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, 2009

☐ 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.)

7740 East Evans Road, Scottsdale, Arizona 85260
(Address of Principal Executive Offices)

(480) 385-3800
(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 June 30, 2009 by non-affiliates of the issuer was $27,454,859 based on the closing price of the registrant's common stock on such date.

As of April 6, 2010, there were 84,576,173 shares of $.001 par value common stock issued and outstanding.

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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;
- our ability to expand the production of our product;
- market acceptance of our product;
- future testing of our product;
- the anticipated performance and benefits of our product; 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.

Business Development

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 and HEPI Pharmaceuticals, Inc.

We acquired HEC because it had the material necessary for the production of ProAlgaZyme®. We have since established a manufacturing plant, which consists of a laboratory and production facility, and hired production and research staff. We currently market our product via the Internet and some limited exposure in local organic grocery stores. We have only nominal revenue. We believe that additional future revenue from sales of ProAlgaZyme® will depend upon the results of testing regarding, among other things, the product's composition and method of action. Accordingly, we intend to continue to focus our resources on testing directed toward determining the exact composition of the product and the method of action and effectiveness of the substances comprising the product.

In January 2007, we established HEPI Pharmaceuticals, Inc. as one of our wholly owned Subsidiaries ("HEPI Pharma"). The purpose of HEPI Pharma is 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.

Principal Product

We were founded on, and remain committed to, the principle of producing only products derived from natural ingredients. At present, our sole product is the enzyme-based, all natural dietary supplement known as ProAlgaZyme®.

ProAlgaZyme® is a naturally-generated liquid product derived from a natural plant culture grown in purified water with proprietary feeding.

Our sales currently are through the internet and by word of mouth. We have our product in a few local health food stores. However, our limited resources prevent us from pursuing a more aggressive sales program.

Marketing and Sales

To date, we have not generated sufficient revenues to enable us to be profitable. We have attempted to implement a marketing plan for ProAlgaZyme®, but our progress has been impeded by the need for further information regarding the composition, method of action and effectiveness of the product. In order to aid us in determining what product-related claims are supportable and the specific markets to which ProAlgaZyme® should be marketed, our marketing focus has been on seeking to determine the effectiveness of the ProAlgaZyme® product (using both internal studies and external, independent studies).

ProAlgaZyme has been subjected to extensive product testing, and we are currently in the process of pursuing additional external clinical trials that should provide us with further evidence of the potential of our product, and thus facilitate our sales and marketing related activities. In addition, due to the research being conducted, in February of 2010, we filed a provisional patent application to protect biologically active molecules isolated from our compound.

In 2008, we entered into an agreement with Howard R. Baer, a significant shareholder, to provide marketing services to us, in consideration for which we would pay commissions at the rate of $.50 per bottle for every bottle sold under this agreement. We paid no commissions under this Agreement. In April of 2009, we amended this agreement to grant to Changing Times vitamins, Inc., a company controlled by Mr. Baer, worldwide distribution and marketing rights to our product. This agreement called for minimum monthly sales levels had a term of two years. 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 will, subject to the increase in our authorized shares, be issued 750,000 shares of common stock, valued for financial reporting purposes at $352,500. We owe Mr. Baer approximately $50,000 at December 31, 2009, which is reflected in accounts payable. This money represents amounts due Mr. Baer for rent and reimbursement for expenses he paid on our behalf during 2009. For a description of the Termination and Mutual Release Agreement, please see Certain Relationships and Related Transactions, and Director Independence.

Competition

The dietary supplement industry is highly competitive, particularly in the area of undifferentiated products such as general-purpose multi-vitamins. The industry is also marked by the presence of often-unsubstantiated claims of product efficacy, by substantial discounting for the "standard" commodity-type products, such as multi-vitamins, and by relatively-expensive products with distinct and supportable claims to improved health or effective testimonials. It is not our intention to compete in the undifferentiated market. We believe that ProAlgaZyme® is a product that is readily differentiated, and we intend to emphasize these differences in connection with our marketing of the product.

The ProAlgaZyme® product is differentiated from other "algae-based" products in the nutraceutical market, in that:

- ProAlgaZyme® is not comprised of microbes or algae itself; that is, the source material that generates the beneficial liquid product is not processed or marketed in any way, either as a nutrient or as a food;

- the liquid product that is generated by ProAlgaZyme's source material is produced and marketed without additives, preservatives, or change. As such, it is a truly "natural" product, and does not undergo change in its nature or effectiveness as it is prepared for consumption; and

- the product has been subjected to internal laboratory testing and to external studies on animals and humans, with results that we believe support the product's potential effectiveness.

Other companies that we are aware of that sell algae-based products for human consumption include Cell Tech, which claims to sell a product derived from blue-green algae; and Cyanotech, a company selling a product purported to be derived from the cell wall of red algae.

Raw Materials

We own the microbial mixture, including algae, from which ProAlgaZyme® is derived, and these source materials are held in growing environments at our facility. 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.

We have also assessed our ability to respond to any substantial increase in demand for our ProAlgaZyme® product. In the case of ProAlgaZyme®, we believe that we would be able to expand our production capacity to accommodate potential sales growth, with only limited delays for algae replication and growth, and that this would not constitute a significant limiting factor on future overall revenue growth. We are working on an expansion of our grow room facilities in order to accommodate potential increases in product demand.

Dependence on Customers

We are not dependent on any one customer or group of customers for a significant percentage of our sales revenues.

Manufacturing

We manufacture our ProAlgaZyme® product directly, using dedicated laboratory facilities on our own premises and qualified technical staff. After production, ProAlgaZyme® is bottled in our facility under our supervision to ensure product safety and integrity.

We believe that, subject to the availability of cash resources, manufacture of our product should be scalable within a reasonable time to meet foreseeable increases in product demand; for example we believe that a doubling of capacity can be effected in an estimated period of three months.

Backlog

As of December 31, 2009, we had no backlog of orders.

Patents and Proprietary Rights

We have rights in certain patent applications and trademarks. With respect to trademarks, we have secured federal trademark registrations in the U.S. Patent and Trademark Office ("USPTO") for the following marks:

- 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 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.

With respect to patents, we have one patent application pending in the U.S. This patent application is assigned serial number 11/606,676 and is titled "Composition and Use of Phyto-Percolate for Treatment of Disease." This application was filed on November 30, 2006 and claims priority to other earlier filed patent applications wherein the earliest priority date is April 23, 2004. This patent application generally discloses a method of preparation of phyto-percolate composition and use of this composition to treat various diseases. This application is pending.

We also have two provisional patent applications pending, one of which was filed on February 22, 2010 to protect potentially biologically active molecules isolated from our compound, and the second of which was filed on March 9, 2010 to cover cholesterol regulation at the genetic level.

Mr. Howard R. Baer, our founder and a significant shareholder, has registered and permits us to use without charge the following Internet domain names:

- www.heponline.com;
- www.proalgazyme.com;
- www.replentish.com
- www.mypaz.com
- www.healthenhancementproducts.com

Mr. Baer has agreed that he will not terminate our right to use these domain names as long as we are selling the ProAlgaZyme® product.

Regulation

We do not believe that the products that we manufacture and market are subject to regulation by the Food and Drug Administration ("FDA").Instead, we believe that these products are properly designated as "dietary supplements" within the category of vitamins, minerals, dietary supplements, and herbal products covered within the U.S. by the Dietary Supplement Health and Education Act of 1994 - commonly referred to as "DSHEA". As such, the products fall under the jurisdiction of the Federal Trade Commission ("FTC"), and do not require FDA approval for release. We also believe, based on recent actions by the FDA and other governmental agencies, that public and legislative pressures upon the FDA will cause the FDA to extend its jurisdiction to cover the "nutraceutical" industry gradually over time, and that, as a result, we – along with others in the nutraceutical industry - will be subject to regulation as to product quality and manufacture, and product related claims. We will monitor carefully all such trends with the goal of ensuring that all necessary and appropriate governmental regulations relating to the safety and efficacy of our products will be observed as they are introduced and applied. If we move into international sales, our product may also be subject to approval by certain foreign regulatory and safety agencies. As a result, the export of our product to some countries may be limited or prohibited. Our manufacturing processes and facilities may also be subject to review by federal, state, or local health agencies or their representatives before export approval is granted. Adverse findings from such reviews could result in various actions against us, including restriction of trading privileges, withdrawal of approvals, and product recall. We cannot assure you that domestic or foreign regulatory agencies will give us the requisite approvals or clearances for any products under development on a timely basis, if at all. Moreover, after clearance is given, these agencies can later withdraw the clearance or require us to change the product or its manufacturing process or labeling, to supply proof of its safety and effectiveness, or to recall, replace or refund the cost of the product, if it is shown to be hazardous or defective. The process of obtaining clearance to market a product is costly and time-consuming and could delay the marketing and sale of such product.

