provisions of such state.

16. Entire Agreement. This Subordinated Convertible Note, together with the Subscription Agreement , the Security Agreement and the Termination Agreement and Mutual General Release, and the Intercreditor Agreement all of even date (collectively "Loan Documents"), as executed by the parties constitute the entire agreement between the parties thereto with respect to the transactions contemplated hereby and thereby. Without limiting the generality of the foregoing, the Loan Documents supersede any and all documents executed by the parties prior to the date hereof, including without limitation the Term Sheet dated January 11, 2012.

IN WITNESS WHEREOF, the undersigned have caused this Note to be executed and delivered by a duly authorized officer as of the date first above written.

Health Enhancements Products, Inc.

/s/ Philip Rice
By: Philip M. Rice, II, CFO

Exhibit 10.16

Health Enhancement Products, Inc.,
a Nevada corporation
Not Transferable Or Exercisable Except
Upon Conditions Herein Specified

WARRANT

THIS WARRANT AND THE SHARES OF COMMON STOCK ISSUABLE UPON THE EXERCISE HEREOF HAVE NOT BEEN REGISTERED UNDER EITHER THE SECURITIES ACT OF 1933 (THE "ACT") OR APPLICABLE STATE SECURITIES LAWS (THE "STATE ACTS") AND SHALL NOT BE SOLD, PLEDGED, HYPOTHECATED, DONATED, OR OTHERWISE TRANSFERRED (WHETHER OR NOT FOR CONSIDERATION) BY THE HOLDER EXCEPT UPON THE ISSUANCE TO THE COMPANY OF A FAVORABLE OPINION OF COUNSEL AND/OR SUBMISSION TO THE COMPANY OF SUCH EVIDENCE AS MAY BE SATISFACTORY TO COUNSEL TO THE COMPANY, IN EACH SUCH CASE, TO THE EFFECT THAT ANY SUCH TRANSFER SHALL NOT BE IN VIOLATION OF THE ACT AND THE STATE ACTS.

WARRANT TO PURCHASE 833,333 SHARES

Health Enhancement Products, Inc., a Nevada corporation (the "Company") hereby certifies that, as of January 27, 2012, The Venture Group, LLC (the "Holder"), and the Holder's registered successors and permitted assigns registered on the books of the Company maintained for such purposes as the registered holder hereof, for value received, is entitled to purchase from the Company FIVE HUNDRED FIFTY THREE THOUSAND THREE HUNDRED THIRTY THREE (553,333) fully paid and nonassessable shares (the "Shares") of common stock of the Company, par value of one-tenth cent ($.001) per Share, (the "Common Stock") at the purchase price equal to twelve cents ($.12) per share (as adjusted as hereinafter set forth (the "Exercise Price") (the number of Shares and Exercise Price being subject to adjustment as hereinafter provided) upon the terms and conditions herein provided.

1. Exercise of Warrants.

(a) Cash Exercise. Subject to Section 1 (d) hereof, upon presentation and surrender of this Warrant with the Purchase Form in the form of Exhibit A hereto duly executed, at the principal office of the Company at 7 West Square Lake Rd., Bloomfield Hills, MI 48302, or at such other place as the Company may designate by notice to the Holder hereof, together with a wire transfer or certified or bank cashier's check payable to the order of the Company in the amount of the Exercise Price times the number of Shares being purchased, the Company shall promptly deliver to the Holder hereof, certificates representing the Shares being purchased.

(c) Installments. Subject to Section 1 (d) hereof, this Warrant may be exercised in whole or in part in installments of not less than one thousand (1,000) Shares each; and, in case of exercise hereof in part only, the Company, upon surrender hereof, will deliver to the Holder a new Warrant of like tenor entitling the Holder to purchase the number of Shares as to which this Warrant has not been exercised.

(d) Expiration. This Warrant may be exercised in whole or in part at any time prior to the third anniversary of the date of issuance of this Warrant (the "Expiration Date"), provided that at the time of each exercise the requirements of all applicable statutes regarding the exercise of this Warrant and the issuance of the Shares are met and satisfied. After the Expiration Date or any exercise of this Warrant in whole, this Warrant shall terminate and be null, void and of no further force or effect.

2. Exchange and Transfer of Warrant. This Warrant (a) at any time prior to the exercise hereof, upon presentation and surrender to the Company, may be exchanged, alone or with other Warrants of like tenor registered in the name of the Holder, for another Warrant or other Warrants of like tenor in the name of such transferee Holder exercisable for the same aggregate number of Shares as the Warrant or Warrants surrendered, and (b) may be sold, transferred, hypothecated, or assigned, in whole or in part, but only upon compliance with applicable federal and state securities laws by the transferor and the transferee (including the delivery of investment representation letters and legal opinions reasonably satisfactory to the Company, if requested by the Company).

3. Rights and Obligations of Warrant Holder.

(a) The Holder of this Warrant shall not, by virtue hereof, be entitled to any rights of a stockholder in the Company, either at law or in equity; provided, however, in the event that any certificate representing the Shares is issued to the Holder hereof upon exercise of this Warrant, such Holder shall, for all purposes, be deemed to have become the holder of record of such Shares on the date on which this Warrant, together with a duly executed Purchase Form, was surrendered and payment of the Exercise Price, was made pursuant to the terms of this Warrant, irrespective of the date of delivery of such Share certificate. The rights of the Holder of this Warrant are limited to those expressed herein and the Holder of this Warrant, by its acceptance hereof, consents to and agrees to be bound by and to comply with all the provisions of this Warrant, including, without limitation, all the obligations imposed upon the Holder hereof by Sections 2 and 5 hereof. In addition, the Holder of this Warrant, by accepting the same, agrees that the Company may deem and treat the person in whose name this Warrant is registered on the books of the Company maintained for such purpose as the absolute, true and lawful owner for all purposes whatsoever, notwithstanding any notation of ownership or other writing thereon, and the Company shall not be affected by any notice to the contrary.

(b) No Holder of this Warrant, as such, shall be entitled to vote or receive dividends or to be deemed the holder of Shares for any purpose, nor shall anything contained in this Warrant be construed to confer upon any Holder of this Warrant, as such, any of the rights of a stockholder of the Company or any right to vote, give or withhold consent to any action by the Company, whether upon any recapitalization, issue of stock, reclassification of stock, consolidation, merger, conveyance or otherwise, receive notice of meetings or other action affecting stockholders (except for notices provided for herein), receive dividends, subscription rights, or otherwise, until this Warrant shall have been exercised and the Shares purchasable upon the exercise thereof shall have become deliverable as provided herein; provided, however, that any such exercise on any date when the stock transfer books of the Company shall be closed shall constitute the person or persons in whose name or names the certificate or certificates for those Shares are to be issued as the record holder or holders thereof for all purposes at the opening of business on the next succeeding day on which such stock transfer books are open, and the Warrant surrendered shall not be deemed to have been exercised, in whole or in part as the case may be, until the next succeeding day on which stock transfer books are open for the purpose of determining entitlement to dividends on the Company's common stock.

4. Shares Underlying Warrants. The Company covenants and agrees that all Shares delivered upon exercise of this Warrant shall, upon delivery and payment therefor, be duly and validly authorized and issued, fully-paid and non-assessable, and free from all stamp taxes, liens, and charges with respect to the purchase thereof. The Company further covenants and agrees that, at all times prior to the Expiration Date, the Company shall reserve from its authorized and unissued Common Stock a sufficient number of shares of Common Stock as shall be sufficient to permit the exercise in full of this Warrant and, should the need in the future arise, the Company shall again take such actions as are necessary to authorize the requisite number of shares of Common Stock to permit the exercise in full of this Warrant.

5. Disposition of Warrants or Shares.

(a) The Holder of this Warrant and any transferee hereof or of the Shares issuable upon the exercise of the Warrant, by their acceptance hereof, hereby understand and agree that this Warrant, and the Shares issuable upon the exercise hereof, have not been registered under either the Securities Act of 1933 (the "Act") or applicable state securities laws (the "State Acts") and shall not be sold, pledged, hypothecated, donated, or otherwise transferred (whether or not for consideration) except upon the issuance to the Company of a favorable opinion of counsel reasonably satisfactory to the Company and/or submission to the Company of such evidence as may be satisfactory to counsel to the Company, in each such case, to the effect that any such transfer shall not be in violation of the Act and the State Acts. It shall be a condition to the transfer of this Warrant that any transferee thereof deliver to the Company its written agreement to accept and be bound by all of the terms and conditions of this Warrant.

(b) The stock certificates of the Company that will evidence the shares of Common Stock with respect to which this Warrant may be exercisable will be imprinted with a conspicuous legend in substantially the following form:

> "The securities represented hereby have not been registered under the Securities Act of 1933, as amended, or any applicable state securities laws (collectively referred to as the "Acts") and are being offered and sold in reliance on exemptions from the registration requirements of the Acts. The securities have been acquired for investment purposes only and without a view to distribution. The securities may not be resold or transferred except (i) upon registration pursuant to the Acts, (ii) pursuant to an available exemption from the respective registration provisions of the Acts, or (iii) upon receipt by the issuer of an opinion of acceptable counsel that registration under the Acts, or any of them, is not required for such resale."

Except as provided in Section 9 of this Warrant, the Company has not agreed to register any of the Shares with respect to which this Warrant may be exercisable for distribution in accordance with the provisions of the Act or the State Acts, and the Company has not agreed to comply with any exemption from registration under the Act or the State Acts for the resale of the Shares with respect to which this Warrant may be exercised. Hence, it is the understanding of the Holder of this Warrant that by virtue of the provisions of certain rules respecting "restricted securities" promulgated by the Securities and Exchange Commission (the "SEC"), the Shares may be required to be held indefinitely, unless and until registered under the Act and the State Acts, unless an exemption from such registration is available, in which case the Holder may still be limited as to the number of Shares with respect to which this Warrant may be exercised that may be sold.

6. **Adjustments**. The number of Shares issuable upon the exercise of this Warrant is subject to adjustment from time to time upon the occurrence of any of the events enumerated below:

(a) In case the Company shall: (i) pay a dividend in Common Stock, (ii) subdivide its outstanding Common Stock into a greater number of shares of Common Stock, (iii) combine its outstanding shares of Common Stock into a smaller number of shares of Common Stock, or (iv) issue, by reclassification of its shares of Common Stock, any shares of its capital stock, then, the number of Shares purchasable upon the exercise of this Warrant immediately prior thereto shall be adjusted so that the Holder shall be entitled to receive upon exercise of this Warrant that number of Shares which the Holder would have owned or would have been entitled to receive after the happening of such event had the Holder exercised the Warrant immediately prior to the record date, in the case of such dividend, or the effective date, in the case of any such subdivision, combination or reclassification. An adjustment made pursuant to this subsection (a) shall be made whenever any of such events shall occur, but shall become effective retroactively after such record date or such effective date, as the case may be, as to shares exercised between such record date or effective date and the date of happening of any such event.

(b) Reserved.

(c) In case the Company shall pay a dividend or make a distribution of shares of its capital stock (other than Shares), evidences of its indebtedness, assets or rights, warrants or options (excluding (i) dividends or distributions payable in cash out of the current year's or retained earnings of the Company, (ii) distributions relating to subdivisions and combinations covered by Section 6(a), (iii) distributions relating to reclassifications, changes, consolidations, mergers, sales or conveyances covered by Section 6(d) and (iv) rights, warrants or options to purchase or subscribe for shares of Common Stock or Convertible Securities), then in each such case (A) the Exercise Price shall be adjusted so that the same shall equal the price determined by multiplying the Exercise Price in effect immediately prior to the record date mentioned below by a fraction, the numerator of which shall be (x) the total number of shares of Common Stock then outstanding multiplied by the Current Market Price per Share on the record date mentioned below, less (y) the fair market value (as determined by the Board of Directors of the Company or any duly authorized committee thereof) as of such record date of said shares of stock, evidences of indebtedness or assets so paid or distributed or of such rights, warrants or options, and the denominator of which shall be the total number of shares of Common Stock then outstanding multiplied by the Current Market Price per Share on the record date mentioned below. Such adjustment shall be made whenever any such dividend is paid or such distribution is made and shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution.

In the event of a distribution by the Company of stock of a subsidiary or securities convertible into or exercisable for such stock, then in lieu of an adjustment in the Exercise Price, the Holder of this Warrant, upon the exercise thereof at any time after such distribution, shall be entitled to receive from the Company, such subsidiary or both, as the Company shall determine, the stock or other securities to which such Holder would have been entitled if such Holder had exercised such Warrant immediately prior thereto, all subject to further adjustment as provided in this Section 6.

(d) If any capital reorganization, reclassification or similar transaction involving the capital stock of the Company (other than as provided in Section 6(a)), any consolidation, merger or business combination of the Company with another corporation, or the sale or conveyance of all or substantially all of its assets to another corporation, shall be effected in such a way that holders of Common Stock shall be entitled to receive stock, securities, or assets with respect to or in exchange for Common Stock, then, prior to and as a condition of such reorganization, reclassification, consolidation, merger, business combination, sale or conveyance, lawful and adequate provision shall be made whereby the Holder shall thereafter have the right to purchase and receive upon the basis and upon the terms and conditions specified in this Warrant and in lieu of the Shares immediately theretofore purchasable and receivable upon the exercise of the rights represented hereby, such shares of stock, securities or assets as may be issued or payable with respect to or in exchange for a number of outstanding shares of Common Stock equal to the number of Shares immediately theretofore purchasable and receivable upon the exercise of the rights represented hereby had such reorganization, reclassification, consolidation, merger, business combination, sale or conveyance not taken place. In any such case, appropriate provision shall be made with respect to the rights and interests of the Holder to the end that the provisions hereof (including, without limitation, provisions for adjustment of the Exercise Price and of the number of Shares purchasable upon the exercise of this Warrant) shall thereafter be applicable, as nearly as may be, in relation to any stock, securities or assets thereafter deliverable upon the exercise hereof. The Company shall not effect any such consolidation, merger, business combination, sale or conveyance unless prior to or simultaneously with the consummation thereof the survivor or successor corporation (if other than the Company) resulting from such consolidation or merger or the corporation purchasing such assets shall (1) assume by written instrument executed and sent to each registered Holder, the obligation to deliver to such Holder such shares of stock, securities or assets as, in accordance with the foregoing provisions, such Holder may be entitled to receive, and containing the express assumption by such successor corporation of the due and punctual performance and observance of every provision of this Warrant to be performed and observed by the Company and of all liabilities and obligations of the Company hereunder, and (2) deliver to the registered Holder an opinion of counsel, in form and substance reasonably satisfactory to such Holder, to the effect that such written instrument has been duly authorized, executed and delivered by such successor corporation and constitutes a legal, valid and binding instrument enforceable against such successor corporation in accordance with its terms (except as enforcement thereof may be subject to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally, and general principles or equity (regardless of whether such enforcement is sought in a proceeding in equity or at law)), and to such further effects as such Holder may reasonably request.

(e) For the purpose of any computation under this Warrant, the “Current Market Price” per Share at any date shall be: (i) if the Shares are listed on any national securities exchange, the average of the daily closing prices for the 60 consecutive business days commencing 2 business days before the day in question (the "Trading Period"); (ii) if the Shares are not listed on any national securities exchange but are quoted on the Nasdaq Stock Market (“Nasdaq”) or on the Financial Industry Regulatory Authority’s OTC Bulletin Board (“OTCBB”), the average of the high and low bids as reported by NASDAQ or the OTCBB for the Trading Period; and (iii) if the Shares are neither listed on any national securities exchange nor quoted on Nasdaq or the OTCBB, the higher of (x) the exercise price then in effect, or (y) the greater of the tangible book value per share of Common Stock as of the end of the Company's immediately preceding fiscal year, or the price per share of Common Stock paid, determined or agreed upon in the most recent sale, disposition or transfer, or agreement therefor, of the Common Stock of the Company.

(f) No adjustment in the Exercise Price shall be required unless such adjustment would require an increase or decrease of at least $.01; provided, however, that any adjustments which by reason of this subsection (f) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 6 shall be made to the nearest cent or to the nearest one-hundredth of a Share, as the case may be.

(g) Whenever the number of Shares purchasable hereunder is adjusted as herein provided, the Company shall cause to be mailed to the Holder in accordance with the provisions of this Section 6 a notice (i) stating that the number of Shares purchasable upon exercise of this Warrant have been adjusted, (ii) setting forth the adjusted number of Shares purchasable upon the exercise of a Warrant, and (iii) showing in reasonable detail the computations and the facts, including the amount of consideration received or deemed to have been received by the Company, upon which such adjustments are based.