Research and Development

Research

Our primary research emphasis has been on refinement of the ProAlgaZyme® product and on bio-chemical analyses and internal and external clinical studies with respect to the product. Our research efforts are being coordinated by Great Northern and Reserve Partners, a third party consulting firm. We spent approximately $339,000 for the year ended December 31, 2009 on research and development, as compared to $149,000 in 2008. Of the $339,000, $129,000 was spent on internal research, mainly involving in-house testing and development of the ProAlgaZyme® product and in conducting both 'in vitro" and "in vivo" testing of ProAlgaZyme®, and $210,000 has been spent on external research, mainly to independent facilities involved in the clinical trials. To date, all of these amounts have been directly expensed as they have been incurred.

Subject to the availability of sufficient funding, we estimate that we will, in fiscal 2010, expend approximately $500,000 on research and development. We do not currently have these funds available. These expenditures will need to be met from external funding sources. We have had difficulty raising funds from external sources. Thus, we may not be able to raise the funding that we need 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 market ProAlgaZyme® with objective clinical support for its characterization, method of action and efficacy, will continue to be impeded, thereby severely hindering our ability to generate sales revenue (or otherwise commercialize our ProAlgaZyme product) and adversely affecting our operating results.

During the first quarter of 2009 we began a study in cooperation with Wayne State University. The purpose of this study was to isolate the various bioactive components and test for significant changes in LDL cholesterol and C-reactive protein. Once the study is accepted by HEPI, the Company will investigate further trials with an aim toward garnering a share of the nutraceutical and functional food market. We anticipate completion of this study by June 30, 2010, and have filed a provisional patent application to protect our compound.

We have engaged consultants on an "as needed" basis to assist in our research and development activities. If and when funds become available, and as the need arises, we may expand our use of consultants with appropriate qualifications and suitable experience to help administer the preparation and management of in-house clinical studies, the establishment of protocols for independent external studies, and the monitoring, interpretation, and submission of data as required to third parties conducting studies.

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 manufacturing, 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, 2009 we had two full-time employees, positioned as follows: one employee in manufacturing and research and development, and one employee in business development, marketing, sales and support services. In addition, we have one part-time employee in finance and administration. We believe that our employee relations are good. No employee is represented by a union.

Available Information

Our website is www.heponline.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 that 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. If we are unable to successfully market our product and/or unable to obtain financing we will not be able to continue as a going concern.

We are materially dependent on external sources for continued funding. Until our sales reach a level to cover our expenses we are reliant upon external sources to fund our continued operations. There is no guarantee that this funding will continue.

Our lack of authorized shares of common stock will make it more difficult for us to raise capital. We currently do not have available for issuance any authorized shares of common stock which have not been issued or reserved for (i.e., reserved for issuance in connection with rights to acquire common stock (e.g. warrants, convertible notes, etc.)). That is, our authorized common stock has been exhausted. Although we can still raise capital through the sale of debt securities, the absence of authorized shares of common stock prevents us from raising additional capital through the sale of common stock (other than upon exercise of outstanding common stock purchase warrants), at a time when we are in need of additional funds to meet our capital requirements over the next twelve months. Thus, the absence of authorized shares of common stock makes it more difficult for us to raise capital. The capital we recently raised was from exercise of outstanding warrants to purchase common stock. Thus, the absence of authorized shares was not an impediment, as these shares were previously reserved for issuance upon exercise of the warrants. We are in the process of taking the steps necessary to increase the number of our authorized shares of common stock.

Our future success is dependent on either our ability to expand our or establish strategic partnerships. There is no guarantee that we will be able to successfully market our product and recruit new distributors or that we will be able to establish strategic partnerships. Although we have recently contracted with a marketing consultant, we have not achieved the sales success needed to sustain our operations.

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 advertising claims. Our ability to successfully advertise our product is dependent upon adhering to these requirements. If we fail t comply with applicable government regulations concerning the advertising of our product, we could be subject to substantial fines and penalties, which would have a material adverse affect on our business.

If we are unable to protect our intellectual property, we may lose a competitive advantage or incur substantial litigation costs to protect our rights. Our future success depends upon our proprietary technology. We currently have one patent application and two provisional patent applications pending in the U. S. for our product.

Item 1B.Unresolved Staff Comments.

Not required for smaller reporting companies.

Item 2. Properties.

We are leasing office and production space located in Scottsdale, Arizona from a significant shareholder, 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 $20,000to $16,720 monthly (not including real estate taxes (currently $1,480 per month)). In addition, the lessor 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 $281,000 in rent expense during fiscal 2009.

The Company is leasing, on a month to month basis, a warehousing and bottling facility. The lease calls for monthly rentals of $2,700, plus annual common area maintenance fees. Rent expense under this lease for the year ended December 31, 2009 was $38,105.

Item 3. Legal Proceedings.

We are currently not involved in any legal action.

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

There were no items submitted to a vote of security holders during the fourth quarter of fiscal 2008.

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, 2008	**HIGH**	**LOW**
First Quarter	0.30	0.29
Second Quarter	0.38	0.33
Third Quarter	0.12	0.10
Fourth Quarter	0.10	0.05
Year ended December 31, 2009		
First Quarter	0.10	0.06
Second Quarter	0..42	0.06
Third Quarter	0.54	0.20
Fourth Quarter	0.35	0.18

As of February 24, 2010 we have 167 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, 2009, we made the following sales of securities: we issued 1,618,333 shares of common stock to employees in payment of current and accrued salaries in the amount of $80,916; we issued 923,000 shares of common stock to consultants for research related services valued at $51,000; we issued 1,316,000 shares of stock at a price of $.05 per share, for $65,800 in proceeds; we issued 1,500,000 shares valued at $120,000, to a marketing consultant for services; we issued 203,227 shares of common stock upon conversion of convertible debentures and related accrued interest in the amount of $50,807.

During the quarter ended June 30, 2009, we made the following sales of securities: we issued 931,048 shares of common stock to employees in payment of accrued salaries in the amount of $46,552; we issued 2,944,400 shares of stock at a price of $.05 per share, for $147,220 in proceeds; we issued 500,000 shares valued at $45,000 to a marketing consultant for services; we issued 500,000 shares of stock, in payment of accounts payable and current services in the amount of approximately $11,487; we issued 800,000 shares of common stock, and warrants to purchase 800,000 shares of stock, at an exercise price of $.10 per share, to a significant shareholder as compensation for such shareholder having transferred property to third parties as an inducement to provide us an equity investment; and we issued to these third parties 700,000 shares of common stock at a price of $.05 per share for proceeds of $35,000.

During the quarter ended September 30, 2009 the Company issued 6,550,000 shares of common stock and received $652,500 in proceeds for sales of common stock and upon exercise of warrants. In addition the Company issued 200,000 warrants in connection with the sale of certain of these shares. The Company issued 167,273 shares of common stock to a former employee upon exercise of a cashless warrant. The Company issued 75,000 shares of common stock to a consultant for services, valued at $36,000. The Company issued warrants to purchase 4,400,000 shares of common stock as an inducement for existing $.10 warrant holders to exercise outstanding warrants. The Company issued warrants to purchase 250,000 shares of common stock at an exercise price of $.10 and a term of three years to a consultant for services. The Company issued warrants to purchase 350,000 shares of common stock at an exercise price of $.10 and a term of three years to Peter Vitulli, its former CEO as a signing bonus. These warrants were valued at $131,766.

During the quarter ended December 31, 2009, we made the following sales of securities; we issued 1,030,000 shares of common stock upon exercise of warrants, with an average exercise price of approximately $.13 per share, for proceeds of $131,500; we issued 100,000 shares of stock at a price of $.10 per share, for proceeds of $10,000, and we issued warrants to purchase 233,333 shares of common stock at an exercise price of $.10 per share, for a term of three years, in connection with a short term borrowing from Peter Vitulli, ,our then interim CEO. These warrants have a cashless exercise provision. In addition, we are obligated to issue 65,000 shares of common stock and warrants to purchase 130,000 shares of stock for finders' fees, 550,000 shares of common stock valued for financial reporting purposes at $180,500 to consultants, and 750,000 shares of common stock valued for financial reporting purposes at $352,500 to a significant shareholder under the terms of a contract termination.

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: 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.

We have had only nominal sales of our sole product, ProAlgaZyme®. We continue to be engaged in and our focused primarily ongoing product related research and development. To date, we have had only limited revenue (approximately $25,000 and $177,000 in 2009 and 2008, respectively). 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. These factors raise substantial doubt about our ability to continue as a going concern. 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, 2009 and 2008

Net Sales

Net sales for the year ended December 31, 2009 were $25,140, as compared to $176,903 for the year ended December 31, 2008. These sales reflect principally revenues from the ProAlgaZyme® product. We currently market our product primarily over the Internet and by telephone. The decrease in our revenue for 2009 is due to our expanded focus on outside research, which has directed operating funds to research rather than to marketing. In addition, we recognized $54,000 through September of 2009 in guaranteed minimum payments under an exclusive distribution contract which was terminated on October 1, 2009. These minimum payments are not included in sales revenue. These amounts were accrued and offset against amounts that were owed to the distributor, which is controlled by a significant shareholder of the Company.

Throughout 2008 and 2009, we have been adversely impacted by a shortage of funds which has severely impeded our ability to market and test our ProAlgaZyme® product, further contributing to a low level of net sales. Although the ProAlgaZyme® product is available for sale and we are exploring potential marketing opportunities, we expect only limited sales revenue for the foreseeable future. We believe that our ability to generate sales of the ProAlgaZyme® product will depend upon, among other things, further characterization of the product, identification of its method of action and further evidence of its efficacy, as well as advertising. The testing necessary to further characterize the product, identify its method of action and further substantiate its effectiveness is ongoing.

Cost of Sales

Cost of sales was $63,693 for the year ended December 31, 2009, as compared to $130,036 for the comparable period in 2008. The decrease in costs of sales is due primarily to reduced sales activity. Costs of sales are primarily costs related to raw materials, labor and the laboratory and controlled production environment 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.

Gross Profit

Gross Profit was $15,447 for the year ended December 31, 2009, as compared to $46,867 for the comparable period in 2008. While there was an overall decrease in gross profit, as a percentage of sales our gross profit increased. This is due primarily to the sales revenue recognized under our contract with Changing Times Vitamins. These sales were of raw product only thus we did not incur the normal cost of sales expenses.

Research and Development Expenses

For the year ended December 31, 2009, we incurred approximately $339,000 in research and development expenses, as compared to $149,000 for the comparable period in 2008. These expenses are comprised of costs associated with internal and external research. Internal research and development was $129,000 in 2009, compared to $136,000 in 2008. The decrease was due to the use of outside consultants. We expect internal research and development to increase in 2010, subject to the availability of sufficient funding, which we do not currently have for such purpose. External research and development increased approximately $197,000 in 2009 to $210,000, compared to $13,000 in 2008. This increase was due primarily to the increase in costs associated with external clinical trials. We expect external research and development to increase in 2010, as we pursue additional external trials, subject to the availability of sufficient funding.

Historically, we have been funded through external sources. We have in the past had difficulty raising funds from external sources; however, during 2009 we raised $1,121,620 in debt and equity. We may not be able to raise the funding that we need to continue our research and development activities. In the event that we are not able to secure sufficient funding to meet our research needs, we will be unable to pursue necessary research activities, in which case our ability to market ProAlgaZyme® with objective clinical support for its characterization and method of action will be impeded, thereby hindering our ability to generate sales revenue and impacting negatively our operating results.

Selling and Marketing Expenses

Selling and marketing expenses were $225,132 for the year ended December 31, 2009, as compared to $209,189 for the year ended December 31, 2008. The increase in selling and marketing expenses was due primarily to an increase in salaries.

We are currently exploring potential third party distribution channels for our product. However, we intend to continue to direct selling efforts to existing ProAlgaZyme® users, by soliciting reorders from existing customers by telephone or mail in our inbound/outbound call center. The limit on our ability thus far to advertise our product (due to the need for additional testing) has had and, until we are able to advertise our product based upon the results of clinical trials further demonstrating its efficacy, will continue to have, a material adverse effect on sales revenue and operating results. We intend to continue to pursue clinical study of our product and, subject to the results of such testing, increase advertising in 2010, subject to availability of sufficient funding, which we do not currently have.

General and Administrative Expenses

General and administrative expenses increased approximately $66,000 to $827,000 in 2009, compared to $761,000 in 2008. The increase in general and administrative expenses was due primarily to an increase in rent expense (related to a contractual escalation) and travel costs.

Professional Fees and Consulting Expense

Professional fees and consulting expense increased approximately $487,000 to $624,000 in 2009 compared to $137,000 in 2008. The increase is due primarily an increase in consulting fees of $353,000. We anticipate continued compensation to outside consultants as we explore marketing opportunities for our product.

Contract Termination Fee

As disclosed elsewhere herein, we had previously entered into an exclusive distributorship agreement with CTV, a company controlled by Howard Baer, a significant shareholder who is one of our former CEOs. This Agreement granted exclusive rights to distribute our products across several consumer based channels. 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 will, subject to the increase in our authorized shares, be issued 750,000 shares of common stock, valued for financial reporting purposes at $352,500.

Fair Value Adjustment of Derivative Liability.

The Company has reclassified certain outstanding warrants, options and debentures as derivative liabilities, which are marked to fair value periodically pursuant to ASC guidance (formerly 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 options, warrants and debentures utilizing the Black-Scholes method of valuation using the following assumptions: volatility from 133.87% to 218.85%, annual rate of dividends 0% and a discount rate of 3.1%. This valuation resulted in a reclassification from stockholders’ equity of $3,761,320. For the twelve months ended December 31, 2009, for financial statement purposes we recognized $1,532,276 in income based on the change in fair value of these liabilities during the periods.

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.

Other Income/Expense

Finance Costs /Amortization of Bond Discount

During the year ended December 31, 2009, we incurred about $74,000 in finance costs paid in stock and warrants, as compared to $127,000 for the year ended December 31, 2008, a $53,000 decrease The decrease in finance charges paid with stocks and warrants was due to the issuance of fewer warrants related to financing transactions, Amortization of bond discount decreased about $260,000 from $506,000 in 2008 to $245,000 in 2009. The decrease in bond amortization in 2009 was due primarily to a reduction in the principal amount of notes converted in 2009, compared to 2008.

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.

We have had only nominal revenue (approximately $79,000 for year ended December 31, 2009) and have incurred significant net losses since inception, including a net loss of $1,416,860 during the year ended December 31, 2009. We expect only limited sales revenue for the foreseeable future**.** Further we have, since inception, consistently incurred negative cash flow from operations. During the year ended December 31, 2009, we incurred negative cash flows from operations of $1,150,119. As of December 31, 2009, we had a working capital deficiency of $3,680,065 and a stockholders' deficiency of $3,785,602. Although we recently raised a limited amount of capital, we have a near term and urgent need for additional capital.

During the year ended December 31, 2009, our operating activities used approximately $1,150,000 in cash, compared with using $936,000 in cash during the comparable prior period. The approximate $214,000 increase in cash used by our operating activities was due primarily to a $1,532,000 increase in fair value adjustment of derivative liability (a non-cash income item) and a $261,000 decrease in bond amortization expense (a non-cash expense item), partially offset by a $397,000 decrease in net loss, a $429,000 increase in stock issued for services (a non cash expense item) and a $533,000 increase in "obligation to issue common stock," (a non cash expense item).

During the year ended December 31, 2009, our financing activities generated $1,164,506 in cash, as compared to generating $1,050,470 in cash during the comparable prior period. The $114,036 increase in cash provided by financing activities was primarily attributable to a$175,000 increase in proceeds received from the sale of stock and exercise of warrants.

Although we have recently raised a limited amount of capital, 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 great difficulty in raising capital from external sources.

In addition, we currently do not have available for issuance any authorized shares of common stock which have not been issued or reserved for (i.e., reserved for issuance in connection with rights to acquire common stock (e.g. warrants, convertible notes, etc.)). That is, our authorized common stock has been exhausted. Although we can still raise capital through the sale of debt securities, the absence of authorized shares of common stock prevents us from raising additional capital through the sale of common stock (other than upon exercise of outstanding common stock purchase warrants), at a time when we are in need of additional funds to meet our capital requirements over the next twelve months. Thus, the absence of authorized shares of common stock makes it more difficult for us to raise capital. The capital we recently raised was from exercise of outstanding warrants to purchase common stock. Thus, the absence of authorized shares was not an impediment, as these shares were previously reserved for issuance upon exercise of the warrants. We are in the process of taking the steps necessary to increase the number of our authorized shares of common stock.

These factors raise substantial doubt about our ability to continue as a going concern. If we are not able to obtain additional funding in the near term, we will probably be unable to continue as a going concern, in which case, you would suffer a total loss of your investment in our company.

We estimate that we will require approximately $1,500,000 in cash over the next 12 months in order to fund our operations. We currently have limited cash in the bank for our 2010 cash needs. We are seeking additional funding in the range of $1,500,000 to $3,000,000 to support operations and fund new initiatives. Based on this cash requirement, we have a near term need for additional funding. For the foreseeable future, we do not expect that sales revenues will be sufficient to fund our cash requirements. 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 not able to raise additional funds in the near term, we may be unable to continue as a going concern, in which case you will suffer a total loss of your investment in our company.