7. **Fractional Shares**. The Company shall not be required to issue any fraction of a Share upon the exercise of Warrants. If more than one Warrant shall be surrendered for exercise at one time by the same Holder, the number of full Shares which shall be issuable upon exercise thereof shall be computed on the basis of the aggregate number of Shares with respect to which this Warrant is exercised. If any fractional interest in a Share shall be deliverable upon the exercise of this Warrant, the Company shall make an adjustment therefor in cash equal to such fraction multiplied by the Current Market Price of the Shares on the business day next preceding the day of exercise.

8. **Repurchase**. The Company shall have no right to repurchase this Warrant or the Shares which may be purchased under this Warrant.

9. Reserved.

10. Loss or Destruction. Upon receipt of evidence satisfactory to the Company of the loss, theft, destruction, or mutilation of this Warrant and, in the case of any such loss, theft or destruction, upon delivery of an indemnity agreement or bond satisfactory in form, substance and amount to the Company or, in the case of any such mutilation, upon surrender and cancellation of this Warrant, the Company at its expense will execute and deliver, in lieu thereof, a new Warrant of like tenor.

11. Survival. The various rights and obligations of the Holder hereof as set forth herein shall survive the exercise of the Warrants represented hereby and the surrender of this Warrant.

12. Representations of Holder. The Holder represents and warrants to the Company as follows:

(a) The Holder may receive this Warrant free and clear of any restriction, agreement, claim or other impediment and the Holder is free to exercise this Warrant in accordance with the terms and conditions set forth in this Warrant; and

(b) The execution and delivery of this Warrant to the Holder by the Company does not constitute a breach or default under any other agreement, contract or arrangement which is binding upon the Holder.

13. Notices. Whenever any notice, payment of any purchase price, or other communication is required to be given or delivered under the terms of this Warrant, it shall be in writing and delivered by hand delivery or United States registered or certified mail, return receipt requested, postage prepaid, and will be deemed to have been given or delivered if personally delivered, sent by overnight courier (provided proof of delivery on the date such notice, purchase price or other communication is received) or sent by telecopy (provided a confirmation of transmission is received);; and, if to the Company, it will be addressed to the address specified in Section 1 hereof, and if to the Holder, it will be addressed to the registered Holder at his address as it appears on the books of the Company.

14. Successors. This Warrant shall be binding upon any successors or assigns of the Company and upon any heirs, successors or assigns of the Holder.

15. Governing Law. This Warrant shall be governed by and construed in accordance with the laws of the State of Nevada.

16. Headings. The headings used in this Warrant are used for convenience only and are not to be considered in construing or interpreting this Warrant.

17. Saturdays, Sundays, Holidays. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall be a Saturday or a Sunday or shall be a legal US Federal holiday , then such action may be taken or such right may be exercised on the next succeeding day not a legal holiday.

18. Attorney's Fees. In the event that any dispute among the parties to this Warrant should result in litigation, the prevailing party in such dispute shall be entitled to recover from the losing party all fees, costs and expenses of enforcing any right of such prevailing party under or with respect to this Warrant, including without limitation, such reasonable fees and expenses of attorneys and accountants, which shall include, without limitation, all fees, costs and expenses of appeals.

IN WITNESS WHEREOF, Health Enhancement Products, Inc. has caused this Warrant to be executed and attested under seal by its officers thereunto duly authorized as of the 27day of January, 2012.

WITNESS: Health Enhancement Products, Inc.

_____ By: */s/ Philip Rice*
Philip M. Rice, II, CFO

EXHIBIT A

PURCHASE FORM TO BE EXECUTED
UPON CASH EXERCISE OF WARRANT

Health Enhancement Products, Inc.
7 West Square Lake Rd.
Bloomfield Hills, MI 48302

The undersigned hereby irrevocably elects to exercise, on a cash exercise basis, the attached Warrant, according to the terms and conditions thereof, to the extent of _____ shares of Common Stock, and hereby tenders $_____ in full payment of the purchase price in accordance with Section 1(a) of the Warrant.

Date: _____ _____

* * * * *

The Common Stock certificates are to be issued as indicated below:

Name	Address	SSN/Tax ID	No. Shares

Exhibit 10.17

THIS SECURITY AGREEMENT (the "Agreement"), dated January 26, 2012, is made and granted by **HEALTH ENHANCEMENT PRODUCTS, INC**.., a Nevada corporation (the "***Grantor***"), to **THE VENTURE GROUP LLC**, a Maryland limited liability company, as Secured Party (the "***Secured Party***").

PRELIMINARY STATEMENTS.

(1) The Grantor and the Secured Party have entered into a Subscription Agreement as of the date hereof for the issuance by the Company of a Subordinated Convertible Promissory Note (the "***Note"***) in the principal amount of up to $500,000, $332,000 of which shall be funded on the date hereof, and the remaining $168,000 shall be funded by February 3, 2012 (the " ***Agreement***").

(2) Pursuant to the Agreement, the Grantor is entering into this Agreement in order to grant to the Secured Party a security interest in the Collateral (as hereinafter defined).

(3) It is a condition to the funding provided by the Secured Party under the Agreement that the Grantor shall have granted the assignment and security interest and made the pledge and assignment contemplated by this Agreement.

(4) Secured Party has executed that certain Intercreditor Agreement of even date herewith ("Intercreditor Agreement") with Grantor and HEP Investments, LLC ("HEP").

(5) Further, unless otherwise defined in this Agreement, terms defined in Article 8 or 9 of the UCC (as defined below) are used in this Agreement as such terms are defined in such Article 8 or 9. " ***UCC***" means the Uniform Commercial Code as in effect, from time to time, in the State of Maryland; *provided* that, if perfection or the effect of perfection or non-perfection or the priority of any security interest in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of Maryland, "***UCC***" means the Uniform Commercial Code as in effect from time to time in such other jurisdiction for purposes of the provisions hereof relating to such perfection, effect of perfection or non-perfection or priority.

NOW, THEREFORE, in consideration of the premises and in order to induce the Secured Party to provide the funding under the Agreement, the Grantor hereby agrees with the Secured Party as follows:

Section 1. Grant of Security

The Grantor hereby grants to the Secured Party a *subordinated* security interest in the Grantor's right, title and interest in and to the following, in each case, as to each type of property described below, whether now owned or hereafter acquired by the Grantor, wherever located, and whether now or hereafter existing or arising (collectively, the "***Collateral***"):

(a) All "Accounts," "Chattel Paper," "Documents," "Equipment," "General Intangibles," "Goods," "Instruments" and "Inventory, as those terms are defined in the UCC.

(b) the following intellectual property of the Company (collectively, the " ***Intellectual Property Collateral***"):

(i) all patents, including, without limitation the United States Patents listed on Schedule IV hereto, all patent applications, utility models and statutory invention registrations, all inventions claimed or disclosed therein and all improvements thereto ("***Patents***");

(ii) all trademarks, service marks, domain names, trade dress, logos, designs, slogans, trade names, business names, corporate names and other source identifiers, whether registered or unregistered (provided that no security interest shall be granted in United States intent-to-use trademark applications to the extent that, and solely during the period in which, the grant of a security interest therein would impair the validity or enforceability of such intent-to-use trademark applications under applicable federal law), together, in each case, with the goodwill symbolized thereby ("***Trademarks***");

(iii) all copyrights, including, without limitation, copyrights in Computer Software (as hereinafter defined), internet web sites and the content thereof, whether registered or unregistered ("***Copyrights***");

(iv) all computer software, programs and databases (including, without limitation, source code, object code and all related applications and data files), firmware and documentation and materials relating thereto, together with any and all maintenance rights, service rights, programming rights, hosting rights, test rights, improvement rights, renewal rights and indemnification rights and any substitutions, replacements, improvements, error corrections, updates and new versions of any of the foregoing ("***Computer Software***");

(v) all confidential and proprietary information, including, without limitation, know-how, trade secrets, manufacturing and production processes and techniques, inventions, research and development information, databases and data, including, without limitation, technical data, financial, marketing and business data, pricing and cost information, business and marketing plans and customer and supplier lists and information (collectively, "***Trade Secrets***"), and all other intellectual, industrial and intangible property of any type, including, without limitation, industrial designs and mask works;

(vi) all registrations and applications for registration for any of the foregoing;

(vii) all tangible embodiments of the foregoing, all rights in the foregoing provided by international treaties or conventions, all rights corresponding thereto throughout the world and all other rights of any kind whatsoever of the Grantor accruing thereunder or pertaining thereto;

(viii) all agreements, permits, consents, orders and franchises relating to the license, development, use or disclosure of any of the foregoing to which the Grantor, now or hereafter, is a party or a beneficiary, including, without limitation, any agreements set forth in Schedule IV hereto ("***IP Agreements***"); and

(ix) any and all claims for damages and injunctive relief for past, present and future infringement, dilution, misappropriation, violation, misuse or breach with respect to any of the foregoing, with the right, but not the obligation, to sue for and collect, or otherwise recover, such damages;

(a) all books and records (including, without limitation, customer lists, credit files, printouts and other computer output materials and records) of the Grantor pertaining to any of the Collateral; and

(b) all proceeds of, collateral for, income, royalties and other payments now or hereafter due and payable with respect to, and supporting obligations relating to, any and all of the Collateral (including, without limitation, proceeds, collateral and supporting obligations that constitute property of the types described in clauses (a) through (c) of this Section 1 and this clause (d)) and, to the extent not otherwise included, all (A) payments under insurance (whether or not the Secured Party is the loss payee thereof), or any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing Collateral, (B) tort claims, including, without limitation, all commercial tort claims and (C) cash.

NOTWITHSTANDING ANYTHING TO THE CONTRARY HEREIN, THE SECURED PARTY ACKNOWLEDGES AND AGREES THAT THE SECURITY INTEREST GRANTED TO IT HEREUNDER IS SUBORDINATE IN ALL RESPECTS TO THE SECURITY INTEREST GRANTED TO HEP IN THE SECURITY AGREEMENTS DELIVERED BY GRANTOR TO HEP ("HEP SECURITY AGREEMENTS"), AND THAT ALL RIGHTS GRANTED TO THE SECURED PARTY ARE SUBJECT TO THE SECURITY INTEREST GRANTED TO HEP AND TO THE INTERECREDITOR AGREEMENT.

Section 2. Security for Obligations

This Agreement secures the payment of all obligations of the Grantor now or hereafter existing under the Note, whether direct or indirect, absolute or contingent, and whether for principal, reimbursement obligations, interest, premiums, penalties, indemnifications, contract causes of action, costs, expenses or otherwise (all such obligations being the "***Secured Obligations***").

Section 3. Grantor Remains Liable

Anything herein to the contrary notwithstanding, (a) the Grantor shall remain liable under the contracts and agreements included in the Grantor's Collateral to the extent set forth therein to perform all of its duties and obligations thereunder to the same extent as if this Agreement had not been executed, (b) the exercise by the Secured Party of any of the rights hereunder shall not release the Grantor from any of its duties or obligations under the contracts and agreements included in the Collateral and (c) the Secured Party shall not have any obligation or liability under the contracts and agreements included in the Collateral by reason of this Agreement or any other Loan Document, nor shall the Secured Party be obligated to perform any of the obligations or duties of the Grantor thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

Section 4. Representations and Warranties

The Grantor represents and warrants as follows:

(a) The Grantor's exact legal name, as defined in Section 9-503(a) of the UCC, is correctly set forth in Schedule I hereto. The Grantor has only the trade names, domain names and marks listed on Schedule IV hereto. The Grantor is located (within the meaning of Section 9-307 of the UCC) and has its chief executive office in the state or jurisdiction set forth in Schedule I hereto. The information set forth in Schedule I hereto with respect to the Grantor is true and accurate in all respects. The Grantor has not previously changed its name, location, chief executive office, place where it maintains its agreements, type of organization, jurisdiction of organization or organizational identification number from those set forth in Schedule I hereto except as disclosed in Schedule III hereto.

(b) All of the Equipment of the Grantor is located at the places specified therefor in Schedule II hereto, as such Schedule II may be amended from time to time pursuant to Section 8(a). Within the 5 years preceding the execution of this Agreement, the Grantor has not previously changed the location of its Equipment except as set forth in Schedule III hereto.

(c) The Grantor is the legal and beneficial owner of the Collateral free and clear of any lien, claim, option or right of others, except for the security interest created under this Agreement and under those certain Security Agreements executed by Grantor in favor of HEP Investments, LLC dated December 1, 2011 (the "HEP Security Agreements"). No effective financing statement or other instrument similar in effect covering all or any part of such Collateral or listing the Grantor or any trade name of the Grantor as debtor is on file in any recording office, except such as may have been filed in favor of the Secured Party relating to the Loan Documents or in connection with the HEP Security Agreement.

(d) The Grantor has exclusive possession and control of the Equipment. In the case of Equipment located on leased premises or in warehouses, no lessor or warehouseman of any premises or warehouse upon or in which such Equipment is located has (i) issued any warehouse receipt or other receipt in the nature of a warehouse receipt in respect of any Equipment, (ii) issued any document for any of the Grantor's Equipment, (iii) received notification of any secured party's interest (other than the security interest granted hereunder or in connection with the HEP Security Agreements) in the Grantor's Equipment or (iv) any lien, claim or charge (based on contract, statute or otherwise) on such Equipment.

(e) All filings and other actions (including, without limitation, (A) actions necessary to obtain control of Collateral as provided in Sections 9-104, 9-105, 9-106 and 9-107 of the UCC and (B) actions necessary to perfect the Secured Party's security interest with respect to Collateral evidenced by a certificate of ownership) necessary to perfect the security interest in the Collateral of the Grantor created under this Agreement shall be made and be in full force and effect promptly after the closing contemplated by the Agreement, and this Agreement create in favor of the Secured Party a valid and, together with such filings and other actions, but subordinated security interest in the Collateral of the Grantor, securing the payment of the Secured Obligations.

(f) Except as may be required or prohibited by the Intercreditor Agreement, no authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or any other third party is required for (i) the grant by the Grantor of the security interest granted hereunder or for the execution, delivery or performance of this Agreement by the Grantor, (ii) the perfection or maintenance of the security interest created hereunder (including the first priority nature of such security interest), except for the filing of financing and continuation statements under the UCC, which financing statements shall be made and be in full force and effect promptly after the closing contemplated by the Agreement, and the recordation of the Intellectual Property Security Agreements referred to in Section 12(f) with the U.S. Patent and Trademark Office and the U.S. Copyright Office, which Agreements shall be recorded and be in full force and effect promptly after the closing, or (iii) the exercise by the Secured Party of its rights provided for in this Agreement or the remedies in respect of the Collateral pursuant to this Agreement.

(g) As to itself and its Intellectual Property Collateral:

(i) The operation of the Grantor's business as currently conducted or as contemplated to be conducted and the use of the Intellectual Property Collateral in connection therewith do not conflict with, infringe, misappropriate, dilute, misuse or otherwise violate the intellectual property rights of any third party.

(ii) The Grantor is the exclusive owner of all right, title and interest in and to the Intellectual Property Collateral, and is entitled to use all Intellectual Property Collateral subject only to the terms of the IP Agreements and HEP Security Agreements.

(iii) The Intellectual Property Collateral set forth on Schedule IV hereto includes all of the patents, patent applications, domain names, trademark registrations and applications, copyright registrations and applications and IP Agreements owned by the Grantor.

(iv) The Intellectual Property Collateral is subsisting and has not been adjudged invalid or unenforceable in whole or part, and to the best of the Grantor's knowledge, is valid and enforceable. The Grantor is not aware of any uses of any item of Intellectual Property Collateral that could be expected to lead to such item becoming invalid or unenforceable.

(v) The Grantor has made or performed all filings, recordings and other acts and has paid all required fees and taxes to maintain and protect its interest in each and every item of Intellectual Property Collateral in full force and effect in such jurisdictions where it deemed appropriate, and to protect and maintain its interest therein including, without limitation, recordations of any of its interests in the Patents and Trademarks with the U.S. Patent and Trademark Office and in corresponding national and international patent offices, and recordation of any of its interests in the Copyrights with the U.S. Copyright Office and in corresponding national and international copyright offices. The Grantor has used proper statutory notice in connection with its use of each patent, trademark and copyright in the Intellectual Property Collateral.

(vi) No claim, action, suit, investigation, litigation or proceeding is pending against the Grantor (i) based upon or challenging or seeking to deny or restrict the Grantor's rights in or use of any of the Intellectual Property Collateral, (ii) alleging that the Grantor's rights in or use of the Intellectual Property Collateral or that any services provided by, processes used by, or products manufactured or sold by, the Grantor infringe, misappropriate, dilute, misuse or otherwise violate any patent, trademark, copyright or any other proprietary right of any third party, or (iii) alleging that the Intellectual Property Collateral is being licensed or sublicensed in violation or contravention of the terms of any license or other agreement. No Person is engaging in any activity that infringes, misappropriates, dilutes, misuses or otherwise violates the Intellectual Property Collateral or the Grantor's rights in or use thereof. Except as set forth on Schedule IV hereto, the Grantor has not granted any license, release, covenant not to sue, non-assertion assurance, or other right to any Person with respect to any part of the Intellectual Property Collateral. The consummation of the transactions contemplated by the Agreement will not result in the termination or impairment of any of the Intellectual Property Collateral.

(vii) With respect to each IP Agreement: (A) such IP Agreement is valid and binding and in full force and effect and represents the entire agreement between the respective parties thereto with respect to the subject matter thereof; (B) such IP Agreement will not cease to be valid and binding and in full force and effect on terms identical to those currently in effect as a result of the rights and interest granted herein, nor will the grant of such rights and interest constitute a breach or default under such IP Agreement or otherwise give any party thereto a right to terminate such IP Agreement; (C) the Grantor has not received any notice of termination or cancellation under such IP Agreement; (D) the Grantor has not received any notice of a breach or default under such IP Agreement, which breach or default has not been cured; (E) the Grantor has not granted to any other third party any rights, adverse or otherwise, under such IP Agreement; and (F) neither the Grantor nor any other party to such IP Agreement is in breach or default thereof in any material respect, and no event has occurred that, with notice or lapse of time or both, would constitute such a breach or default or permit termination, modification or acceleration under such IP Agreement.

(viii) To the best of the Grantor's knowledge, (A) none of the Trade Secrets of the Grantor has been used, divulged, disclosed or appropriated to the detriment of the Grantor for the benefit of any other Person other than the Grantor; (B) no employee, independent contractor or agent of the Grantor has misappropriated any trade secrets of any other Person in the course of the performance of his or her duties as an employee, independent contractor or agent of the Grantor; and (C) no employee, independent contractor or agent of the Grantor is in default or breach of any term of any employment agreement, non-disclosure agreement, assignment of inventions agreement or similar agreement or contract relating in any way to the protection, ownership, development, use or transfer of the Grantor's Intellectual Property Collateral.

(ix) The Grantor and the Intellectual Property Collateral are not subject to any outstanding consent, settlement, decree, order, injunction, judgment or ruling restricting the use of any Intellectual Property Collateral or that would impair the validity or enforceability of such Intellectual Property Collateral.

Section 5. Further Assurances

Subject in all cases to the Intercreditor Agreement, (a) The Grantor agrees that from time to time, at the expense of the Grantor, the Grantor will promptly execute and deliver, or otherwise authenticate, all further instruments and documents, and take all further action that may be reasonably necessary or desirable, or that the Secured Party may reasonably request, in order to perfect and protect any pledge or security interest granted or purported to be granted by the Grantor hereunder or to enable the Secured Party to exercise and enforce its rights and remedies hereunder with respect to any Collateral of the Grantor. Without limiting the generality of the foregoing, the Grantor will (i) execute or authenticate and file such financing or continuation statements, or amendments thereto, and such other instruments or notices, as may reasonably be necessary or desirable, or as the Secured Party may reasonably request, in order to perfect and preserve the security interest granted or purported to be granted by the Grantor hereunder; (ii) take all reasonable action to ensure that the Secured Party's security interest is noted on any certificate of ownership related to any Collateral evidenced by a certificate of ownership; and (iii) deliver to the Secured Party evidence that all other action that the Secured Party may deem reasonably necessary or desirable in order to perfect and protect the security interest created by the Grantor under this Agreement has been taken.

(a) The Grantor hereby authorizes the Secured Party to file one or more financing or continuation statements, and amendments thereto, including, without limitation, one or more financing statements indicating that such financing statements cover all assets or all personal property (or words of similar effect) of the Grantor, in each case without the signature of the Grantor, and regardless of whether any particular asset described in such financing statements falls within the scope of the UCC or the granting clause of this Agreement. A photocopy or other reproduction of this Agreement or any financing statement covering the Collateral or any part thereof shall be sufficient as a financing statement where permitted by law. The Grantor ratifies its authorization for the Secured Party to have filed such financing statements, continuation statements or amendments filed prior to the date hereof.

(b) The Grantor will furnish to the Secured Party from time to time statements and schedules further identifying and describing the Collateral of the Grantor and such other reports in connection with such Collateral as the Secured Party may reasonably request, all in reasonable detail.

(c) Subject in all cases to the Intercreditor Agreement, the Grantor will furnish to the Secured Party on or prior to the fifth anniversary of the date hereof (but not more than six months prior thereto), an opinion of counsel, from outside counsel reasonably satisfactory to the Secured Party, to the effect that all financing or continuation statements have been filed, and all other action has been taken (including, without limitation, action necessary to (i) give the Secured Party control over the Collateral as provided in Sections 9-104, 9-105, 9-106 and 9-107 of the UCC and (ii) cause the security interest in any Collateral evidenced by a certificate of ownership to be noted on such certificate of ownership) to perfect continuously from the date hereof the security interest granted hereunder.

Section 6. As to Equipment

(a) The Grantor will keep the Equipment at the places therefor specified in Section 4(b) or, upon 30 days' prior written notice to the Secured Party, at such other places designated by the Grantor in such notice. Upon the giving of such notice, Schedule II shall be automatically amended to add any new locations specified in the notice.

(b) The Grantor will cause the Equipment of the Grantor to be maintained and preserved in the same condition, repair and working order as when new, ordinary wear and tear excepted, and in accordance with any manufacturer's manual, and will forthwith, or in the case of any loss or damage to any of such Equipment as soon as practicable after the occurrence thereof, make or cause to be made all repairs, replacements and other improvements in connection therewith that are necessary or desirable to such end. The Grantor will promptly furnish to the Secured Party a statement respecting any loss or damage to any of the Equipment of the Grantor.

(c) The Grantor will pay promptly when due all property and other taxes, assessments and governmental charges or levies imposed upon, and all claims (including, without limitation, claims for labor, materials and supplies) against, the Equipment of the Grantor.

Section 7. Post-Closing Changes; Bailees

(a) The Grantor will not change its name, type of organization, jurisdiction of organization, organizational identification number or location from those set forth in Section 4(a) of this Agreement without first giving at least 30 days' prior written notice to the Secured Party and taking all action required by the Secured Party for the purpose of perfecting or protecting the security interest granted by this Agreement. The Grantor will not change the location of the Equipment from the locations therefor specified in Sections 4(a) and 4(b) without first giving the Secured Party 30 days' prior written notice of such change. The Grantor will not become bound by a security agreement authenticated by another Person (determined as provided in Section 9-203(d) of the UCC) without giving the Secured Party 30 days' prior written notice thereof and taking all action required by the Secured Party to ensure that the perfection and first priority nature of the Secured Party's security interest in the Collateral will be maintained. The Grantor will hold and preserve its records relating to the Collateral and will permit representatives of the Secured Party upon reasonable notice at any time during normal business hours to inspect and make abstracts from such records and other documents. If the Grantor does not have an organizational identification number and later obtains one, it will forthwith notify the Secured Party of such organizational identification number.

(b) If any Collateral of the Grantor is at any time in the possession or control of a warehouseman, bailee or agent, or if the Secured Party so requests the Grantor will (i) notify such warehouseman, bailee or agent of the security interest created hereunder, (ii) instruct such warehouseman, bailee or agent to hold, subject to the Intercreditor Agreement, all such Collateral solely for the Secured Party's account subject only to the Secured Party's instructions (which shall permit such Collateral to be removed by the Grantor in the ordinary course of business until the Secured Party notifies such warehouseman, bailee or agent that an Event of Default has occurred and is continuing), (iii) use best efforts, to cause such warehouseman, bailee or agent to authenticate a record acknowledging that it holds possession of such Collateral for the Secured Party's benefit subject to the Intercreditor Agreement and shall act solely on the instructions of the Secured Party without the further consent of the Grantor or any other Person except for HEP, and (iv) make such authenticated record available to the Secured Party.

Section 8. Reserved.

Section 9. As to Intellectual Property Collateral

(a) With respect to each item of its Intellectual Property Collateral, the Grantor agrees to take, at its expense, all necessary steps, including, without limitation, in the U.S. Patent and Trademark Office, the U.S. Copyright Office and any other governmental authority, to (i) maintain the validity and enforceability of such Intellectual Property Collateral and maintain such Intellectual Property Collateral in full force and effect, as it deems appropriate and (ii) pursue as it deems appropriate the registration and maintenance of each patent, trademark, or copyright registration or application, now or hereafter included in such Intellectual Property Collateral of the Grantor, including, without limitation, the payment of required fees and taxes, the filing of responses to office actions issued by the U.S. Patent and Trademark Office, the U.S. Copyright Office or other governmental authorities, the filing of applications for renewal or extension, the filing of affidavits under Sections 8 and 15 of the U.S. Trademark Act, the filing of divisional, continuation, continuation-in-part, reissue and renewal applications or extensions, the payment of maintenance fees and the participation in interference, reexamination, opposition, cancellation, infringement and misappropriation proceedings. The Grantor shall take all steps which it deems reasonable and appropriate under the circumstances to preserve and protect each item of its Intellectual Property Collateral, including, without limitation, maintaining the quality of any and all products or services used or provided in connection with any of the Trademarks, consistent with the quality of the products and services as of the date hereof, and taking all steps necessary to ensure that all licensed users of any of the Trademarks use such consistent standards of quality.

(b) With respect to its Intellectual Property Collateral, the Grantor agrees to execute or otherwise authenticate an agreement, in substantially the form set forth in Exhibit A hereto or otherwise in form and substance satisfactory to the Secured Party (an "***Intellectual Property Security Agreement***"), for recording the security interest granted hereunder to the Secured Party in such Intellectual Property Collateral with the U.S. Patent and Trademark Office, the U.S. Copyright Office and any other governmental authorities necessary to perfect the security interest hereunder in such Intellectual Property Collateral.

(c) The Grantor agrees that should it obtain an ownership interest in any item of the type set forth in Section 1(b) that is not on the date hereof a part of the Intellectual Property Collateral ("***After-Acquired Intellectual Property***") (i) the provisions of this Agreement shall automatically apply thereto, and (ii) any such After-Acquired Intellectual Property and, in the case of trademarks, the goodwill symbolized thereby, shall automatically become part of the Intellectual Property Collateral subject to the terms and conditions of this Agreement with respect thereto. The Grantor shall give prompt written notice to the Secured Party identifying the After-Acquired Intellectual Property, and the Grantor shall execute and deliver to the Secured Party with such written notice, or otherwise authenticate, an agreement substantially in the form of Exhibit B hereto or otherwise in form and substance satisfactory to the Secured Party (an "***IP Security Agreement Supplement***") covering such After-Acquired Intellectual Property which IP Security Agreement Supplement shall be recorded with the U.S. Patent and Trademark Office, the U.S. Copyright Office and any other governmental authorities necessary to perfect the security interest hereunder in such After-Acquired Intellectual Property.

Section 10. Transfers and Other Liens

The Grantor agrees that it will not (i) sell, assign or otherwise dispose of, or grant any option with respect to, any of the Collateral, other than sales, assignments and other dispositions of Collateral, and options relating to Collateral, except in the ordinary course of its business, or (ii) create or suffer to exist any Lien upon or with respect to any of the Collateral of the Grantor except for the pledge, assignment and security interest created under this Agreement and the HEP Security Agreements.

Section 11. Reserved

Section 12. Secured Party May Perform

Subject to the Intercreditor Agreement, if the Grantor fails to perform any agreement contained herein, the Secured Party may, but without any obligation to do so and without notice, itself perform, or cause performance of, such agreement, and the expenses of the Secured Party incurred in connection therewith shall be payable by the Grantor under Section 15.

Section 13. The Secured Party's Duties

Subject in all cases to the Intercreditor Agreement:

The powers conferred on the Secured Party hereunder are solely to protect its interest in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the safe custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, the Secured Party shall have no duty as to any Collateral, as to ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relative to any Collateral, whether or not the Secured Party has or is deemed to have knowledge of such matters, or as to the taking of any necessary steps to preserve rights against any parties or any other rights pertaining to any Collateral. The Secured Party shall be deemed to have exercised reasonable care in the custody and preservation of any Collateral in its possession if such Collateral is accorded treatment substantially equal to that which it accords its own property.

(a) Anything contained herein to the contrary notwithstanding, the Secured Party may from time to time, when the Secured Party deems it to be necessary, appoint one or more subagents (each a "***Subagent***") for the Secured Party hereunder with respect to all or any part of the Collateral. In the event that the Secured Party so appoints any Subagent with respect to any Collateral, (i) the assignment and pledge of such Collateral and the security interest granted in such Collateral by the Grantor hereunder shall be deemed for purposes of this Security Agreement to have been made to such Subagent, in addition to the Secured Party, as security for the Secured Obligations of the Grantor, (ii) such Subagent shall automatically be vested, in addition to the Secured Party, with all rights, powers, privileges, interests and remedies of the Secured Party hereunder with respect to such Collateral, and (iii) the term "Secured Party," when used herein in relation to any rights, powers, privileges, interests and remedies of the Secured Party with respect to such Collateral, shall include such Subagent; *provided*, *however*, that no such Subagent shall be authorized to take any action with respect to any such Collateral unless and except to the extent expressly authorized in writing by the Secured Party.

Section 14. Remedies

Subject always to the rights and remedies of HEP Investments, LLC under the HEP Security Agreements and subject to the Intercreditor Agreement, if any Event of Default shall have occurred and be continuing:

(a) The Secured Party may exercise in respect of the Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party upon default under the UCC (whether or not the UCC applies to the affected Collateral) and also may, subject to compliance with applicable laws: (i) require the Grantor to, and the Grantor hereby agrees that it will at its expense and upon request of the Secured Party forthwith, assemble all or part of the Collateral as directed by the Secured Party and make it available to the Secured Party at a place and time to be designated by the Secured Party that is reasonably convenient to both parties; (ii) without notice except as specified below, sell the Collateral or any part thereof in one or more parcels at public or private sale, at any of the Secured Party's offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as the Secured Party may deem commercially reasonable; (iii) occupy any premises owned or leased by the Grantor where the Collateral or any part thereof is assembled or located for a reasonable period in order to effectuate its rights and remedies hereunder or under law, without obligation to the Grantor in respect of such occupation; and (iv) exercise any and all rights and remedies of the Grantor under or in connection with the Collateral, or otherwise in respect of the Collateral, including, without limitation, any and all rights of the Grantor to exercise all other rights and remedies with respect to the other Collateral, including, without limitation, those set forth in Section 9-607 of the UCC. The Grantor agrees that, to the extent notice of sale shall be required by law, at least ten days' notice to the Grantor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Secured Party shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Secured Party may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

(b) Any cash held by or on behalf of the Secured Party and all cash proceeds received by or on behalf of the Secured Party in respect of any sale of, collection from, or other realization upon all or any part of the Collateral may, in the discretion of the Secured Party, be held by the Secured Party as collateral for, and/or then or at any time thereafter applied (after payment of any amounts payable to the Secured Party pursuant to Section 17) in whole or in part by the Secured Party against, all or any part of the Secured Obligations. Any surplus of such cash or cash proceeds held by or on the behalf of the Secured Party and remaining after payment in full of all the Secured Obligations shall be paid over to the Grantor or to whomsoever may be lawfully entitled to receive such surplus.

(c) All payments received by the Grantor in respect of the Collateral and outside the ordinary course of Grantor's business shall be received in trust for the benefit of the Secured Party, shall be segregated from other funds of the Grantor and shall be forthwith paid over to the Secured Party in the same form as so received (with any necessary endorsement).