We have no current plans to make other material capital expenditures for equipment over the next 12 months, unless we experience a significant increase in demand, which necessitates an expansion of our production capacity. Our current production capacity is limited. If demand for our ProAlgaZyme® product were to rise significantly and rapidly, in order to expand our production capacity to meet such demand, we would need to make additional capital expenditures, the funding for which we would need to obtain from external sources. Accordingly, if we experience a significant and rapid increase in demand for our ProAlgaZyme® product, we may be required to make additional capital expenditures to be able to meet such demand. In addition, even absent a substantial increase in demand, we expect that there will be some expenses involved in the provision of additional and replacement equipment to make efficient use of the expanded facilities in our new location. As discussed above, we may not be able to obtain additional funding on favorable terms or at all. If we are unable to obtain the funds we need to expand our production capacity, our ability to significantly increase our revenues may be materially and adversely affected.

We began an expansion of our production facilities during 2008. This expansion is approximately 90% complete. This expansion has been put on hold temporarily until we have a greater understanding of the best production method to be utilized in replicating the desired molecules recently identified in our clinical research. This method may require changes in the way our product is currently manufactured.

Significant elements of income or loss not arising from our continuing operations

We do not expect to experience any significant elements of income or loss other than those arising from our continuing operation.

Seasonality

Our product is directed to the improvement of the health of our consumers, and we do not expect that operating results will be affected materially by seasonal factors. In addition, ProAlgaZyme® is cultivated in a climate-controlled laboratory environment, not subject to seasonal growing effects or influences.

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 (T). Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures. Based on their evaluation as of December 31, 2009, our Chief Executive Officer and Chief Financial Officer have 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 Principal Executive Officer and our Principal 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, 2009. 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, 2009.

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, 2009 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 or directors:

Name	Age	Positions	Since
Janet L. Crance	53	Principal Administrative Officer, Principal Accounting Officer (part-time), Treasurer, Director	2005
John Gorman	39	Secretary, Director	2006

Ms. Janet L. Crance was appointed Principal Accounting Officer on June 22, 2005, was appointed as a director on November 30, 2006, and was appointed Principal Administrative Officer in September 2007. Ms. Crance has over 33 years experience in the field of accounting, including both the public and private sectors. She has been a Certified Public Accountant for 19 years. Professional affiliations include the *American Institute of Certified Public Accountants* and the *Arizona Society of Certified Public Accountants*. She has served for two years as the President of the Central Chapter of the Arizona Society, which includes the greater Phoenix area.

Mr. John Gorman was appointed director on November 30, 2006**. I**n addition to serving as a director, he serves as Head of Sales and Customer Relations for Health Enhancement Products, Inc. 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.

Each of the officers will serve as such until his/her 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., 7740 E. Evans Road, Scottsdale, Arizona 85260.

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, 2009 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.

Item 11. Executive Compensation

Summary Compensation Table

We have no written compensation agreements with our executives. The following table summarizes the compensation paid to our Chief Executive Officer and each of our other two most highly compensated executive officers (the "Named Executives") during or with respect to fiscal 2008 and 2009 for services rendered to us in all capacities.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Fiscal Year	Salary ($)	Bonus* ($)	Stock Awards ($)	All Other Compensation ($)	Total ($)
Peter Vitulli, Interim CEO (10)	12/31/2009	31,000				31,000
Janet Crance	12/31/2009	84,166 (5)				84,166
CFO and interim CEO	12/31/2008	77,995(5)	1,300 (1)			79,295
John Gorman	12/31/2009	82,813(6)				82,813
Director	12/31/2008	82,493(6)	3,250 (3)			85,743
	12/31/2007					
	12/31/2006					

*The amounts in this column represent the compensation costs recognized for financial statement reporting purposes under FAS 123R for fiscal years 2009 and 2008with respect to bonuses 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). Grant date fair value is the closing price on date of grant for stock awards.

(1) Ms. Crance received 10,000 shares of stock as a bonus in January of 2008. This stock was valued at $.13 per share, the closing price on the day of the award.

(2) Ms. Crance received 5,000 shares of stock as a bonus in January of 2007. This stock was valued at $.88 per share, the closing price on the day of the award.

(3) Mr. Gorman received 25,000 shares of stock as a bonus in January of 2008. This stock was valued at $.13 per share, the closing price on the day of the award.

(4) Mr. Gorman received 12,500 shares of stock as a bonus in January of 2007. This stock was valued at $.88 per share, the closing price on the day of the award.

(5) Ms. Crance received 945,000 shares of stock in lieu of cash payments for payroll of $24,750 and $22,500, in 2008 and 2009, respectively. This stock was valued at $.05 per share, the closing price on the day of the award.

(6) Mr. Gorman received 586,512 shares of stock in lieu of cash payments for payroll of $28,150 and $1,175, in 2008 and 2009, respectively. This stock was valued at $.05 per share, the closing price on the day of the award.

Compensation of Directors

Our directors did not receive any remuneration for their service on our Board of Directors during 2009.

Narrative Compensation Disclosure

We currently have no written employment agreements with any of our employees. Janet Crance, our Chief Administrative and Chief financial Officer is paid a base salary of $78,000 for all services rendered to us in her capacity as an officer. John Gorman, our Director of Sales, is paid a base salary of $80,000 for all services rendered to us in his capacity as an officer. Neither Ms. Crance nor Mr. Gorman has any bonus compensation plan. Any bonus awarded to any of our officers would be at the discretion of our board of directors.

Option Grants in the Last Fiscal Year

No options to purchase our stock have been granted to the Named Executive Officers during fiscal year 2009.

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 unexcercised warrants # Exercisable	Number of Securities underlying unexcercised warrants # Unexercisable	Warrant Exercise price	Warrant Expiration
Janet Crance	0	210,000	.10	9/30/2010
John Gorman	0	40,000	.50	9/30/2010

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

The following table sets forth, as of December 31, 2009, 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 are based on 78,636,332 shares issued and outstanding as of December 31, 2009, and where applicable, beneficial ownership includes shares which the beneficial owner has the right o acquire within sixty days.

Security Ownership of Certain Beneficial Owners:

Name and Address	Title of Class	Number of Shares Beneficially Owned (1)	% of Class
Mr. Howard R. Baer 7740 E. Evans Rd. Scottsdale, AZ 85260	Common	4,207,869 (2)	5.29%
Chris Maggiore 6860 Chillingsworth Circle Canton, OH 44718	Common	4,836,719 (3)	5.93%
Robert McLain 5619 Island Drive NW Canton, OH 44718	Common	5,181,375 (4)	6.36%
Don Gage 2011 Shadow Walk Palm Harbor, FL 34685	Common	4,160,065 (5)	5.18%
Howard Shapiro 109 Logtown Road Port Jervis, NY 12771	Common	5, 645,000 (8)	7.20%

Security Ownership of Management:

Name and Address	Title of Class	Number of Shares Beneficially Owned (1)	% of Class
Ms. Janet L. Crance	Common	1,375,000(6)	1.70%
Mr. John Gorman	Common	701,512 (7)	.*
Directors and Officers as a Group	Common	2,076,512	2.6%

*** 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 o 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 800,000 shares of common stock.

(3) Includes warrants to purchase 2,886,652 shares of common stock.

(4) Includes warrants to purchase 2,770,000 shares of common stock.

(5) Includes warrants to purchase 1,600,000 shares of common stock**.**

(6) Includes warrants to purchase 210,000 shares of common stock.

(7) Includes warrants to purchase 40,000 shares of common stock.

(8) Includes warrants to purchase 240,000 shares of common stock.

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

Investment in Convertible Debentures:

During the year ended December 31, 2009, we received in the aggregate $155,000 from the sale of convertible debentures to Howard Shapiro, a more than 5% shareholder. These debentures are convertible at a range between $.10 and $.05 per share into shares of the Company's common stock, and include warrants to purchase 500,000 shares of stock. In addition, we received $50,000 from Mr. Shapiro's pension plans upon the exercise of outstanding warrants. In 2009, we restructured certain convertible notes held by Mr. Shapiro (and related persons), in connection with which the conversion price was reduced from $.10 to $.05per share and certain outstanding warrants were cancelled.

Investment in Private Placements:

During the year ended December 31, 2009, we received in the aggregate $218,000 from Chris Maggiore, a more than 5% shareholder, in connection with the private sale of 3,660,400 shares of our common stock.

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

Office Space - We are leasing office and production space located in Scottsdale, Arizona from a significant shareholder, 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, the lessor 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 $281,000 in rent expense during fiscal 2009.

Marketing Consultant/Distributorship Agreement – In 2008, we entered into an agreement with Mr. Baer, a significant shareholder, to provide marketing services to us, in consideration for which we would pay commissions at the rate of $.50 per bottle for every bottle sold under this agreement. We paid no commissions under this Agreement. In April of 2009, we amended this agreement to grant to Changing Times vitamins, Inc., a company controlled by Mr. Baer, worldwide distribution and marketing rights to our product. This agreement called for minimum monthly sales levels and a term of two years. We 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 will, subject to the increase in our authorized shares, be issued 750,000 shares of common stock, valued for financial reporting purposes at $352,500.