(d) In the event of any sale or other disposition of any of the Intellectual Property Collateral of the Grantor, the goodwill symbolized by any Trademarks subject to such sale or other disposition shall be included therein, and the Grantor shall supply to the Secured Party or its designee the Grantor's know-how and expertise, and documents and things relating to any Intellectual Property Collateral subject to such sale or other disposition, and the Grantor's customer lists and other records and documents relating to such Intellectual Property Collateral and to the manufacture, distribution, advertising and sale of products and services of the Grantor.

(e) Notwithstanding anything to the contrary in this Section, the remedies of the Lender hereunder shall be limited to the realization and application to the payment of the Secured Obligations of amounts of cash not to exceed in the aggregate $500,000 in principal amount of Note plus interest, default interest, penalties, fees or other amounts payable in respect of such Note, or any interest, default interest, penalties, fees or other amounts arising in connection therewith.

Section 15. Indemnity and Expenses

(a) The Grantor agrees to indemnify, defend and save and hold harmless the Secured Party and each of its Affiliates and their respective officers, directors, employees, agents and advisors (each, an "***Indemnified Party***") from and against, and shall pay on demand, any and all claims, damages, losses, liabilities and expenses (including, without limitation, reasonable fees and expenses of counsel) that may be incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or resulting from a material breach by the Company of its obligations under this Agreement.

(b) Except as otherwise specified in this Agreement, all costs and expenses, including, without limitation, fees and disbursements of counsel, financial advisors and accountants, incurred in connection with this Agreement and the transactions contemplated by this Agreement shall be paid by the party incurring such costs and expenses.

Section 16. Amendments; Waivers; Etc.

No amendment or waiver of any provision of this Agreement, and no consent to any departure by any Grantor herefrom, shall in any event be effective unless the same shall be in writing and signed by the Secured Party, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No failure on the part of the Secured Party to exercise, and no delay in exercising any right hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right.

Section 17. Notices, Etc.

All notices and other communications provided for hereunder shall be either (i) in writing (including telegraphic, telecopier or telex communication) and mailed, telegraphed, telecopied, telexed or otherwise delivered or (ii) by electronic mail (if electronic mail addresses are designated as provided below) confirmed immediately in writing addressed to the addresses specified on the signature page of this Agreement; or, as to any party, at such other address as shall be designated by such party in a written notice to the other parties. All such notices and other communications shall, when mailed, sent by courier service for next day delivery, telecopied, telexed, sent by electronic mail or otherwise, be effective when confirmed by telex answerback, sent by electronic mail and confirmed in writing, or otherwise delivered (or confirmed by a signed receipt), respectively, addressed as aforesaid. Delivery by telecopier of an executed counterpart of any amendment or waiver of any provision of this Agreement or Schedule hereto shall be effective as delivery of an original executed counterpart thereof.

Section 18. Continuing Security Interest; Assignments

This Agreement shall create a continuing security interest in the Collateral and shall (a) remain in full force and effect until payment in full in cash of the Secured Obligations, (b) be binding upon the Grantor, its successors and assigns and (c) inure to the benefit of the Secured Party and its respective successors, transferees and assigns. Without limiting the generality of the foregoing clause (c), the Secured Party may assign or otherwise transfer all or any portion of its rights and obligations under the Note (including, without limitation, all or any portion of the Advances owing to it and the Note held by it) to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to the Secured Party herein or otherwise subject to the terms of the Intercreditor Agreement.

Section 19. Release; Termination

(a) Upon any sale, lease, transfer or other disposition of any item of Collateral of the Grantor made in compliance with this Agreement, the Secured Party will, at the Grantor's expense, execute and deliver to the Grantor such documents as the Grantor shall reasonably request to evidence the release of such item of Collateral from the assignment and security interest granted hereby; *provided*, *however*, that (i) at the time of such request and such release no Default shall have occurred and be continuing, and (ii) the Grantor shall have delivered to the Secured Party a form of release for execution by the Secured Party and a certificate of the Grantor to the effect that the transaction is in compliance with the this Agreement and as to such other matters as the Secured Party may reasonably request.

(a) Upon the earlier of (i) satisfaction in full of the Secured Obligations (whether by payment in cash or conversion into common stock) and (ii) realization and application to the payment of the Secured Obligations of the amounts specified in Section 14(e), the pledge and security interest granted hereby shall terminate and all rights to the Collateral shall revert to the Grantor. Upon any such termination, the Secured Party will, at the Grantor's expense, execute and deliver to the Grantor such documents as the Grantor shall reasonably request to evidence such termination.

Section 20. Execution in Counterparts

This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier shall be effective as delivery of an original executed counterpart of this Agreement.

Section 21. Governing Law

This Agreement shall be governed by, and construed in accordance with, the laws of the State of Maryland.

Section 22. Waiver of Jury Trial

The Grantor hereby knowingly, voluntarily and irrevocably waives all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to this Agreement or any course of conduct, course of dealing or statements (whether oral or written) or actions of the Secured Party in the negotiation, administration, performance or enforcement thereof.

Section 23. Entire Agreement

The Agreement, the Warrant contemplated thereby, the Subordinated Convertible Note and the documents contemplated hereby and thereby, including the Termination Agreement and Mutual General Release and Intercreditor Agreement of even date constitute the entire agreement between the parties thereto with respect to the transactions contemplated thereby. Without limiting the generality of the foregoing, the foregoing documents supersede any and all documents executed by the parties prior to the date hereof, including without limitation the Term Sheet dated January 11, 2012.

IN WITNESS WHEREOF, the Grantor has caused this Agreement to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.

HEALTH ENHANCEMENT PRODUCTS, INC.
By */s/ Philip M. Rice, II*
Philip M. Rice, II, CFO

Address for Notices:
7 West Square Lake Rd.
Bloomfield Hills, MI 48302

THE VENTURE GROUP LLC
By */s/ David J. Rice*
David J. Rice, Managing Member

Address for Notices:
1122 Kenilworth Drive, Suite 100
Towson, Maryland 21204

Schedule I to the
Security Agreement

LOCATION, CHIEF EXECUTIVE OFFICE, PLACE WHERE AGREEMENTS ARE MAINTAINED, TYPE OF ORGANIZATION, JURISDICTION OF ORGANIZATION AND ORGANIZATIONAL IDENTIFICATION NUMBER

Location*	Chief Executive Office*	Place Where Agreements are Maintained*	Type of Organization	Jurisdiction of Organization	Organizational I.D. No.
			Corporation	Nevada	87-0699977

*

7 West Square Lake Rd.
Bloomfield Hills, MI 48302

Schedule II to the
Security Agreement

LOCATION OF EQUIPMENT

Locations of Equipment:
7740 East Evans Road, Scottsdale, AZ

Schedule III to the
Security Agreement

CHANGES IN NAME, LOCATION, ETC.

Changes in the Grantor's Name (including new grantor with a new name and names associated with all predecessors in interest of the Grantor)The Grantor was formerly known as "Western Glory Hole, Inc."

Changes in the Grantor's Location

Changes in the Grantor's Chief Executive Office
7 West Square Lake Rd.
Bloomfield Hills, MI 48302

Changes in the Location of Equipment

Changes in the Place Where Agreements are Maintained
7 West Square Lake Rd.
Bloomfield Hills, MI 48302

Changes in the Type of Organization

Changes in the Jurisdiction of Organization

Changes in the Organizational Identification Number

INTELLECTUAL PROPERTY

I. Patents

S&W Reference No.	Title	Country	Patent/Application Number	Status
54758.0100	Composition and Use of Phyto-percolate For Treatment of Disease	U.S.	7,807,622	Issued Patent
54758.0101	Composition and Use of Phyto-percolate For Treatment of Disease	Australia	2006320264	First Examination Report issued, response due 8/12/12
54758.0103	Composition and Use of Phyto-percolate For Treatment of Disease	Canada	2,631,773	Petition for Examination due 12/4/11
54758.0105	Composition and Use of Phyto-percolate For Treatment of Disease	European Union	6758513.3	Examination in progress, annuity due 10/31/11
54758.0110	Composition and Use of Phyto-percolate For Treatment of Disease	Japan	2008-543545	Examination in progress, annuity due 10/31/11
54758.0117	Composition and Use of Phyto-percolate For Treatment of Disease	U.S.	12/897,574	Awaiting Examination
54758.0300	Composition and Method For Affecting Cytokines and HF-κB	U.S.	12/947,684	First Office Action issued, response due 12/9/11
54758.0316	Composition and Method For Affecting Cytokines and HF-κB	PCT	PCT/US2010/056862	First Examination Report issued, national stage filing deadline of 5/16/12
54758.0400	Composition and Use of Phyto-percolate For Treatment of Disease	U.S.	12/067,735	Restriction requirement issued, response due 11/20/11
	Agents and mechanisms for treating hypercholestemia	U.S.	25713	Awaiting Examination

II. Domain Names and Trademarks

Domain Name/Mark	Country	Mark	Reg. No.	Applic. No.	Filing Date	Issue Date

III. Trade Names

Names
ProAlgaZyme

IV. Copyrights

Title of Work	Country	Title	Reg. No.	Applic. No.	Filing Date	Issue Date

V. IP Agreements

IP Agreements

FORM OF SUBORDINATED INTELLECTUAL PROPERTY SECURITY AGREEMENT

This INTELLECTUAL PROPERTY SECURITY AGREEMENT (as amended, amended and restated, supplemented or otherwise modified from time to time, the "***IP Security Agreement***") dated January 26, 2012, is made by HEALTH ENHANCEMENT PRODUCTS, INC. (the "***Grantor***") in favor of THE VENTURE GROUP LLC, as secured party (the "***Secured Party***").

WHEREAS, the Grantor has entered into a Subscription Agreement, , Subordinated Convertible Note and Warrant Agreement dated as of January_, 2012 (collectively (the "***Loan Documents***")with Secured Party. Terms defined in the Loan ***Documents*** and not otherwise defined herein are used herein as defined in the Loan ***Documents***.

WHEREAS the Secured Party, Grantor and HEP Investments, LLC have executed that certain Intercreditor Agreement of even date herewith ("***Intercreditor Agreement***").

WHEREAS, as a condition to the funding of the Company's Subordinated Convertible Preferred Note (the "Note"), the Grantor has executed and delivered that certain Security Agreement dated January 26, 2012 made by the Grantor to the Secured Party (as amended, amended and restated, supplemented or otherwise modified from time to time, the "***Security Agreement***").

WHEREAS, under the terms of the Security Agreement, the Grantor has granted to the Secured Party a subordinated security interest in, among other property, certain intellectual property of the Grantor, and has agreed as a condition thereof to execute this IP Security Agreement for recording with the U.S. Patent and Trademark Office, the United States Copyright Office and other governmental authorities.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Grantor agrees as follows:

SECTION 1. Grant of Security. The Grantor hereby grants to the Secured Party a subordinated security interest in all of the Grantor's right, title and interest in and to the following (the "***Collateral***"):

(i) the patents and patent applications set forth in Schedule A hereto (the "***Patents***");

(ii) the trademark and service mark registrations and applications set forth in Schedule B hereto (provided that no security interest shall be granted in United States intent-to-use trademark applications to the extent that, and solely during the period in which, the grant of a security interest therein would impair the validity or enforceability of such intent-to-use trademark applications under applicable federal law), together with the goodwill symbolized thereby (the "***Trademarks***");

(iii) all copyrights, whether registered or unregistered, now owned or hereafter acquired by the Grantor, including, without limitation, the copyright registrations and applications and exclusive copyright licenses set forth in Schedule C hereto (the "***Copyrights***");

(iv) all reissues, divisions, continuations, continuations-in-part, extensions, renewals and reexaminations of any of the foregoing, all rights in the foregoing provided by international treaties or conventions, all rights corresponding thereto throughout the world and all other rights of any kind whatsoever of the Grantor accruing thereunder or pertaining thereto;

(v) any and all claims for damages and injunctive relief for past, present and future infringement, dilution, misappropriation, violation, misuse or breach with respect to any of the foregoing, with the right, but not the obligation, to sue for and collect, or otherwise recover, such damages; and

(vi) any and all proceeds of, collateral for, income, royalties and other payments now or hereafter due and payable with respect to, and supporting obligations relating to, any and all of the Collateral of or arising from any of the foregoing.

NOTWITHSTANDING ANYTHING TO THE CONTRARY HEREIN, THE SECURED PARTY ACKNOWLEDGES AND AGREES THAT THE SECURITY INTEREST GRANTED TO IT HEREUNDER IS SUBORDINATE IN ALL RESPECTS TO THE SECURITY INTEREST GRANTED TO HEP IN THE SECURITY AGREEMENTS DELIVERED BY GRANTOR TO HEP ("HEP SECURITY AGREEMENTS"), AND THAT ALL RIGHTS GRANTED TO THE SECURED PARTY ARE SUBJECT TO THE SECURITY INTEREST GRANTED TO HEP AND TO THE INTERECREDITOR AGREEMENT.

SECTION 2. Security for Obligations. The grant of a security interest in, the Collateral by the Grantor under this IP Security Agreement secures the payment of all Obligations of the Grantor now or hereafter existing under or in respect of the Loan Documents, whether direct or indirect, absolute or contingent, and whether for principal, reimbursement obligations, interest, premiums, penalties, fees, indemnifications, contract causes of action, costs, expenses or otherwise.

SECTION 3. Recordation. The Grantor authorizes and requests that the Register of Copyrights, the Commissioner for Patents and the Commissioner for Trademarks and any other applicable government officer record this IP Security Agreement.

SECTION 4. Execution in Counterparts. This IP Security Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

SECTION 5. Grants, Rights and Remedies. This IP Security Agreement has been entered into in conjunction with the provisions of the Security Agreement. The Grantor does hereby acknowledge and confirm that the grant of the security interest hereunder to, and the rights and remedies of, the Secured Party with respect to the Collateral are more fully set forth in the Security Agreement, the terms and provisions of which are incorporated herein by reference as if fully set forth herein, all of which are subject to the Intercreditor Agreement.

SECTION 6. Governing Law. This IP Security Agreement shall be governed by, and construed in accordance with, the laws of the State of Maryland.

SECTION 7. Waiver of Jury Trial. The Grantor hereby knowingly, voluntarily and irrevocably waives all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to this IP Security Agreement or any course of conduct, course of dealing or statements (whether oral or written) or actions of the Secured Party in the negotiation, administration, performance or enforcement thereof.

IN WITNESS WHEREOF, the Grantor has caused this IP Security Agreement to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.

HEALTH ENHANCEMENT PRODUCTS, INC.

By */s/ Philip M. Rice, II*
Name: Philip M. Rice, II, CFO
Title:

Address for Notices:
7 West Square Lake Rd.

Bloomfield Hills, MI 48302

FORM OF SUBORDINATED INTELLECTUAL PROPERTY SECURITY AGREEMENT SUPPLEMENT

This INTELLECTUAL PROPERTY SECURITY AGREEMENT SUPPLEMENT (this "***IP Security Agreement Supplement***") dated _____, ____, is made by HEALTH ENHANCEMENT PRODUCTS, INC. (the "***Grantor***") in favor of THE VENTURE GROUP LLC, as secured party (the "***Secured Party***").

WHEREAS, the Grantor has entered into a Subscription Agreement, Subordinated Convertible Note and Warrant Agreement dated as of January 26, 2012 (collectively, the "***Loan Documents***") with the Secured Party. Terms defined in the Loan Agreements and not otherwise defined herein are used herein as defined in the Loan Agreements.

WHEREAS, pursuant to the Loan ***Documents***, the Grantor has executed and delivered that certain Security Agreement dated January _, 2012 made by the Grantor to the Secured Party (as amended, amended and restated, supplemented or otherwise modified from time to time, the "***Security Agreement***") and that certain Subordinated Intellectual Property Security Agreement dated January 26, 2012 (as amended, amended and restated, supplemented or otherwise modified from time to time, the "***IP Security Agreement***").

WHEREAS the Secured Party, Grantor and HEP Investments, LLC have executed that certain Intercreditor Agreement of even date herewith ("***Intercreditor Agreement***").