Sales - In 2008, we sold product to Changing Times Vitamins, Inc. (CTV). Howard Baer, one of our significant shareholders, is also a significant shareholder of CTV. Sales to CTV were approximately $27,000 and $54,000 (representing 28% and 68% of our revenue) in 2008 and 2009, respectively. At December 31, 2009 and 2008, $0 and $49,000 were outstanding, respectively, and reported in accounts receivable on the respective balance sheet. The Company, on the one hand, and CTV and Howard R. Baer, on the other hand, have agreed that each of them shall have a mutual right of offset against the other with respect to amounts payable by one to the other including accounts receivable owed by CTV to the Company. During 2009, sales to Changing Times Vitamins, Inc. ceased. The Company owes Mr. Baer approximately $50,000 at December 31, 2009, which is reflected in accounts payable. This money represents reimbursements due Mr. Baer for expenses he paid on the Company's behalf during 2009.

Financing - In September, 2008, we entered into a financing transaction in connection with which we incurred a liability of $45,000 to a significant shareholder, Howard Baer, in the form of an advance of $25,000 and discharge of our liability for unpaid rent in the amount of approximately $20,000. In connection with this transaction, we issued 1,500,000 restricted shares of common stock to a third person to induce him to loan funds to the significant shareholder, Howard Baer, to enable such shareholder to make the $25,000 loan to the Company and discharge the approximate $20,000 company liability for unpaid rent. The loan payable to Mr. Baer is unsecured, payable on demand, and bears interest at the rate of 7% per annum. The shares issued to the third person were valued at $90,000, based on the quoted price of the Company's common stock on September 15, 2008. The Company recognized finance costs of $90,000 in connection with this transaction.

In June of 2009 the Company issued 800,000 shares of common stock, and warrants to purchase 800,000 shares of stock at an exercise price of $.10 per share, to Howard Baer, a significant shareholder and former CEO, as compensation for such shareholder having transferred property to third parties as inducement to make an equity investment in the Company. The total invested by these third parties was $35,000. The shares were valued at $96,000, and the warrants were valued at approximately $92,000 using the Black Scholes pricing model, with the following assumption: volatility 227.05%, annual rate of dividends 0%, discount rate 3.1%.

The Board of Directors consists of the Principal Administrative Officer and the Director of Sales and Operations. These two board members are not independent.

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 $61,000 and $60,000 for 2009 and 2008, respectively.

Audit-Related Fees

There were no fees for assurance and related services for 2009 or 2008.

Tax Fees

There were no fees for tax compliance, tax advice or tax planning services during 2009 or 2008.

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.

By: */s/ Janet L Crance*
Janet L. Crance
Principal Administrative Officer
Principal Financial Officer

Date: April 14, 2010

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/ *John Gorman* (John Gorman)	Director	April 14, 2010
By: */s/ Janet L. Crance* (Janet L. Crance)	Director	April 14, 2010

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, 2009 and 2008 and the related consolidated statements of operations, stockholders' deficiency and cash flows for each of the two years in the period ended December 31, 2009. 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, 2009 and 2008, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2009, 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, 2009 and 2008 and, as of December 31, 2009, 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
April 14, 2010

HEALTH ENHANCEMENT PRODUCTS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

ASSETS	December 31, 2008	December 31, 2009
CURRENT ASSETS:		
Accounts receivable, less reserve of $7,247 and $0 at December 31, 2008 and 2009	$ 49,334	$ -
Inventories	43,769	4,197
Prepaid Expenses	14,725	90,607
Total Current Assets	107,828	94,804
PROPERTY AND EQUIPMENT, NET	195,196	177,190
OTHER ASSETS:		
Definite-life intangible Assets, net	10,101	9,134
Deposits	122,015	120,667
Total Other Assets	132,116	129,801
	$ 435,140	$ 401,795
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Cash Overdraft	$ -	$ 9,517
Accounts Payable	509,262	541,857
Loans Payable, Other	15,000	58,117
Current portion, long term debt	6,718	5,585
Common Stock Subscribed	40,500	-
Obligation to issue common stock and warrants	-	636,262
Convertible Debentures Payable, less discount of $15,229		84,771
Accrued Payroll	51,568	39,262
Accrued Payroll Taxes	25,266	144,130
Derivative liability	-	2,229,044
Accrued Liabilities	36,829	26,324
Total Current Liabilities	685,143	3,774,869
LONG TERM LIABILITIES:		
Notes payable, less current portion	10,166	3,168
Convertible Debenture Payable, net of Discount of $213,020 and $114,831 at December 31, 2008 and 2009	132,980	251,269
Deferred rent expense	126,446	158,091
Total Long term Liabilities	269,592	412,528
TOTAL LIABILITIES	954,735	4,187,397
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' DEFICIT:		
Common stock, $.001 par value, 100,000,000 shares authorized 59,478,045 and 78,636,332 issued and outstanding at December 31, 2008 and 2009	59,478	78,636
Additional Paid-In Capital	17,411,793	15,543,488
Accumulated deficit	(17,990,866)	(19,407,726)
Total Stockholders' Deficit	(519,595)	(3,785,602)
	$ 435,140	$ 401,795

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

HEALTH ENHANCEMENT PRODUCTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	For the year ended December 31, 2008	For the year ended December 31, 2009
NET SALES	$ 176,903	$ 25,140
MINIMUM EXCLUSIVE DISTRIBUTION FEES	-	54,000
TOTAL REVENUES	176,903	79,140
COSTS AND EXPENSES:		
Cost of sales	130,036	63,693
Selling	209,189	225,132
General and Administrative	761,452	827,451
Professional fees and Consulting Expense	137,448	624,214
Contract Termination Fee		652,500
Research and Development	148,831	339,315
Total Costs and Expenses	1,386,956	2,732,305
(LOSS) FROM OPERATIONS	(1,210,053)	(2,653,165)
OTHER INCOME (EXPENSE):		
Other income - rent	37,947	18,900
Fair Value Adjustment of Derivative Liability		1,532,276
Amortization of Bond Discount	(505,671)	(245,060)
Vendor settlements		10,107
Finance Costs paid in Stocks and Warrants	(126,720)	(74,165)
Interest Expense	(6,840)	(5,753)
Interest Expense - Related Party	(2,503)	-
Total Other Income (Expense)	(603,787)	1,236,305
NET LOSS	$ (1,813,840)	$ (1,416,860)
BASIC AND DILUTED LOSS PER SHARE	$ (0.03)	$ (0.02)
WEIGHTED AVERAGE BASIC AND DILUTED SHARES OUTSTANDING	52,430,957	73,652,154

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

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HEALTH ENHANCEMENT PRODUCTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIENCY
FOR THE PERIOD JANUARY 1, 2008 THROUGH December 31, 2009

	Common Stock		Additional Paid in	Accumulated	
	Shares	Amount	Capital	Deficit	Total
Balance, January 1, 2008	44,226,307	$ 44,226	$ 15,377,433	$ (16,177,026)	$ (755,367)
Common stock issued pursuant to private placements	7,461,998	7,462	738,738	-	746,200
Exercise of warrants	450,000	450	44,550	-	45,000
Conversion of convertible debentures	2,411,240	2,411	626,202	-	628,613
Discount on convertible debentures	-	-	196,000	-	196,000
Finders fees	221,000	221	37,389	-	37,610
	-	-	(37,610)	-	(37,610)
Issuance of stock to employees	97,500	98	12,578	-	12,676
Warrants issued to employees	-	-	98,403	-	98,403
Redating of warrants	-	-	6,720	-	6,720
Issuance of stock to consultants	110,000	110	45,890	-	46,000
Issuance of stock as finance costs	1,500,000	1,500	88,500	-	90,000
Issuance of stock as payment of accounts payable	3,000,000	3,000	177,000	-	180,000
Net loss, year ended December 31, 2008	-	-	-	(1,813,840)	(1,813,840)
Balance, December 31, 2008	59,478,045	59,478	17,411,793	(17,990,866)	(519,595)
Issuance of stock to employees	2,549,381	2,549	252,389	-	254,938
Issuance of warrants to employees	-	-	32,210	-	32,210
Issuance of stock to consultants	3,498,000	3,498	335,572	-	339,070
Issuance of warrants to consultants	-	-	95,125	-	95,125
Common stock issued pursuant to private placements	6,360,400	6,360	406,660	-	413,020
Conversion of convertible debentures	203,227	203	50,605	-	50,808
Finders fees	800,000	800	(800)	-	-
Exercise of warrants	5,747,273	5,748	588,252	-	594,000
Discount on convertible debt	-	-	162,100	-	162,100
Finance costs paid in warrants	-	-	74,165	-	74,165
Finders fees-common stock and warrants to be issued	-	-	(103,263)	-	(103,263)
Derivative adjustments	-	-	(3,761,320)	-	(3,761,320)
Net loss	-	-	-	(1,416,860)	(1,416,860)
Balance, December 31, 2009	78,636,326	$ 78,636	$ 15,543,488	$ (19,407,726)	$ (3,785,602)

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, 2008	For the year ended December 31, 2009
Cash Flows from Operating Activities:		
Net Loss	$ (1,813,840)	$ (1,416,860)
Adjustments to reconcile net loss to net cash used by operating activities:		
Non-cash - stock issued for services rendered	46,000	288,583
Warrants issued as payment of finance costs	6,720	74,165
Stock issued to employees for services	12,676	199,187
Warrants granted for services	98,403	32,210
Common stock issued for finance costs	120,000	-
Amortization of prepaid consulting fees	-	66,225
Amortization of bond discount	505,671	245,060
Amortization of intangibles	967	967
Depreciation expense	32,572	32,392
Fair value adjustment of derivative liability	-	(1,532,276)
Increase in deferred rent	44,230	31,645
Allowance for Doubtful Accounts	(7,247)	-
Changes in assets and liabilities:		
(Increase) Decrease in accounts receivable	(39,672)	49,334
(Increase) Decrease in inventories	(22,261)	39,572
(Increase) in prepaid expenses	(10,006)	(10,982)
Increase in accounts payable	92,037	47,082
Increase in payroll and payroll taxes	23,308	178,925
Decrease in deposits	-	1,348
Increase in obligation to issue common stock	-	533,000
(Decrease) in accrued liabilities	(25,381)	(9,696)
Net Cash (Used) by Operating Activities	(935,823)	(1,150,119)
Cash Flows from Investing Activities:		
Capital expenditures	(119,757)	(14,387)
Net Cash (Used) by Investing Activities	(119,757)	(14,387)
Cash Flow from Financing Activities:		
Cash overdraft		9,517
Proceeds from shareholder advances	51,000	-
Proceeds from Obligation to issue common stock	40,500	-
Proceeds from loans payable, others	31,000	41,500
Payments on shareholder advances	(17,100)	-
Payments of other borrowings	(6,130)	(8,131)
Payment on Note and loans payable	(36,000)	-
Proceeds from issuance of convertible debentures	196,000	155,100
Proceeds from sale of common stock and warrant exercise	791,200	966,520
Net Cash Provided by Financing Activities	1,050,470	1,164,506
Increase (Decrease) in Cash	(5,110)	-
Cash at Beginning of Period	5,110	-
Cash at End of Period	$ -	$ -
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period for:		
Interest	$ 2,886	$ 2,734
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, 2008:

The Company issued 221,000 shares of common stock as finders' fees. The stock was valued at $37,610. The Company converted $625,000 of convertible debentures and $3,613 in accrued interest with the issuance of 2,411,240 shares of common stock. The Company issued convertible debentures for $196,000 in principal and recorded a discount on the debentures of $196,000.

The Company converted $150,000 of accounts payable and loans payable to a significant shareholder into a note payable.

The Company issued 3,000,000 shares of common stock, valued at $180,000, to a significant shareholder in payment of a $150,000 note payable. The Company recognized $30,000 in finance costs as a result of this transaction.

For the year ended December 31, 2009:

The Company converted $50,000 in debentures and $808 in accrued interest into 203,227 shares of common stock.

The Company issued convertible debentures for $170,100 in principal and recorded a discount on the debentures of $162,100. Included in the $170,100 is a debenture for which we previously received an advance of $15,000. In addition, the Company issued 2,549,381 shares of common stock to employees for payment of accrued salaries valued at $166,333, of which $55,750 was for accrued payroll. The Company also issued 923,000 shares of common stock for payment of accounts payable in the amount of $14,487 and services amounting to $75,583. The Company issued 810,000 shares of common stock in payment of common stock subscribed totaling $40,500.

The Company issued 800,000 shares of common stock, and warrants to purchase 800,000 shares of stock at an exercise price of $.10 per share, to a significant shareholder and former CEO as compensation for such shareholder having transferred property to third parties as inducement to make an equity investment in the Company. The total invested by these third parties was $35,000. The shares issued to the significant shareholder were valued at $96,000, and the warrants were valued at approximately $92,000 using the Black Scholes pricing model, with the following assumptions: volatility 227.05%, annual rate of dividends 0%, discount rate 3.1%.

The Company issued warrants to purchase 250,000 shares of common stock valued at $95,125 as prepaid consulting fees.

The Company agreed to issue 65,000 shares of stock valued at $36,400 and warrants to purchase 130,000 shares of stock valued at $66,862 for finders fees. The Company recognized a derivative liability for warrants issued in excess of its authorized shares, valued at $3,761,320. The original issuance liability was calculated using the Black Scholes pricing model, with the following assumptions: volatility from 123.94% to 295.46%, annual rate of dividends 0%, discount rate 3.1%.

The Company issued 167,273 shares of common stock to an employee upon exercise of cashless warrants. The Company issued warrants to purchase 233,333 shares of common stock to Peter Vitulli, its former CEO. These warrants were valued at $74,165 using the Black Scholes pricing model, with the following assumptions: volatility 134.45, annual rate of dividends 0%, discount rate 3.1%

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 and markets health products. Currently, the Company's sole product is ProAlgaZyme ("PAZ"). Its wholly owned subsidiary, HEPI Pharmaceuticals, Inc. intends to develop potential pharmaceuticals applications of PAZ.

NOTE 2 – BASIS OF PRESENTATION

The Company incurred net losses of $1,416,860 and $1,813,840 during the years ended December 31, 2009 and 2008, respectively. In addition, the Company had a working capital deficiency of $3,680,065 and a stockholders' deficiency of $3,785,602 at December 31, 2009. 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, 2009, the Company:

- generated approximately $79,000 in revenues;
- raised an aggregate amount of approximately $1,122,000 through both equity and debt private placements, in which the Company incurred finders' fees of $291,000

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. In addition, the Company is no longer in the development stage and has been generating revenues from product sales.

The Company does not currently have available for issuance any authorized shares of common stock which have not been issued or reserved for (i.e., reserved for issuance in connection with rights to acquire common stock (e.g. warrants, convertible notes, etc.)). That is, the Company's authorized common stock has been exhausted. Although the company can still raise capital through the sale of debt securities, the absence of authorized shares of common stock prevents it from raising additional capital through the sale of common stock (other than upon exercise of outstanding common stock purchase warrants). Thus, the absence of authorized shares of common stock makes it more difficult for us to raise capital. The capital the Company recently raised was from exercise of outstanding warrants to purchase common stock. Thus, the absence of authorized shares was not an impediment, as these shares were previously reserved for issuance upon exercise of the warrants. The Company is in the process of taking the steps necessary to increase the number of our authorized shares of common stock.

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 inter-company transactions and accounts have been eliminated in consolidation.

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 (principally average cost) or market.

Property and Equipment – Property and equipment consists of furniture, office equipment, and leasehold improvements, and is stated at cost less accumulated depreciation and amortization. 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 – The carrying amounts of cash, accounts payable, accrued liabilities and other current liabilities, and notes and loans payable approximates fair value because of the immediate or short-term maturity of these financial instruments.

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, 2008, and a provision for bad debts of $0 and $49,334 for the years ended December 31, 2009 and 2008, respectively.

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 $129.000 and $136,000 for the years ended December 31, 2009 and 2008, 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 $210,000 and $13,000 for the years ended December 31, 2009 and 2008, 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, 2009 and 2008 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 2008 and 2009, warrants were granted to employees and consultants of the Company. As a result of these grants, the Company recorded compensation expense of $98,403 and $32,210 during the years ended December 31, 2008 and 2009 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,	
	2008	2009
Expected volatility	86.17% to 249.35%	123.94% to 297.46%
Expected dividends	0%	0%
Expected term	3.32 years	3.32 years
Risk free rate	4.32%	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 – 24,627,373 and 29,945,401 shares at December 31, 2008 and 2009 respectively) are anti-dilutive.

Accounting Estimates - The preparation of financial statements in conformity with generally-accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimated.

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

Recently-Enacted Accounting Standards –

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, 2009. 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.

Subsequent Events – In May, 2009, the FASB issued Statement No. 165, *Subsequent Events*, now included in ASC 855 *Subsequent Events*. ASC 855 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before the financial statements are issued or are available to be issued. The Company adopted ASC 855 in 2009. The adoption of this Statement did not impact the Company's consolidated financial Statements. Management has reviewed events occurring through April 6, 2010, the date the financial statements were issued, and any subsequent events requiring accrual or disclosure have been made.

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, 2008 and 2009 consist of the following:

	December 31, 2008	December 31, 2009
Work in Process	$ 35,850	$ 4,197
Finished Goods	7,919	6,679
	$ 43,769	$ 10,876

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2008 and 2009 consist of the following:

	December 31, 2008	December 31, 2009
Furniture & fixtures	$ 49,466	$ 49,466
Equipment	85,402	85,402
Leasehold improvements	129,252	143,639
	264,120	278,507
Less accumulated depreciation and amortization	(68,924)	(101,316)
	$ 195,196	$ 177,191

Depreciation and amortization was $32,572 for the years ended December 31, 2008 and 2009, respectively.