WHEREAS, under the terms of the Security Agreement, the Grantor has granted to the Secured Party a subordinated security interest in the Additional Collateral (as defined in Section 1 below) of the Grantor and has agreed as a condition thereof to execute this IP Security Agreement Supplement for recording with the U.S. Patent and Trademark Office, the United States Copyright Office and other governmental authorities.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Grantor agrees as follows:

SECTION 1. Grant of Security. The Grantor hereby grants to the Secured Party a subordinated security interest in all of the Grantor's right, title and interest in and to the following (the "***Collateral***"):

(i) the patents and patent applications set forth in Schedule A hereto (the "***Patents***");

(ii) the trademark and service mark registrations and applications set forth in Schedule B hereto (provided that no security interest shall be granted in United States intent-to-use trademark applications to the extent that, and solely during the period in which, the grant of a security interest therein would impair the validity or enforceability of such intent-to-use trademark applications under applicable federal law), together with the goodwill symbolized thereby (the "***Trademarks***");

(iii) the copyright registrations and applications and exclusive copyright licenses set forth in Schedule C hereto (the "***Copyrights***");

(iv) all reissues, divisions, continuations, continuations-in-part, extensions, renewals and reexaminations of any of the foregoing, all rights in the foregoing provided by international treaties or conventions, all rights corresponding thereto throughout the world and all other rights of any kind whatsoever of the Grantor accruing thereunder or pertaining thereto;

(v) all any and all claims for damages and injunctive relief for past, present and future infringement, dilution, misappropriation, violation, misuse or breach with respect to any of the foregoing, with the right, but not the obligation, to sue for and collect, or otherwise recover, such damages; and

(vi) any and all proceeds of, collateral for, income, royalties and other payments now or hereafter due and payable with respect to, and supporting obligations relating to, any and all of the foregoing or arising from any of the foregoing.

NOTWITHSTANDING ANYTHING TO THE CONTRARY HEREIN, THE SECURED PARTY ACKNOWLEDGES AND AGREES THAT THE SECURITY INTEREST GRANTED TO IT HEREUNDER IS SUBORDINATE IN ALL RESPECTS TO THE SECURITY INTEREST GRANTED TO HEP IN THE SECURITY AGREEMENTS DELIVERED BY GRANTOR TO HEP ("HEP SECURITY AGREEMENTS"), AND THAT ALL RIGHTS GRANTED TO THE SECURED PARTY ARE SUBJECT TO THE SECURITY INTEREST GRANTED TO HEP AND TO THE INTERECREDITOR AGREEMENT.

SECTION 2. Supplement to Security Agreement. Schedule IV to the Security Agreement is, effective as of the date hereof, hereby supplemented to add to such Schedule the Additional Collateral.

SECTION 3. Security for Obligations. The grant of a security interest in the Additional Collateral by the Grantor under this IP Security Agreement Supplement secures the payment of all Obligations of the Grantor now or hereafter existing under or in respect of the Loan Documents, whether direct or indirect, absolute or contingent, and whether for principal, reimbursement obligations, interest, premiums, penalties, fees, indemnifications, contract causes of action, costs, expenses or otherwise.

SECTION 4. Recordation. The Grantor authorizes and requests that the Register of Copyrights, the Commissioner for Patents and the Commissioner for Trademarks and any other applicable government officer to record this IP Security Agreement Supplement.

SECTION 5. Grants, Rights and Remedies. This IP Security Agreement Supplement has been entered into in conjunction with the provisions of the Security Agreement. The Grantor does hereby acknowledge and confirm that the grant of the security interest hereunder to, and the rights and remedies of, the Secured Party with respect to the Additional Collateral are more fully set forth in the Security Agreement, the terms and provisions of which are incorporated herein by reference as if fully set forth herein , all of which are subject to the Intercreditor Agreement ..

SECTION 6. Governing Law. This IP Security Agreement Supplement shall be governed by, and construed in accordance with, the laws of the State of Maryland.

SECTION 7. Waiver of Jury Trial. The Grantor hereby knowingly, voluntarily and irrevocably waives all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to this IP Security Agreement Supplement or any course of conduct, course of dealing or statements (whether oral or written) or actions of the Secured Party in the negotiation, administration, performance or enforcement thereof.

SECTION 8. IN WITNESS WHEREOF, the Grantor has caused this IP Security Agreement Supplement to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.

HEALTH ENHANCEMENT PRODUCTS, INC.

By: */s/* Philip M. Rice, II
Name: Philip M. Rice, II, CFO

Address for Notices:
7 West Square Lake Rd.
Bloomfield Hills, MI 48302

Exhibit 10.18

TERMINATION AGREEMENT AND MUTUAL GENERAL RELEASE

This Termination Agreement and Mutual General Release is made and given by the undersigned Venture Group, LLC ("VG") and Health Enhancement Products, Inc., a Nevada corporation (the "Company") as of this 26th day of January, 2012.

RECITALS

Reference is made to the following agreements between the Company and VG: Investor Right's Agreement, Subscription Agreement, Series A Convertible Promissory Note, Security Agreement, IP security Agreement, Warrant Agreement, all of which were dated on or around November 8., 2011, and Term Sheet dated on or around October 20, 2011 (all of the foregoing documents are collectively referred to herein as the "Loan Documents"), all executed in connection with a planned capital raising transaction in the amount of $500,000, with $332,000 payable as of the date hereof, and the remaining $168,000 payable by January 31, 2012 (the "Transaction").

A dispute had arisen among the parties to the Loan Documents and the parties, in order to avoid potential litigation, wish to settle such dispute and release one another from any and all claims or liabilities arising prior to the date hereof.

AGREEMENT

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **Termination of Loan Documents.** The parties hereby agree that the Loan Documents are terminated and that neither party shall have any further rights or obligations thereunder.

2. **Mutual General Release.** Each party hereto (together with its predecessors, successors, affiliates, subsidiaries, parent companies, DBA's, insurers, subcontractors, contractors, employees, former employees, directors, officers, shareholders, members and any other related entities) hereby fully releases, remises, acquits and forever discharges the other party hereto (together with such other party's predecessors, successors, affiliates, subsidiaries, parent companies, DBA's, insurers, subcontractors, contractors, employees, former employees, directors, officers, shareholders, members and any other related entities) from any and all claims, demands, actions, causes of action, damages, obligations, losses and expenses of whatsoever kind or nature, known or unknown, choate or inchoate, directly or indirectly arising out of, or related to, any matter arising prior to the date hereof. Notwithstanding anything to the contrary contained herein, the Company is not, in connection with the foregoing release, releasing Bradley C. Robinson or any of his affiliates, including without limitation Ceptazyme, LLC or Zus health, LLC. This release shall not apply to any claims or suits arising from or pertaining to this Agreement. This release shall be binding from the date hereof to eternity. The parties acknowledge that this release should receive full faith and credit from all courts and agencies.

Executed by the parties as an instrument under seal as of the date hereof.

The Venture Group, LLC

/s/ Jeff Rice
By: D. Jeffrey Rice, Managing Member
duly authorized

Health Enhancement Products, Inc.

/s/ Philip M Rice
Philip M. Rice, II, CFO, duly authorized

Exhibit 10.19

TERMINATION AGREEMENT AND GENERAL RELEASE

This Termination Agreement and General Release is between the undersigned Oxford Holdings, LLC ("Oxford"), The Venture Group, LLC ("VG") and Health Enhancement Products, Inc., a Nevada corporation (the "Company") and is dated as of this 26th day of January, 2012.

RECITALS

Reference is made to that certain Consulting Agreements between the Company and Oxford dated September 15, 2011, as amended October 11, 2011 ("Agreement"), which was executed in connection with a planned capital raising transaction with VG.

VG and the Company executed financing documents dated on or around November 8th, 2011 ("Original Financing"), in connection with which Oxford was paid $42,600 (the "Transaction Fee"). However, the Company and VG have since terminated the documents executed in connection with the Original Financing.

VG and the Company have since entered into a new financing transaction ("New Transaction") under which VG will purchase a maximum $500,000 Subordinated Convertible Note.

Oxford and the Company have agreed that the Transaction Fee already paid to Oxford ($42,600), plus a warrant (to be issued Oxford upon closing of the New Transaction) to purchase 200,000 shares of Company common stock at an exercise price of $.15 per share for a term of two years, shall be in full and complete satisfaction of all amounts owing to Oxford by the Company under the Agreement or otherwise, including but not limited to in connection with the Original Transaction and the New Transaction.

Oxford and the Company have agreed to terminate the Agreement and that neither party shall have any further rights or obligations thereunder.

AGREEMENT

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **Payment of Fees under Agreement.** Upon the Closing of the New Transaction, in the amount of $500,000, in addition to the Transaction Fee already paid to Oxford, the Company shall issue to Oxford a warrant to purchase 200,000 shares of Company common stock at an exercise price of $.15 per share for a term of two years. In addition, at the request of VG, the Company shall pay to the Deveney Law Firm $358 in payment of wire transfer fees. The foregoing payments are in full and complete satisfaction of all amounts owing to Oxford by the Company whether under the Agreement or otherwise, including but not limited to in connection with the Original Transaction and the New Transaction.

2. **Termination of Agreement.** The parties hereby agree that the Agreement is hereby terminated and that neither party shall have any further rights or obligations thereunder.

3. **Compliance with Laws.** Oxford and VG represent and warrant jointly and severally to the Company that Oxford has complied fully with applicable securities laws in connection with rendering services to the Company under the Agreement. Oxford and VG shall jointly and severally promptly indemnify the Company and its officers and directors from any loss, liability or expense (including but not limited to reasonable attorney fees and costs) incurred by any such persons in any way relating to or arising from Oxford's breach of the foregoing representation.

4. **General Release.** Oxford (together with its predecessors, successors, affiliates, subsidiaries, parent companies, DBA's, insurers, subcontractors, contractors, employees, former employees, directors, officers, shareholders, members and any other related entities) hereby fully releases, remises, acquits and forever discharges the Company (together with its predecessors, successors, affiliates, subsidiaries, parent companies, DBA's, insurers, subcontractors, contractors, employees, former employees, directors, officers, shareholders, members and any other related entities) from any and all claims, demands, actions, causes of action, damages, obligations, losses and expenses of whatsoever kind or nature, known or unknown, choate or inchoate, directly or indirectly arising out of, or related to, any matter arising prior to the date hereof. This release shall not apply to any claims or suits arising from or pertaining to this Agreement. This release shall be binding from the date hereof to eternity. The parties acknowledge that this release should receive full faith and credit from all courts and agencies.

Executed by the parties as an instrument under seal as of the date hereof.

The Venture Group, LLC

/s/ Jeff Rice
By: David J. Rice, Managing Member
duly authorized

Health Enhancement Products, Inc.

/s/ Philip Rice
Philip M. Rice, II, CFO, duly authorized

Oxford Holdings, LLC

/s/ William Sudek
By: William R. Sudeck, Managing Member
duly authorized

Exhibit 10.24

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is made and entered into as of December 16, 2011 (the "Effective Date"), by and between Health Enhancement Products, Inc. a Nevada corporation, (the "Company"), and Andrew A. Dahl ("Employee").

Recitals:

A. The Company desires to employ Employee as its President and Chief Executive Officer and desires to enter into an agreement with Employee setting forth the terms of that relationship and Employee desires to accept such employment with the Company on the terms and conditions set forth below.

B. Employee is in possession of and may come into possession of, or have access to, Confidential Information (defined below) with respect to the Business (defined below).

Agreements:

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

1. Term. Subject to the termination provisions set forth in Section 8 below, the term of Employee's employment with the Company under this Agreement shall commence on the Effective Date and shall continue thereafter for a period of twelve months from the full execution of this Agreement (the "Initial Term"); provided, however, that following the Initial Term, the term of this Agreement shall be automatically extended for successive terms of one (1) year each (each a "Renewal Term"), unless either party notifies the other party in writing of its desire to terminate this Agreement at least sixty (60) days before the end of the Initial Term or a Renewal Term then in effect (collectively, the "Employment Term").

2. Employment. Throughout the Employment Term, Employee shall serve as President & Chief Executive Officer of the Company and shall diligently perform all such services, acts and things as are customarily done and performed by individuals holding such offices of companies in similar businesses and in similar size to the Company, together with such other duties as may reasonably be requested from time to time by the Board of Directors of the Company or its designee (the "Board"). Employee shall periodically and regularly report to the Board.

3. Compensation. During the Employment Term, the Company shall pay or provide, as the case may be, to Employee the compensation and other benefits and rights set forth in Sections 4, 5 and 6 of this Agreement.

4. (a) Base Salary; Bonus. As compensation for the services to be performed under this Agreement, the Company shall pay to Employee during the Initial Term and subsequent Renewal Terms, an annual "Base Salary", payable in accordance with Company's usual pay practices (and in any event no less frequently than monthly), of two hundred-forty thousand dollars ($240,000.00) in annual "Base Salary". Notwithstanding the foregoing, pending receipt of a minimum eighty-five percent (85%) of the monies from a $2 million convertible loan agreement executed on December 2, 2011 or any other sources of an equal amount that have been deposited to the Company account, five-thousand dollars ($5,000.00) shall be deferred until such funds are on hand, and then shall be paid to Employee over the same period of time in which it was deferred and, at the same time, the fully monthly Base Salary payment shall also begin at $20,000 per month In addition to his Base Salary, Employee shall be entitled to performance incentives as follows:

(b) Revenue Contracts/ Reduced Salary. The Employee is to receive a cash bonus representing two percent (2%) of Company gross revenue (the "Cash Bonus"), when collected by the Company, resulting from contracts or arrangements (collectively, the "Revenue Contracts") initiated, developed and closed during Employee's employment with the Company or after as provided below. Such Cash Bonus shall be reduced by the amount of Base Salary due within the month in which revenue is earned by the Company from such Revenue Contracts. Such Cash Bonus shall continue for a period of up to five (5) years during Employee's employment with the Company or up to three (3) years after the termination of employment (unless termination is pursuant to paragraph 8(b) For Cause), whichever is later.

(c) Payments to Great Northern & Reserve Partners. The Company agrees to provide Great Northern & Reserve Partners, LLC ("GNRP") the following compensation in full and complete satisfaction of all amounts owing to GNRP and the Employee prior to the date hereof (which compensation shall be subject to verification of billing records within 14 days by the Company Chief Financial Officer):

i. Cash Payment. The Company acknowledges its obligation under its agreement with GNRP to pay the amount of $82,500. While this obligation remains always due until paid, the Company agrees to pay it upon receiving at least $1.5 million in cash from any source within the 12 months from the date of this Agreement.

ii. Payment in Shares. The Company shall issue that number of shares of Company common stock to GNRP (or its designee) within sixty (60) days of the date of this Agreement equal in value to $277,064, based on the market price or 10-day trailing average, whichever is higher, on the execution date of this Agreement.

Subject to the execution of this employment agreement, the parties shall cause the prior consulting contract dated October 19, 2009 between the Company and GNRP, which is an entity controlled by the Employee, to be terminated.

d. Other Performance Based Compensation. In addition, the following additional compensation and incentives are offered to Employee (collectively, "Warrant Compensation"):

i. Upon the attainment of two subsequent Benchmark Events (as defined below), the Company agrees to issue two warrants to Employee for 500,000 shares each, exercisable at $.25 per share. The first warrant of 500,000 shares shall be issued upon identification of any bioactive agents and submission of a patent application by the Company with respect thereto (a "Benchmark Event"), with which Employee shall assist the Company.

The second warrant for 500,000 shares shall be issued to Employee or his designate with an exercise price of $.25 per share upon the Company entering into a significant agreement and receiving at least $500,000 in payments from the contracting party pursuant to and during term of such agreement (a "Benchmark Event"). If this Agreement is terminated by the Company pursuant to 8(a) or (c) below after the date such agreement is entered into by the Company and prior to receipt of the minimum $500,000 in payments, Employee shall nevertheless be entitled to receive the warrant for 500,000 shares promptly following the Company's receipt of the minimum $500,000 in payments.

ii. A warrant for one million (1,000,000) shares at an exercise price of twenty-five cents ($.25) per share if the Company enters into a co-development partnership with a contract research organization to develop medicinal or pharmaceutical applications of any type within the balance of the Initial Term of the Employment Agreement or any subsequent Renewal Term that follows. The co-development partnership must exceed $2 million in actual cash or payment-in-kind outlay on the part of the co-development partner. The warrant shares are still vested and eligible for exercise if the partnership or agreement begins or is initiated in any form within the term of the existing covenants. The warrant shares would also vest and remain eligible for exercise if the contract research firm, an intermediary, its venture fund or other investment firm instead acquired the Company.

iii. A warrant for one million (1,000,000) shares at an exercise price of twenty-five cents ($.25) per share if the Company enters into a nutraceutical or dietary supplement co-development partnership, remarketing or production arrangement within the balance of the Initial Term of the Employment Agreement or any subsequent Renewal Term that follows. The co-development, production or remarketing arrangement must exceed $2 million in actual cash or payment-in-kind outlay by the partner or client. The warrant shares are still vested and eligible for exercise if the partnership or agreement that begins or is initiated in any form within the term of the existing covenants. The warrant shares would also vest and remain eligible for exercise if the partner company, intermediary or an investment firm instead acquired the Company.

iv. A warrant for one million (1,000,000) shares at an exercise price of twenty-five cents ($.25) per share if the Company enters into a pharmaceutical development arrangement with a pharmaceutical company or a recognized pharmaceutical intermediary company such as a pharma venture fund or lead compound licensing entity owned or controlled by a pharma, foundation, contract research organization or investment consortium. The warrant shares are still vested and eligible for exercise if the partnership or agreement that begins or is initiated in any form within the term of the existing covenants. The warrant shares would also vest and remain eligible if the pharmaceutical company, an intermediary or investment firm instead acquired the Company.

5. Expenses. The Company shall reimburse Employee for all necessary and reasonable business expenses incurred by him in the performance of his duties under this Agreement, upon presentation of expense accounts and appropriate documentation in accordance with the Company's standard policies, as they may be amended from time to time.

6. Benefits. Employee, at his election, may participate, during the Employment Term, in all retirement plans, savings plans, health or medical plans and any other benefit plans of the Company generally available from time to time to other management employees of the Company and for which Employee qualifies under the terms of the plans.

7. Services. Employee shall perform his duties under this Agreement faithfully, diligently and to the best of his ability. He shall serve subject to the policies and instruction of the Board, and shall devote all of his business time, attention, energies and loyalty to the Company. The expenditure of reasonable amounts of time by Employee for personal, charitable, professional or other business activities, such as an outside director position, shall not be deemed a breach of this Agreement, provided that such activities do not interfere with the services required to be rendered by Employee under this Agreement and are not contrary to the interests of the Company. On reasonable notice, Employee shall make himself available to perform his duties under this Agreement at such times and at such places as the Company reasonably deems necessary, proper, convenient or desirable.

8. Termination.

(a) Death or Disability. Employee's employment under this Agreement shall terminate automatically upon the Employee's death or if Employee becomes Disabled. For purposes of this Agreement, Employee shall be deemed to be "Disabled" if Employee becomes unable to perform the essential functions and responsibilities of his position with reasonable accommodation, as required under the Americans with Disabilities Act, as the same has and may be amended (the "ADA"), by virtue of physical or mental disability, as defined under the ADA.

(b) "For Cause". During the Employment Term, the Company may immediately terminate this Agreement for "Cause". For purposes of this Agreement, "Cause" shall mean, in each case as determined by the Board:

(i) Employee's conviction of a felony or other crime involving moral turpitude (but not automobile related matters);

(ii) Employee's commission of any act or omission involving dishonesty, fraud, embezzlement, theft, substance abuse or sexual misconduct with respect to the Company, any subsidiary of the Company or any of their respective employees, vendors, suppliers or customers, the specific nature of which shall be set forth in a written notice by the Company to Employee;

(iii) Employee's substantial and continued neglect of or failure to perform his duties, or failure to follow a "reasonable directive of the Board," which after written notice from the Board of such neglect or failure, has not been cured within ten (10) days after he receives such notice. For purposes of this Agreement, "reasonable directive of the Board," shall mean a directive that is applied equitably among the management employees of the Company;

(iv) Employee's gross negligence or willful misconduct in the performance of his duties; or

(v) Employee's misappropriation of funds or assets of the Company or any subsidiary of the Company.

(c) No Cause. During the Employment Term, either the Company or the Employee may voluntarily terminate this Agreement upon thirty (30) days advance written notice to the other party for any reason or no reason whatsoever.

(d) Upon the termination of this Agreement for any reason, Employee shall be entitled to, and the Company shall pay Employee, any accrued and unpaid Base Salary covering the period of employment prior to the effective date of termination, and other performance incentives earned, as specified in 8 (e) below.

(e) Upon the termination of this Agreement by the Company for the reasons specified in 8(c), Employee shall also be entitled to the following:

(i) If such termination under 8(c) occurs during the initial six (6) month period after execution of this Agreement, then Employee shall be entitled to six (6) months severance pay equal to his Base Salary. Otherwise, such severance pay shall be equal to three (3) months plus one week's salary for each year of service (inclusive, as of the date of this Agreement, of two and one-half years already provided by Employee as consultant).

(ii) All cash bonuses of 2% of gross sales and Bonus Shares earned from Revenue Contracts initiated in any form during Employee's employment with the Company or within twenty four (24) months after the termination of his employment pursuant to Section 8(c).

(iii) Employee shall be entitled to the Warrant Compensation in the event that any event triggering the right to any such Warrant Compensation occurs during or within twenty four months after the effective date of termination of Employee's employment with the Company, as provided in applicable provision in 4.d. above. In addition, if Employee is terminated under 8(c) above within the initial twelve month period after the effective date of this Agreement then a warrant for one million (1,000,000) shares at an exercise price of twenty-five cents ($.25) per share will be awarded to Employee.

9. Restrictive Covenant.

(a) The Company and Employee acknowledge and agree that for Employee to compete with the Company during the Employment Term and for a limited time after the end of the Employment Term would be contrary to the purposes for which the parties entered into this Agreement. In order to induce the Company to enter into this Agreement, Employee covenants, warrants and agrees, for the benefit of the Company, and its respective current and future subsidiaries, Affiliates, successors and assigns (collectively, the "Protected Parties"), that, without first obtaining the express written consent of the Company, Employee, for himself or for any other Person, either as a principal, agent, employee, contractor, director, officer or in any other capacity, shall not, either directly or indirectly:

(i) for a period of two (2) years from the termination of Employee's employment with the Company (the "Covenant Period"), be employed by, engage in or carry on any business or undertaking which competes with the Protected Parties in the Business, or those aspects of the Business involved in the specific area of cholesterol regulation and anti-inflammatory agents unique to the Company and protected by its patents or patent applications, in the State of Michigan and in any other State in which the Protected Parties conduct the Business or take active steps to conduct the Business during the Employment Term (the "Area of Non-Competition");

(ii) during the Covenant Period, have any interest in, assist in any manner or in any capacity, make any loan to, or be associated with (whether as a shareholder, partner, member, associate, owner, employee, independent contractor, consultant, agent or otherwise) any Person which is deemed to be engaged in the specific aspects of the Business as they relate to cholesterol regulation and anti-inflammatory agents unique to the Company and protected by its patents or patent applications, in each case as then currently conducted, anywhere within the Area of Non-Competition; provided, however, that Employee may invest in any publicly-held entity engaged in the Business if his aggregate investment does not exceed 1% in value of the issued and outstanding voting securities of such entity;

(iii) during the Covenant Period, request or advise any customer or supplier of any Protected Party to terminate its relationship with any Protected Party, or request or advise any person to refrain from becoming a customer or supplier of any Protected Party; or

(iv) during the Covenant Period, solicit, induce or attempt to induce any employee or independent contractor of any Protected Party to (A) leave the employment of or terminate his, her or its contractual relationship with such Protected Party, or (B) enter into an employment or a contractual relationship with Employee or any Person in which Employee has any interest whatsoever.

(v). during the Covenant Period, the Employee may be free to conduct the affairs of Great Northern & Reserve Partners, LLC, a privately held consulting and investment firm wholly owned and controlled by the Employee, and to serve on boards of other companies when such opportunities are offered.

(b) The parties intend that the covenants set forth in Section 9 above shall be deemed to be a series of separate covenants, one for each and every political subdivision of each state, province and county in the Area of Non-Competition. Employee acknowledges and agrees that the covenants set forth in Section 9 above are reasonable and valid in geographical and temporal scope and in all other respects. If any court determines that any covenant set forth in Section 9 above, or any portion of any such covenant, is invalid or unenforceable, the remainder of the covenants set forth in Section 9 above shall not be affected and shall be given full force and effect, without regard to the invalid covenant or the invalid portion. If any court determines that any covenant set forth in Section 9 above, or any portion of any such covenant, is unenforceable because of its duration or geographic scope, such court shall have the power to reduce such duration or scope, as the case may be, and enforce such covenant or portion in such reduced form. The parties intend to and hereby confer jurisdiction to enforce the covenants set forth in Section 9 above upon the courts of any jurisdiction in which Employee is alleged to have committed an act in violation of any of the covenants contained here. If the courts of any one or more of such jurisdictions hold the covenants set forth in Section 9 above, or any portion of such covenants, unenforceable by reason of the breadth of such scope or otherwise, it is the intention of the parties that such determination not bar or in any way affect the right of the Company to the relief provided above in the courts of any other jurisdiction within the geographical scope of such covenants as to breaches of such covenants in such other respective jurisdictions.

(c) In the event of a breach or attempted breach of any of the covenants set forth in this Section 9, Section 10 or Section 11 below, in addition to any and all legal and equitable remedies immediately available, such covenants may be enforced by a temporary and/or permanent injunction to secure the specific performance of such covenants, and to prevent a breach or contemplated breach of such covenants, without the need to post any bond or other security of any kind. Employee acknowledges and agrees that the remedy at law for a breach or threatened breach of any of the covenants set forth in this Section 9, Section 10 or Section 11 below, would be inadequate. Employee acknowledges and agrees that the remedies provided for in this Agreement are cumulative and are intended to be and are in addition to any other remedies available to the Company, either at law or in equity. In addition, Employee agrees that, in the event of a breach of the covenants set forth in this Section 9, Section 10 or Section 11 below, by Employee, he shall be liable, and shall reimburse the Company, for all fees, costs and expenses (including reasonable attorneys' fees and other professional fees) arising out of or in any way related to the enforcement of this Covenant. The Company agrees that in the event of a dispute or breach in which the Employee prevails, the Company shall be liable, and shall reimburse the Employee, for all fees, costs and expenses (including reasonable attorneys' fees and other professional fees) arising out of or in any way related to the enforcement of this Covenant.

(d) The following terms shall have the meanings described below:

(i) "Affiliate" means, as to any specified Person, any other Person controlling or controlled by or under common control with such specified Person;

(ii) "Business" means the business of selling or licensing the specific intellectual property, products and processes developed and owned by the Company in any market or application specifically as they relate to cholesterol regulation and non-steroidal anti-inflammatory agents unique to the Company and protected by patents or patents in application held by the Company.

(iii) "Person" means an individual, corporation, partnership, limited liability company, association, trust, joint venture, unincorporated organization, other entity or group, or a governmental authority.

10. Intellectual Property Rights. Employee recognizes that he may, individually or jointly with others, discover, conceive, make, perfect or develop inventions, discoveries, new contributions, concepts, ideas, developments, processes, formulas, methods, compositions, techniques, articles, machines and improvements, and all original works of authorship and all related know-how, whether or not patentable, copyrightable or protectable as trade secrets for and on behalf of the Company pursuant to this Agreement ("Inventions"). Employee agrees that all such Inventions are the sole and exclusive property of the Company. **EMPLOYEE AGREES THAT ANY PARTICIPATION BY HIM IN THE DESIGN, DISCOVERY, CONCEPTION, PRODUCTION, PERFECTION, DEVELOPMENT OR IMPROVEMENT OF AN INVENTION IS WORK MADE FOR HIRE, AS DEFINED IN TITLE 17, UNITED STATES CODE, FOR THE SOLE AND EXCLUSIVE BENEFIT OF THE COMPANY AND EMPLOYEE HEREBY ASSIGNS TO THE COMPANY ALL OF HIS RIGHTS IN AND TO SUCH INVENTIONS.** Employee shall maintain adequate and current written records of all Inventions, which shall remain the property of the Company and be available to the Company at all times. At the Company's request, Employee shall promptly sign and deliver all documents necessary to vest in the Company all right, title and interest in and to any Inventions. If the Company is unable, after reasonable effort, to secure Employee's signature on any document needed to vest in the Company all right, title and interest in and to any Inventions, whether because of Employee's physical or mental incapacity or for any other reason whatsoever, Employee hereby irrevocably designates and appoints the Company and its duly authorized officers and agents as Employee's agent and attorney-in-fact, to act for and in Employee's behalf and stead to execute and file any such document and to do all other lawfully permitted acts to further the prosecution and enforcement of patents, copyrights or similar protections with the same legal force and effect as if executed by Employee.

11. Confidentiality. Employee acknowledges and agrees that he shall treat all Confidential Information (as defined below) in a confidential manner, not use any Confidential Information for his own or a third party's benefit and not communicate or disclose, orally or in writing, any Confidential Information to any person, either directly or indirectly, under any circumstances without the prior written consent of the Company. Employee further agrees that he shall not utilize or make available any Confidential Information, either directly or indirectly, in connection with his solicitation of employment or acceptance of employment with any third party. Employee further agrees that he will promptly return (or destroy if it cannot be returned) to Company all written or other tangible evidence of any Confidential Information and any memoranda with respect thereto which are in his possession or under his control upon Company's request for the return of such items. Notwithstanding this Section 11, Employee may disclose Confidential Information if required (and then only to the extent required) by applicable law; provided, however, that prior to any such disclosure, Employee must provide the Company with written notice of such pending disclosure, sufficiently in advance thereof so as to allow the Company a reasonable opportunity to contest such required disclosure.

For the purposes of this Agreement, the term "Confidential Information" shall include all proprietary information related to the Business, including, but not limited to, processes, ideas, techniques, Inventions, methods, products, services, research, purchasing, marketing, selling, customers, suppliers or trade secrets. All information which Employee has a reasonable basis to believe to be Confidential Information, or which Employee has a reasonable basis to believe the Company or any of its Affiliates treat as Confidential Information, shall be deemed to be Confidential Information. Notwithstanding the foregoing, information shall not be deemed to be Confidential Information if it is generally known and publicly available, without the fault of Employee and without the violation by any person of a duty of confidentiality or any other duty owed to any Protected Party.

12. Notices. All notices, requests, consents and other communications, required or permitted to be given under this Agreement shall be personally delivered in writing or shall have been deemed duly given when received after it is posted in the United States mail, postage prepaid, registered or certified, return receipt requested addressed as set forth below. In addition, a party may deliver a notice via another reasonable means that results in the recipient party receiving actual notice, as conclusively demonstrated by the party giving such notice.

If to the Company:

Phillip M. Rice II, Chief Financial Officer
Health Enhancement Products, Inc.
c/o Legacy Results
29193 Northwestern HWY Suite 477
Southfield, MI 48034-1006
Cell: 586 665 9000
Fax: 248 869 6006
price@legacy-results.com

With a required copy to:

Laith Yaldoo
c/o Financial Transaction Services, Inc.
2804 Orchard Lake Road
Keego Harbor, MI 48320
laith@ftservice.com

If to Employee:

Andrew A Dahl
7 West Square Lake Road
Bloomfield Hills, Michigan USA 48302
Cell: 248 978 3911 Fax: (248) 341-3411
adahl@greatnorthreserve.com

With a required copy to:

Laith Yaldoo
c/o Financial Transaction Services, Inc.
2804 Orchard Lake Road
Keego Harbor, MI 48320
laith@ftservice.com

13. Miscellaneous.

(a) The failure of any party to enforce any provision or protections of this Agreement shall not in any way be construed as a waiver of any such provision or provisions as to any future violations thereof, nor prevent that party thereafter from enforcing each and every other provision of this Agreement. The rights granted the parties herein are cumulative and the waiver of any single remedy shall not constitute a waiver of such party's right to assert all other legal remedies available to it under the circumstances.

(b) This Agreement has been executed in, and shall be construed and enforced in accordance with the laws of, the State of Michigan.

(c) The provisions of this Agreement are severable and if any one or more provisions may be determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions and any partially unenforceable provision to the extent enforceable in any jurisdiction nevertheless shall be binding and enforceable.

(d) This Agreement sets forth the entire understanding and agreement of Employee and the Company with respect to its subject matter and supersedes all prior understandings and agreements, whether written or oral, in respect thereof. No modification, termination or attempted waiver of this Agreement shall be valid unless in writing and signed by the party against whom the same is sought to be enforced.