NOTE 6 – DEFINITE-LIFE INTANGIBLE ASSETS

Definite-life intangible assets at December 31, 2008 and 2009 consist of the following:

	December 31, 2008	December 31, 2009
Patent applications pending	$ 14,500	$ 14,500
Less: accumulated amortization	4,399	5,368
	$ 10,101	$ 9,132

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 $967 for the years ended December 31, 2008 and 2009, respectively. The Company estimates that its amortization expense for each of the next five years will be approximately $1,000 per year.

NOTE 7 – LOAN PAYABLE - OTHER

Included in loans payable, other at December 31, 2009 is $51,617, payable to our former CEO Peter Vitulli. This represents compensation and expense reimbursements due him, of which $16,617 was for payroll. The loan is due on demand, and the Company is making monthly payments of $5,000, and carries interest at the rate of 7% per annum. The Company issued 233,333 warrants in connection with the loan. These warrants were valued at $74,165 and charged to finance costs in the current period.

NOTE 8 – LONG TERM DEBT

Long term debt at December 31, 2008 and 2009 consists of the following:

Installment notes, bearing interest at 8.8% and 9.5% per annum and due November 2010 and March 2011. The loans are secured by certain of the Company equipment	December 31, 2008	December 31, 2009
	$ 16,884	$ 6,345
Less current portion	6,718	3,177
	$ 10,166	$ 3,168

Maturities of the long-term debt are as follows:

December 31,	
2010	$ 3,177
2011	3,168
	$ 6,345

NOTE 9 – CONVERTIBLE DEBT

In 2008, the Company sold for aggregate consideration of $196,000 1% convertible notes in the aggregate principal amount of $196,000 (“Notes”) and warrants to purchase 3,920,000 shares of common stock, at an exercise price of $.10 per share for a term of three years (“Warrants). These warrants were valued at $150,644 using the Black-Scholes pricing model with the following assumptions: expected volatility 127.72% - 197.22%; expected dividend 0; expected term 3 years; and risk free rate 3.1%.

The Convertible Notes accrue interest at the rate of 1% per annum, are non-amortizing, have a term of 3 years, subject to the Company’s right to extend the term for an additional three years, cannot be prepaid, and are convertible, at any time prior to the maturity date, as the same may be extended, at the discretion of the holder, into shares of common stock, at a rate equal to $.10 per share. Accrued interest will be paid on the maturity date, as the same may be extended, in shares of Common Stock, valued at $.10 per share, and, unless the Convertible Note is converted prior to its maturity date, as the same may be extended, at the Company’s option, the principal amount of the Note may, on the maturity date, as extended, be repaid in cash or converted into common stock at a rate equal to $.10 per share.

The Company recorded a deferred debt discount in the amount of $196,000, to reflect the beneficial conversion feature of the convertible debt and fair value of the warrants pursuant to Emerging Issues Task Force (“EITF”) 00-27: Application of EITF 98-5, “Accounting for Convertible Securities with Beneficial Conversion Features on Contingently Adjustable Conversion Rates”, to certain convertible instruments. In accordance with EITF 00-27, the Company evaluated the value of the beneficial conversion feature and recorded the amount of $44,986 as a reduction to the carrying amount of the convertible debt and as an addition to paid-in capital. Additionally, the relative fair value of the warrants $151,014 was calculated and recorded as a further reduction to the carrying amount of the convertible debt and as addition to paid-in capital. The Company is amortizing the debt discount over the term of the debt.

In the first quarter of 2009, convertible debentures in the principal amount of $196,000 were restructured. The conversion rate was reduced to $.05 per share from $.10 per share, and the related warrants were cancelled. As a result, the Company wrote off the unamortized portion of debt discount related to the relative fair value of the warrants amounting to $110,539 and recalculated the debt discount with respect to the new beneficial conversion feature in the amount of $122,284. The newly calculated debt discount is being amortized over the remaining period of the notes.

Also during 2009, the Company sold for aggregate consideration of $170,100, 1% convertible notes in the aggregate principal amount of $170,100 and warrants to purchase 500,000 shares of common stock, at an exercise price of $.25 per share for a term of three years. These warrants were valued at $160,416 using the Black-Scholes pricing model with the following assumptions: expected volatility 131.48%; expected dividend 0; expected term 3 years; and risk free rate 3.1.

The Convertible Notes accrue interest at the rate of 1% per annum, are non-amortizing, have a term of 3 years, subject to the Company's right to extend the term for an additional three years, cannot be prepaid, and are convertible, at any time prior to the maturity date, as the same may be extended, at the discretion of the holder, into shares of common stock. Of the total convertible notes issued, $120,100 are convertible at a rate of $.05 per share and do not include a warrant provision, and $50,000 of the convertible notes are convertible at a rate of $.10 per share and include warrants to purchase 500,000 shares of stock as referenced above. Accrued interest will be paid on the maturity date, as the same may be extended, in shares of Common Stock, valued at $.05 to $.10 per share, and, unless the Convertible Note is converted prior to its maturity date, as the same may be extended, at the Company's option, the principal amount of the Note may, on the maturity date, as extended, be repaid in cash or converted into common stock at a rate equal to $.05 to $.10 per share. The Company recorded a deferred debt discount in the amount of $162,100, to reflect the beneficial conversion feature of the convertible debt and fair value of related warrants. The Company is amortizing the debt discount over the term of the debt.

During the quarter ended March 31, 2009, $50,000 of convertible debentures and $807 in accrued interest was converted into 203,227 shares of common stock. In connection with the conversion, the Company wrote off unamortized discount of $19,581.

Amortization of the debt discount on all convertible debt was $505,671 and $245,060 for the twelve months ended December 31, 2008 and 2009.

NOTE 10 - DERIVATIVE LIABILITY

The Company has reclassified certain outstanding warrants, options and debentures as derivative liabilities, which are marked to fair value periodically pursuant to ASC guidance (formerly 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 options, warrants and debentures utilizing the Black-Scholes method of valuation using the following assumptions: volatility from 133.87% to 218.85%, annual rate of dividends 0% and a discount rate of 3.1%. This valuation resulted in a reclassification from stockholders' equity of $3,761,320. For the twelve months ended December 31, 2009, for financial statement purposes we recognized $1,532,276 in income based on the change in fair value of these liabilities during the periods.

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.

NOTE 11 – OBLIGATION TO ISSUE COMMON STOCK

The Company is committed to issue, in the aggregate, 1,365,000 shares of common stock and warrants to purchase 380,000 shares of common stock to advisors and investors. The issuance of warrants to purchase 250,000 shares is subject to the condition that the Company increases the number of its authorized common shares to at least 110,000,000. The remaining 1,365,000 shares of stock and warrants to purchase 130,000 shares of stock are subject to the condition that the Company increases the number of its authorized common shares to at least 125,000,000. We have recorded a liability for the issuance of such shares at fair value as of December 31, 2009.

NOTE 12 - STOCKHOLDERS' DEFICIENCY

During the quarter ended March 31, 2008, the Company issued 97,500 shares of stock to employees for future services, valued at $12,676. The Company issued 70,000 shares of common stock, valued at $21,000 for finder's fees related to the sales of stock during the first quarter. The Company sold 3,534,990 shares of common stock and warrants to purchase 7,069,980 shares of stock for $.10 per share for a term of three years and received proceeds of $353,499. The Company sold for aggregate consideration of $110,000 1% convertible notes in the aggregate principal amount of $110,000 ("Notes") and warrants to purchase 2,200,000 shares of common stock, at an exercise price of $.10 per share for a term of three years ("Warrants). The Convertible Notes accrue interest at the rate of 1% per annum, are non-amortizing, have a term of 3 years, subject to the Company's right to extend the term for an additional three years, cannot be prepaid, and are convertible, at any time prior to the maturity date, as the same may be extended, at the discretion of the holder, into shares of common stock, at a rate of $.10 per share. Accrued interest will be paid on the maturity date, as the same may be extended, in shares of Common Stock, valued at $.10 per share, and, unless the Convertible Note is converted prior to its maturity date, as the same may be extended, at the Company's option, the principal amount of the Note may, on the maturity date, as extended, be repaid in cash or converted into common stock at a rate of $.10 per share. The Company issued 2,281,730 shares of common stock upon conversion of $575,000 in principal and $2,481 in interest as a result of conversions of 2007 convertible debt.