(e) The rights and obligations of Company under this Agreement shall inure to the benefit of, and shall be binding on, Company and its successors and assigns. This Agreement is personal to Employee and he may not assign his obligations under this Agreement in any manner whatsoever and any purported assignment shall be void. The Company, however, may assign this Covenant in connection with a sale of all or substantially all of its equity interests or assets.

(f) The parties acknowledge that each of them has equally participated in the final wording of this Agreement. Accordingly, the parties agree that this Agreement shall be construed equally against each party and shall not be more harshly construed against a party by reason of the fact that a particular party's counsel may have prepared this Agreement.

(g) The headings and captions used in this Agreement are for convenience of reference only and shall not be considered in interpreting this Agreement.

(h) This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same agreement.

(i) Any payments provided for in this Agreement shall be paid net of any applicable income tax withholding required under federal, state or local law.

[*Signatures to follow on next page*]

IN WITNESS WHEREOF, the parties have executed this Employment Agreement as of the day and year first above written.

EMPLOYEE:

/s/ Andrew Dahl
Andrew A. Dahl

HEALTH ENHANCEMENT PRODUCTS, INC. "COMPANY"

/s/ Philip Rice
By: Philip M. Rice, II, CFO

Exhibit 10.25

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is made and entered into as of December 15, 2011, (the "Effective Date") by and between Health Enhancement Products Inc. (the "Company") and **John Gorman** (the "Employee").

WITNESSETH:

WHEREAS, the parties desire to enter into this Agreement pertaining to the employment of the Employee by the Company.

NOW, THEREFORE, in consideration of the foregoing, of the mutual promises herein contained, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, agree as follows:

1. Term of Employment. The Company shall employ the Employee in the capacity set forth herein for a term of one (1) year, commencing on the Effective Date and ending on the first anniversary of the Effective Date (such one year period as may be terminated earlier or extended as provided for herein to be referred to herein as the "Term"). Beginning on the first anniversary date of the Effective Date and on each anniversary date of the Effective Date thereafter, the Term shall be automatically extended one additional year unless either party gives written notice to the other at least sixty (60) days prior to such anniversary of the Effective Date that the Term of this Agreement shall cease to be so extended.

2. Duties of the Employee. During the Term, the Employee shall serve as the Executive VP of Operations and shall devote his full time, attention, and effort to performing the customary duties and responsibilities of such office, including those duties and responsibilities assigned to him by the Chief Executive Officer (the "CEO"), from time to time. The Employee agrees to use his best efforts to perform all duties and responsibilities that are required to fully and faithfully execute the offices and positions held by him. The Employee shall be based in the metropolitan area of Phoenix, Arizona.

3. Compensation. As compensation for the services to be rendered by the Employee for and on behalf of the Company hereunder, the Employee shall be entitled to the following (collectively referred to hereinafter as "Total Compensation"):

(a) Base Compensation. A base salary in an annual rate of Eighty Seven Thousand Dollars ($87,000.00) (as adjusted in accordance with the provisions of this Agreement, "Base Compensation") will be paid to the Employee at such intervals as may be established by the Company for payment of its employees under its normal payroll practices. Base Compensation payments shall be subject to all applicable federal and state withholding, payroll and other taxes, and all applicable deductions for benefits as may be required by law or Employee's authorization. The Base Compensation shall be reviewed periodically by the Compensation Committee of the Company's board of directors ("Compensation Committee") and may be increased from time to time as the Compensation Committee may deem appropriate in its reasonable discretion.

(b) Bonus. In addition to the Base Compensation, the Employee shall be eligible to receive one or more bonuses to be determined by the Compensation Committee, in its sole discretion based on performance criteria to be adopted by the Compensation Committee.

4. Other Benefits. In addition to the Total Compensation to be paid to the Employee as provided for herein, the Employee shall also be entitled to the following benefits:

(a) Equity Compensation. The Employee shall participate in any equity compensation that the BOD deems possible for the employees of the company.

(b) Business Expenses. The Company shall reimburse the Employee for all reasonable business expenses incurred by the Employee in the performance of his duties, provided that the Employee provides adequate documentation required by law and by the policies and procedures of the Company, as adopted and amended from time to time.

(c) Vacation. Employee will be entitled to 3 weeks annual leave at full salary for the period of leave.

(d) Other Fringe Benefits. Except as otherwise specifically provided to the contrary in this Agreement, the Employee shall be provided with the welfare benefits and other fringe benefits to the same extent and on the same terms as those benefits are provided by the Company from time to time to the Company's other officers, including, but not limited to, participation in various health, retirement, life insurance, disability insurance or other employee benefit plans or programs, subject to regular eligibility requirements with respect to each such benefit plans or programs, as well as other benefits or perquisites as may be approved by the Board; provided, however, that the Company shall not be required to provide a benefit under this subparagraph (d) if such benefit would duplicate (or otherwise be of the same type as) a benefit specifically required to be provided under another provision of this Agreement.

5. Confidential Information. The Employee acknowledges that, during the course of his employment, he will have access to and will receive information which constitutes trade secrets, is of a confidential nature, is of great value to the Company and/or is a foundation on which the business of the Company is predicated. With respect to all such Confidential Information (as defined hereafter), the Employee agrees, during the Term and thereafter, not to disclose such Confidential Information to any person other than an employee, counsel or advisor of the Company or a person to whom disclosure is reasonably necessary or appropriate in connection with the performance by the Employee of his duties hereunder nor to use such Confidential Information for any purpose other than the performance of his duties hereunder. For purposes of this Agreement, "Confidential Information" shall include all data or material (regardless of form) with respect to the Company or any of its assets, prospects, business activities, officers, directors, employees, borrowers, or clients which is: (a) a trade secret, as defined by the Uniform Trade Secrets Act; (b) provided, disclosed, or delivered to the Employee by the Company, any officer, director, employee, agent, attorney, accountant, consultant, or other person or entity employed by the Company in any capacity, any client, borrower, advisor, or business associate of the Company, or any public authority having jurisdiction over the Company or any business activity conducted by the Company; or (c) produced, developed, obtained or prepared by or on behalf of the Employee or the Company (whether or not such information was developed in the performance of this Agreement). Notwithstanding the foregoing, the term "Confidential Information" shall not include any information, data or material which, at the time of disclosure or use, was generally available to the public other than by a breach of this Agreement, was available to the party to whom disclosed on a non-confidential basis by disclosure or access provided by the Company or a third party without breaching any obligations of the Company or such third party, or was otherwise developed or obtained legally and independently by the person to whom disclosed without a breach of this Agreement. The rights and obligations of the parties under this paragraph shall survive the expiration or termination of this Agreement for any reason.

6. Proprietary Matters. The Employee expressly agrees that any and all improvements, inventions, discoveries, processes, or know-how that are generated or conceived by the Employee during the Term, whether conceived during the Employee's regular working hours or otherwise, will be the sole and exclusive property of the Company. Whenever requested by the Company (either during the Term or thereafter), the Employee will assign or execute any and all applications, assignments and/or other documents, and do all things which the Company reasonably deems necessary or appropriate, in order to permit the Company to: (a) assign and convey, or otherwise make available to the Company, the sole and exclusive right, title, and interest in and to said improvements, inventions, discoveries, processes or know-how; or (b) apply for, obtain, maintain, enforce and defend patents, copyrights, trade names, or trademarks of the United States or of foreign countries for said improvements, inventions, discoveries, processes, or know-how. However, the improvements, inventions, discoveries, processes, or know-how generated or conceived by the Employee and referred to in this paragraph (except those which may be included in the patents, copyrights, or registered trade names or trademarks of the Company) will not be exclusive property of the Company at any time after having been disclosed or revealed or have otherwise become available to the public or to a third party on a non-confidential basis other than by a breach of this Agreement, or after they have been independently developed or discussed without a breach of this Agreement by a third party who has no obligation to the Company.

7. Non-Competition. As part of the consideration for the compensation and benefits to be paid to the Employee hereunder, and in order to protect the Confidential Information, business goodwill and business opportunities of the Company, the Employee agrees that, during the Term, he will not, directly or indirectly, engage in or become interested financially in, as a principal, employee, partner, contractor, shareholder, agent, manager, owner, advisor, lender, guarantor, officer, or director, any business (other than the Company) that is engaged in producing related end-use products making similar efficacy claims ; provided, however, that the Employee shall be entitled to invest in stocks, bonds, or other securities in any such business (without participating in such business) if: (a) such stocks, bonds, or other securities are listed on any United States securities exchange or are publicly traded in an over the counter market; and such investment does not exceed, in the case of any capital stock of any one issuer, five percent (5%) of the issued and outstanding capital stock, or in the case of bonds or other securities, five percent (5%) of the aggregate principal amount thereof issued and outstanding; or (b) such investment is completely passive and no control or influence over the management or policies of such business is exercised.

The parties to this Agreement agree that the limitations contained in this paragraph 7 with respect to time, geographical area, and scope of activity are reasonable. However, if any court shall determine that the time, geographical area, or scope of activity of any restriction contained in this paragraph 7 is unenforceable, it is the intention of the parties that such restrictive covenants set forth herein shall not thereby be terminated but shall be deemed amended to the extent required to render it valid and enforceable.

8. **Non-Solicitation**. Employee agrees that he will not, at any time during the Term, or at any time within twelve (12) months after the termination of her employment, for his own account or benefit or for the account or benefit of any other person, firm or entity, directly or indirectly, solicit for employment or hire any employee of the Company (or any person who was an employee of the Company in the 90 day period prior to such solicitation) or induce any employee of the Company (or any person who was an employee of the Company in the 90 day period prior to such inducement) to terminate his employment with the Company.

9. **Injunctive Relief**. The Employee acknowledges and agrees that any violation of paragraph 7 or paragraph 8 of this Agreement would result in irreparable harm to the Company and, therefore, agrees that, in the event of an actual or threatened breach of paragraph 7 or paragraph 8 of this Agreement, the Company shall be entitled to an injunction restraining the Employee from committing or continuing such actual or threatened breach. The parties acknowledge and agree that the right to such injunctive relief shall be cumulative and shall not by in lieu of, or be construed of a waiver of the Company's right to pursue, any other remedies to which it may be entitled in law or in equity.

10. **Termination of Employment**. The Employee's employment by the Company may be terminated, without breach of this Agreement, in accordance with the provisions set forth below:

(a) Death. If the Employee dies during the Term and while in the employ of the Company, this Agreement shall automatically terminate and the Company shall have no further obligations to the Employee or his estate except that the Company shall pay to the Employee's estate any unpaid portion of the Employee's Base Compensation accrued through the date of the Employees death, and at the discretion of the Compensation Committee, a bonus, if any, additionally, a payment equal to the annual base salary of the Employee as then in effect plus an amount equal to the last bonus paid, plus the acceleration of all unvested equity awards. All such payments to the Employee's estate shall be made in the same manner and at the same time as the Employee's Base Compensation would have been paid to him had he not died.

(b) Disability. The Company may terminate the Employee's employment in the event of the Employee's disability, which shall be defined in accordance with any disability policy maintained by the Company. In the event the Company does not maintain a disability policy, it shall be defined as the inability of the Employee, despite any reasonable accommodation required by law, due to bodily injury or disease or any other physical or mental incapacity, to perform the services required hereunder for a period of 120 consecutive days. In the event of a termination pursuant to this paragraph 10(b), the Company shall be relieved of all of its obligations under this Agreement, except that the Company shall pay to the Employee or his estate in the event of his subsequent death, any unpaid portion of the Employee's Base Compensation accrued through the date of the Employees death, and at the discretion of the Compensation Committee, a bonus, if any, additionally, a payment equal to the annual base salary of the Employee as then in effect plus an amount equal to the last bonus paid, plus the acceleration of all unvested equity awards. All such payments to the Employee or his estate shall be made in the same manner and at the same time as his Base Compensation would have been paid to him had he not become disabled.

(c) Termination by the Company for Cause. The Company may terminate the Employee's employment hereunder for Cause (defined hereafter), but only after: (a) giving the Employee written notice of the failure or conduct which the Company believes to constitute Cause; and (b) with respect to (i) through (iii) below, providing the Employee a reasonable opportunity, and in no event more than thirty (30) days, to cure such failure or conduct. In the event the Employee does not cure the alleged failure or conduct within the time frame provided for such cure by the Company, the Company shall send him written notice specifying the effective date of termination. The failure by the Company to set forth in the notice referenced in this paragraph 10(c) any fact or circumstance which contributes to a showing of Cause shall not waive any right of the Company to assert, or preclude the Company from asserting, such fact or circumstance in enforcing its rights hereunder. For purposes of this Agreement, "Cause" shall mean:

(i) The willful failure by the Employee to perform his duties in any material respect as required hereunder (other than any such failure resulting from Employee's incapacity due to physical or mental illness or disability) or the commission by Employee of an act of willful misconduct in any material respect with respect to the Company; or

(ii) The engaging by Employee in conduct which is demonstrably and materially injurious to the Company and/or its subsidiaries or affiliates; or

(iii) The willful engaging, or failure to engage, by the Employee in conduct which is in material violation of any term of this Agreement or the terms of any of the Company's written policies and procedures; or

(iv) The Employee having been convicted of a felony or having been convicted of, or entered a plea of nolo contendere to, a crime involving deceit, fraud, perjury or embezzlement.

For purposes of this paragraph 10(c), no act, or failure to act, shall be deemed "willful" unless done, or omitted to be done, by the Employee not in good faith and without reasonable belief that the Employee's action or omission was in the best interest of the Company.

In the event of the Employee's termination by the Company for Cause hereunder, the Employee shall be entitled to no severance or other termination benefits except for any unpaid portion of the Employee's Base Compensation and Other Benefits accrued (as described in paragraphs 3 and 4 above) through the date of termination.

(d) Termination by the Company Without Cause. The Company may also terminate the Employee's employment under this Agreement without Cause by providing at least thirty (30) days' written notice of such termination to the Employee. A termination of this Agreement by the Company without Cause shall entitle the Employee to Base Compensation and Other Benefits (as described in paragraphs 3 and 4 above) that the employee accrued through the date of termination plus an additional two months plus one week for each year of Employee's service to the Company beyond the date of termination.

(e) Termination by the Employee for Good Reason. The Employee shall be entitled to terminate this Agreement and his employment with the Company at any time upon thirty (30) days written notice to the Company for "Good Reason" (defined hereafter). For purposes of this Agreement, "Good Reason" shall mean:

(i) The material breach by the Company of any of its obligations hereunder that goes uncured thirty (30) days after written notice by Employee to the Company to such effect; or

(ii) A reduction in the Base Compensation payable to the Employee; or

(iii) Any material diminution of Employee's position with the Company including Employee's status, office, title, responsibilities and reporting requirements; or

(iv) The failure by the Company to continue in effect any compensation or benefit plan in which the Employee participates and which is material to the Employee's total compensation unless an equitable arrangement has been made with respect to such plan

A termination of this Agreement by the Employee with Good Reason shall entitle the Employee to Base Compensation and Other Benefits (as described in paragraphs 3 and 4 above) that the employee accrued through the date of termination plus an additional thirty (30) days beyond the date of termination.

(f) Termination by the Employee Without Good Reason. The Employee may also terminate his employment under this Agreement without Good Reason by providing at least thirty (30) days' written notice of such termination to the Company. In such event, the Employee shall not be entitled to any further compensation other than any unpaid portion of the Employee's Base Compensation and Other Benefits (as described in paragraphs 3 and 4 above) accrued through the date of termination. At the Company's option, the Company may pay to the Employee the Base Compensation and Other Benefits that the Employee would have received during such thirty (30) day period in lieu of requiring the Employee to remain in the employment of the Company for such thirty (30) day period.

(g) Return of Confidential Information and Company Property. Upon termination of the Employee's employment for any reason, the Employee shall immediately return all Confidential Information and other Company property to the Company.

11. Successors and Assigns. The Company will require any successor (whether direct or indirect) to all or substantially all of the business and assets of the Company ("Successor") of any corporation which becomes the ultimate parent corporation of the Company or any such Successor (the "Ultimate Parent") to expressly assume and agree in writing satisfactory to the Employee to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no succession had taken place; provided, however, that express assumption shall not be required where this Agreement is assumed by operation of law. After the death or disability of the Employee, all his rights hereunder shall inure to the benefit of, and be enforceable by, his personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees, and legatees. Except as otherwise provided herein, the Employee's rights and obligations may not be assigned without the prior written consent of the Company.

12. Governing Law. It is understood and agreed that the construction and interpretation of this Agreement shall at all times and in all respects be governed by the laws of the State of Arizona. The parties hereto hereby irrevocably submit to the exclusive jurisdiction of the courts of the State of Arizona and the federal courts of the United States of America located in Arizona, and appropriate appellate courts therefrom, over any dispute arising out of or relating to this Agreement or any of the transactions contemplated hereby, and each party hereby irrevocably agrees that all claims in respect to such dispute or proceeding may be heard and determined in such courts. The parties hereby irrevocably waive, to the fullest extent permitted by applicable law, any objection which they may now or hereafter have to the laying of venue of any dispute arising out of or relating to this Agreement or any of the transactions contemplated hereby brought in such court or any defense of inconvenient forum for the maintenance of such dispute. Each of the parties hereto agrees that a judgment in any such dispute may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. This consent to jurisdiction is being given solely for purposes of this Agreement and is not intended to, and shall not, confer consent to jurisdiction with respect to any other dispute in which a party to this Agreement may become involved. Each of the parties hereto hereby consents to process being served by any party to this Agreement in any suit, action, or proceeding of the nature specified above by the mailing of a copy thereof in the manner specified by the provisions of paragraph 15 below.

13. Notice. All notices required or permitted under this Agreement shall be in writing and shall be deemed effective: (i) upon delivery, if delivered in person; (ii) upon delivery to Federal Express or other similar courier service, marked for next day delivery, addressed as set forth below; (iii) upon deposit in United States Mail if sent by registered or certified mail, return receipt requested, addressed as set forth below; or (iv) upon being sent by facsimile transmission, provided an original is mailed the same day by registered or certified mail, return receipt requested:

If to the Company:
Health Enhancement Products
7740 East Evans Rd.
Scottsdale, AZ. 85260
Attn: Executive Vice President

If to the Employee:
John Gorman
6774 E Gelding Dr
Scottsdale, Az 85260

14. Severability. The provisions of this Agreement shall be deemed severable, and the invalidity or unenforceability of any one or more of the provisions of this Agreement shall not affect the validity and enforceability of the other provisions.

15. Entire Agreement. This Agreement contains the entire agreement and understanding by and between the Company and the Employee with respect to the employment of the Employee, and no representations, promises, agreements, or understandings, written or oral, not contained or referenced herein shall be of any force or effect. No waiver of any provision of this Agreement shall be valid unless it is in writing and signed by the party against whom the waiver is sought to be enforced. No valid waiver of any provision of this Agreement at any time shall be deemed a waiver of any other provision of this Agreement at such time or any other time.

16. Modification. No amendment, alteration or modification to any of the provisions of this Agreement shall be valid unless made in writing and signed by both parties.

17. Paragraph Headings. The paragraph headings have been inserted for convenience only and are not to be considered when construing the provisions of this Agreement.

18. **Counterparts**. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute but one and the same instrument.

19. **Release of Claims**. In consideration for the benefits conferred upon Employee under the terms of this Employment Agreement, Employee has simultaneously with the execution of this Agreement executed and delivered an Agreement and Release of even date herewith. In addition, no payments shall be made to Employee unless and until Employee shall sign and deliver to the Company an agreement in a form reasonably satisfactory to the Company pursuant to which Employee agrees to release all claims he may have against the Company, other than (i) claims with respect to the reimbursement of business expenses or with respect to benefits which are in each case to continue in effect after termination or expiration of this Agreement in accordance with the terms of this Agreement, (ii) claims he may have as a holder of options to acquire equity securities of the Company (which shall be governed by the documents by which Employee was granted such options) and (iii) claims he may have as a stockholder of the Company.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Company and the Employee have executed this Agreement on the day and year first above written.

Board Of Directors **Health Enhancement Products INC.**	**"EMPLOYEE"**
By: */s/ Steve Warner* Name: Stephen Warner Title: Chairman of the Board	*/s/ John Gorman* **John Gorman**

Exhibit 14.1

EMPLOYEE ETHICS POLICIES

Code of Ethics and Business Conduct for Officers, Directors and Employees

1. Treat in an Ethical Manner Those to Whom Health Enhancement Products Has an Obligation

We are committed to honesty, just management, fairness, providing a safe and healthy environment free from the fear of retribution, and respecting the dignity due everyone.

For the communities in which we live and work we are committed to observe sound environmental business practices and to act as concerned and responsible neighbors, reflecting all aspects of good citizenship.

For our shareholders we are committed to pursuing sound growth and earnings objectives and to exercising prudence in the use of our assets and resources.

2. Promote a Positive Work Environment

All employees want and deserve a workplace where they feel respected, satisfied, and appreciated. We respect cultural diversity and recognize that the various communities in which we may do business may have different legal provisions pertaining to the workplace. As such, we will adhere to the limitations specified by law in all of our localities, and further, we will not tolerate harassment or discrimination of any kind -- especially involving race, color, religion, gender, age, national origin, disability, and veteran or marital status.

Providing an environment that supports honesty, integrity, respect, trust, responsibility, and citizenship permits us the opportunity to achieve excellence in our workplace. While everyone who works for the Company must contribute to the creation and maintenance of such an environment, our executives and management personnel assume special responsibility for fostering a work environment that is free from the fear of retribution and will bring out the best in all of us. Supervisors must be careful in words and conduct to avoid placing, or seeming to place, pressure on subordinates that could cause them to deviate from acceptable ethical behavior.

3. Protect Yourself, Your Fellow Employees, and the World We Live In

We are committed to providing a drug-free, safe, and healthy work environment, and to observe environmentally sound business practices. We will strive, at a minimum, to do no harm and where possible, to make the communities in which we work a better place to live. Each of us is responsible for compliance with environmental, health, and safety laws and regulations. Observe posted warnings and regulations. Report immediately to the appropriate management any accident or injury sustained on the job, or any environmental or safety concern you may have.

4. Keep Accurate and Complete Records

We must maintain accurate and complete Company records. Transactions between the Company and outside individuals and organizations must be promptly and accurately entered in our books in accordance with generally accepted accounting practices and principles. No one should rationalize or even consider misrepresenting facts or falsifying records. It will not be tolerated and will result in disciplinary action.

5. Obey the Law

We will conduct our business in accordance with all applicable laws and regulations. Compliance with the law does not comprise our entire ethical responsibility. Rather, it is a minimum, absolutely essential condition for performance of our duties. In conducting business, we shall:

a. Strictly Adhere to All Antitrust Laws

Officer, directors and employees must strictly adhere to all antitrust laws. Such laws exist in the United States, the European Union, and in many other countries where the Company may conduct business. These laws prohibit practices in restraint of trade such as price fixing and boycotting suppliers or customers. They also bar pricing intended to run a competitor out of business; disparaging, misrepresenting, or harassing a competitor; stealing trade secrets; bribery; and kickbacks.

b. Strictly Comply with All Securities Laws

In our role as a publicly owned company, we must always be alert to and comply with the security laws and regulations of the United States and other countries.

i. Do Not Engage in Speculative or Insider Trading

Federal law and Company policy prohibits officers, directors and employees, directly or indirectly through their families or others, from purchasing or selling company stock while in the possession of material, non-public information concerning the Company. This same prohibition applies to trading in the stock of other publicly held companies on the basis of material, non-public information. To avoid even the appearance of impropriety, Company policy also prohibits officers, directors and employees from trading options on the open market in Company stock under any circumstances.

Material, non-public information is any information that could reasonably be expected to affect the price of a stock. If an officer, director or employee is considering buying or selling a stock because of inside information they possess, they should assume that such information is material. It is also important for the officer, director or employee to keep in mind that if any trade they make becomes the subject of an investigation by the government, the trade will be viewed after-the-fact with the benefit of hindsight. Consequently, officers, directors and employees should always carefully consider how their trades would look from this perspective.

Two simple rules can help protect you in this area: (1) Don't use non-public information for personal gain. (2) Don't pass along such information to someone else who has no need to know.

This guidance also applies to the securities of other companies for which you receive information in the course of your employment at Health Enhancement Products.

ii. Be Timely and Accurate in All Public Reports

As a public company, Health Enhancement Products must be fair and accurate in all reports filed with the United States Securities and Exchange Commission. Officers, directors and management of Health Enhancement Products are responsible for ensuring that all reports are filed in a timely manner and that they fairly present the financial condition and operating results of the Company.

Securities laws are vigorously enforced. Violations may result in severe penalties including forced sales of parts of the business and significant fines against the Company. There may also be sanctions against individual employees including substantial fines and prison sentences.

The Chief Executive Officer and Chief Financial Officer will certify to the accuracy of reports filed with the SEC in accordance with the Sarbanes-Oxley Act of 2002. Officers and Directors who knowingly or willingly make false certifications may be subject to criminal penalties or sanctions including fines and imprisonment.

6. Avoid Conflicts of Interest

Our officers, directors and employees have an obligation to give their complete loyalty to the best interests of the Company. They should avoid any action that may involve, or may appear to involve, a conflict of interest with the company. Officers, directors and employees should not have any financial or other business relationships with suppliers, customers or competitors that might impair, or even appear to impair, the independence of any judgment they may need to make on behalf of the Company.

Here are some ways a conflict of interest could arise:

- Employment by a competitor, or potential competitor, regardless of the nature of the employment, while employed by Health Enhancement Products.

- Acceptance of gifts, payment, or services from those seeking to do business with Health Enhancement Products.
- Placement of business with a firm owned or controlled by an officer, director or employee or his/her family.
- Ownership of, or substantial interest in, a company that is a competitor, client or supplier.
- Acting as a consultant to a Health Enhancement Products customer, client or supplier.
- Seeking the services or advice of an accountant or attorney who has provided services to Health Enhancement Products.

Officers, directors and employees are under a continuing obligation to disclose any situation that presents the possibility of a conflict or disparity of interest between the officer, director or employee and the Company. Disclosure of any potential conflict is the key to remaining in full compliance with this policy.

7. Compete Ethically and Fairly for Business Opportunities

We must comply with the laws and regulations that pertain to the acquisition of goods and services. We will compete fairly and ethically for all business opportunities. In circumstances where there is reason to believe that the release or receipt of non-public information is unauthorized, do not attempt to obtain and do not accept such information from any source.

If you are involved in Company transactions, you must be certain that all statements, communications, and representations are accurate and truthful.

8. Avoid Illegal and Questionable Gifts or Favors

The sale and marketing of our products and services should always be free from even the perception that favorable treatment was sought, received, or given in exchange for the furnishing or receipt of business courtesies. Officers, directors and employees of Health Enhancement Products will neither give nor accept business courtesies that constitute, or could be reasonably perceived as constituting, unfair business inducements or that would violate law, regulation or policies of the Company, or could cause embarrassment to or reflect negatively on the Company's reputation.

9. Maintain the Integrity of Consultants, Agents, and Representatives

Business integrity is a key standard for the selection and retention of those who represent Health Enhancement Products. Agents, representatives, or consultants must certify their willingness to comply with the Company's policies and procedures and must never be retained to circumvent our values and principles. Paying bribes or kickbacks, engaging in industrial espionage, obtaining the proprietary data of a third party without authority, or gaining inside information or influence are just a few examples of what could give us an unfair competitive advantage and could result in violations of law.

10. Protect Proprietary Information

Proprietary Company information may not be disclosed to anyone without proper authorization. Keep proprietary documents protected and secure. In the course of normal business activities, suppliers, customers, and competitors may sometimes divulge to you information that is proprietary to their business. Respect these confidences.

11. Obtain and Use Company Assets Wisely

Personal use of Company property must always be in accordance with corporate policy. Proper use of Company property, information resources, material, facilities, and equipment is your responsibility. Use and maintain these assets with the utmost care and respect, guarding against waste and abuse, and never borrow or remove Company property without management's permission.

12. Follow the Law and Use Common Sense in Political Contributions and Activities

Health Enhancement Products encourages its employees to become involved in civic affairs and to participate in the political process. Employees must understand, however, that their involvement and participation must be on an individual basis, on their own time, and at their own expense. In the United States, federal law prohibits corporations from donating corporate funds, goods, or services, directly or indirectly, to candidates for federal offices -- this includes employees' work time. Local and state laws also govern political contributions and activities as they apply to their respective jurisdictions, and similar laws exist in other countries.

13. Board Committees.

The Company shall establish an Audit Committee empowered to enforce this Code of Ethics. The Audit Committee will report to the Board of Directors at least once each year regarding the general effectiveness of the Company's Code of Ethics, the Company's controls and reporting procedures and the Company's business conduct.

14. Disciplinary Measures.

The Company shall consistently enforce its Code of Ethics and Business Conduct through appropriate means of discipline. Violations of the Code shall be promptly reported to the Audit Committee. Pursuant to procedures adopted by it, the Audit Committee shall determine whether violations of the Code have occurred and, if so, shall determine the disciplinary measures to be taken against any employee or agent of the Company who has so violated the Code.

The disciplinary measures, which may be invoked at the discretion of the Audit Committee, include, but are not limited to, counseling, oral or written reprimands, warnings, probation or suspension without pay, demotions, reductions in salary, termination of employment and restitution.

Persons subject to disciplinary measures shall include, in addition to the violator, others involved in the wrongdoing such as (i) persons who fail to use reasonable care to detect a violation, (ii) persons who if requested to divulge information withhold material information regarding a violation, and (iii) supervisors who approve or condone the violations or attempt to retaliate against employees or agents for reporting violations or violators.

Accepted:

Signature: _____ Date: _____

Print Name: _____

Exhibit 21 Subsidiaries of the Registrant

Heath Enhancement Corporation, an Arizona corporation

HEPI Pharmaceuticals, Inc., a Delaware corporation

Exhibit 31.1

Certification Pursuant to pursuant to Rule 13a-14(a) or Rule 15d-14(a)
of the Securities Exchange Act of 1934, as amended

I, Andrew D. Dahl, certify that:

1. I have reviewed this Annual report on Form 10-K of Health Enhancement Products, Inc. (the "Company");

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

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

4. The Registrants other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

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

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

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluations, and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

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

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 30, 2012

/s/ Andrew D. Dahl
Andrew D. Dahl
Chief Executive Officer

Exhibit 31.2

Certification Pursuant to pursuant to Rule 13a-14(a) or Rule 15d-14(a)
of the Securities Exchange Act of 1934, as amended

I, Philip M. Rice II certify that:

1. I have reviewed this Annual report on Form 10-K of Health Enhancement Products, Inc. (the "Company");

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

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

4. The Registrants other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

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

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

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluations, and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

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

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 30, 2012

/s/ Philip M. Rice II
Philip M. Rice II
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(Subsections (a) and (b) of Section 1350,
Chapter 63 of Title 18, United States Code)

In connection with the Annual Report of Health Enhancement Products, Inc., a Nevada corporation (the "Company"), on Form 10-K for the year ended December 31, 2011 as filed with the Securities and Exchange Commission (the "Report"), I, John Gorman, Chief Administrative Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350), that to the best of my knowledge and belief:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: March 30, 2012

/s/ Andrew D. Dahl
Andrew D. Dahl
Chief Executive Officer

A SIGNED ORIGINAL OF THIS WRITTEN STATEMENT REQUIRED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 HAS BEEN PROVIDED TO HEALTH ENHANCEMENT PRODUCTS, INC. AND WILL BE RETAINED BY HEALTH ENHANCEMENT PRODUCTS, INC. AND FURNISHED TO THE SECURITIES AND EXCHANGE COMMISSION OR ITS STAFF UPON REQUEST.

Exhibit 32.2

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(Subsections (a) and (b) of Section 1350,
Chapter 63 of Title 18, United States Code)

In connection with the Annual Report of Health Enhancement Products, Inc., a Nevada corporation (the "Company"), on Form 10-K for the period ended December 31, 2011 as filed with the Securities and Exchange Commission (the "Report"), I, John Gorman, Chief Accounting Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350), that to the best of my knowledge and belief:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: March 30, 2012

/s/ Philip M. Rice II
Philip M. Rice II
Chief Financial Officer

A SIGNED ORIGINAL OF THIS WRITTEN STATEMENT REQUIRED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 HAS BEEN PROVIDED TO HEALTH ENHANCEMENT PRODUCTS, INC. AND WILL BE RETAINED BY HEALTH ENHANCEMENT PRODUCTS, INC. AND FURNISHED TO THE SECURITIES AND EXCHANGE COMMISSION OR ITS STAFF UPON REQUEST.