During the second quarter of 2008, the Company sold 3,311,660 shares of common stock and warrants to purchase 6,623,320 shares of common stock with an exercise price of $.10 and a term of three years, and received proceeds of $331,166, which was used for operations. The Company sold for aggregate consideration of $41,000 1% convertible notes in the aggregate principal amount of $20,000 ("Notes") and warrants to purchase 820,0000 shares of common stock, at an exercise price of $.10 per share for a term of three years ("Warrants). The Notes accrue interest at the rate of 1% per annum, are non-amortizing, have a term of 3 years (subject to the Company's right to extend the term for an additional three years), cannot be prepaid, and are convertible, at any time prior to the maturity date, as the same may be extended, at the discretion of the holder, into shares of common stock, at a rate of $.10 per share. Accrued interest will be paid on the maturity date, as the same may be extended, in shares of common stock, valued at $.10 per share, and, unless the Note is converted prior to its maturity date, as the same may be extended, at the Company's option, the principal amount of the Note may, on the maturity date, as extended, be repaid in cash or converted into common stock at a rate of $.10 per share. In addition, the Company issued 450,000 shares of common stock upon the exercise of warrants and received proceeds of $45,000. In addition, the Company issued 85,000 shares of common stock, valued at $43,250, to a consultant. The Company issued 129,511 shares of common stock upon conversion of $50,000 in principal and $1,133 in interest as a result of conversions of 2007 convertible debt.

During the quarter ended September 30, 2008, the Company sold 615,348 shares of common stock and warrants to purchase 1,030,696 shares at $.10 per share for a term of three years, in a private placement, and received $61,535 in proceeds, which was used for operations. The Company sold for aggregate consideration of $45,000 1% convertible notes in the aggregate principal amount of $45,000 and warrants to purchase 900,000 shares of common stock, at an exercise price of $.10 per share for a term of three years. The Notes accrue interest at the rate of 1% per annum, are non-amortizing, have a term of 3 years (subject to the Company's right to extend the term for an additional three years), cannot be prepaid, and are convertible, at any time prior to the maturity date, as the same may be extended, at the discretion of the holder, into shares of common stock, at a rate of $.10 per share. Accrued interest will be paid on the maturity date, as the same may be extended, in shares of common stock, valued at $.10 per share, and, unless the Note is converted prior to its maturity date, as the same may be extended, at the Company's option, the principal amount of the Note may, on the maturity date, as extended, be repaid in cash or converted into common stock at a rate of $.10 per share.

During the quarter ended December 31, 2008, the Company issued 25,000 shares to a consultant for services, valued at $2,750. 151,000 shares of common stock, valued at $16,610 were issued in payment of finders' fees related to stock sold in the second and third quarters.

In September, 2008, the Company entered into a financing transaction in connection with which it incurred a liability of $45,000 to a significant shareholder, Howard Baer in the form of an advance of $25,000 and discharge of a Company liability for unpaid rent in the amount of approximately $20,000. In connection with this transaction, the Company issued 1,500,000 restricted shares of common stock to a third person to induce him to loan funds to Mr. Baer to enable such shareholder to make the $25,000 loan to the Company and discharge the approximate $20,000 company liability for unpaid rent. The loan payable to Mr. Baer is unsecured, payable on demand, and bears interest at the rate of 7% per annum. The shares issued to the third person were valued at $90,000, based on the quoted price of the Company's common stock on September 15, 2008. The Company recognized finance costs of $90,000 in connection with this transaction.

Periodically during 2008 the Company received loans from Mr. Baer. In addition, the Company owed Mr. Baer for unpaid rent and other expenses paid on behalf of the Company by Mr. Baer. In December of 2008 the Company formalized these loans and accounts payable in a promissory note for $150,000. This note is unsecured, payable on demand, and bears interest at the rate of 7% per annum. Simultaneously, the Company issued 3,000,000 shares of common stock valued at $180,000, in full satisfaction of this promissory note, and recorded finance costs of $30,000 in connection with this transaction.

During the quarter ended March 31, 2009 the Company issued 1,618,333 shares of its common stock, valued at $161,833 to employees for both current and previously accrued salaries. The company issued 923,000 shares of common stock, valued at $83,070, to consultants for research. The Company issued 1,316,000 shares of stock for proceeds of $25,300 and $40,500 for previously paid subscriptions. The Company issued 1,500,000 shares, valued at $120,000, to a marketing consultant for services. Convertible debentures were converted during the quarter ended March 31, 2009, and the Company issued 203,227 shares of common stock and retired $50,000 of debt and $807 in accrued interest.

During the quarter ended June 30, 2009 the Company issued 931,048 shares of its common stock, valued at $93,105 to employees for both current and previously accrued salaries. The Company issued 2,944,400 shares of stock, received $109,210 in proceeds and applied an additional $38,010 from first quarter common stock subscribed. The Company issued 500,000 shares, valued at $45,000, to a marketing consultant for services. The Company issued 500,000 shares of stock, valued at $55,000, in payment of accounts payable and current services. These shares were valued at the closing price of the stock on the day of authorization.

In June of 2009 the Company issued 800,000 shares of common stock, and warrants to purchase 800,000 shares of stock at an exercise price of $.10 per share, to a significant shareholder and former CEO as compensation for such shareholder having transferred property to third parties as inducement to make an equity investment in the Company. The total invested by these third parties was $35,000. The shares were valued at $96,000, and the warrants were valued at approximately $92,000 using the Black Scholes pricing model, with the following assumptions: volatility 227.05%, annual rate of dividends 0%, discount rate 3.1%.

During the quarter ended September 30, 2009 the Company issued 6,550,000 shares of common stock and received $652,500 in proceeds for sales of common stock and upon exercise of warrants. In addition the Company issued 200,000 warrants in connection with the sale of certain of these shares. The Company issued 167,273 shares of common stock to a former employee upon exercise of a cashless warrant. The Company issued 75,000 shares of common stock to a consultant for services, valued at $36,000. The Company issued warrants to purchase 4,400,000 shares of common stock as an inducement for existing $.10 warrant holders to exercise outstanding warrants. The new warrants have an exercise price of $.25, and a term of three years. These warrants are not exercisable until the number of authorized shares of the Company's common stock is increased to at least 125,000,000. The Company issued warrants to purchase 250,000 shares of common stock at an exercise price of $.10 and a term of three years to a consultant for services. These warrants were valued at $95,125 using the Black Scholes pricing model, with the following assumptions: volatility 159.4%, annual rate of dividends 0%, discount rate 3.1%. The Company issued warrants to purchase 350,000 shares of common stock at an exercise price of $.10 and a term of three years to its CEO as a signing bonus. These warrants were valued at $131,766, using the Black Scholes pricing model, with the following assumptions: volatility 146.45%, annual rate of dividends 0%, discount rate 3.1%, and they were charged to expense in 2009. In addition, warrants to purchase 233,333 shares were issued to Peter Vitulli, our former CEO. These warrants were valued at $74,165, using the Black Scholes pricing model, with the following assumptions: volatility 134.4%, annual rate of dividends 0%, discount rate 3.1%.

During the fourth quarter, the Company issued 1,030,000 shares of common stock upon exercise of warrants, and received $131,500. In addition, the Company issued 100,000 shares of stock and received proceeds of $10,000.

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

	December 31, 2008		**December 31, 2009**	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	13,595,109	0.55	20,107,373	0.55
Issued	18,843,996	0.10	8,963,333	0.10
Exercised	(350,000)	0.10	(5,820,000)	0.10
Expired	(11,981,732)	1.10	(527,305)	1.10
Outstanding, end of period	20,107,373	$ 0.46	22,723,401	$ 0.47

Warrants outstanding and exercisable by price range as of December 31, 2009 were as follows:

	Outstanding Warrants			Exercisable Warrants	
Range	Number	Average Weighted Remaining Contractual Life in Years	Exercise Price	Number	Weighted Average Exercise Price
0.10	14,558,651	1.47	0.10	14,558,651	0.10
0.25	6,030,000	2.93	0.25	6,030,000	0.25
0.50	2,134,750	1.38	0.50	2,134,750	0.50
	22,723,401	1.07		22,723,401	0.13

NOTE 13 - RELATED PARTY TRANSACTIONS

Investment in Convertible Debentures:

During the year ended December 31, 2009, we received in the aggregate $155,000 from the sale of convertible debentures to Howard Shapiro, a more than 5% shareholder. These debentures are convertible at a range between $.10 and $.05 per share into shares of the Company's common stock, and include warrants to purchase 500,000 shares of stock. In addition, we received $50,000 from Mr. Shapiro's pension plans upon the exercise of outstanding warrants. In 2009, we restructured certain convertible notes held by Mr. Shapiro (and related persons), in connection with which the conversion price was reduced from $.10 to $.05per share and certain outstanding warrants were cancelled.

Investment in Private Placements:

During the year ended December 31, 2009, we received in the aggregate $218,000 from Chris Maggiore, a more than 5% shareholder, in connection with the private sale of 3,660,400 shares of our common stock.

Office Space - We are leasing office and production space located in Scottsdale, Arizona from a significant shareholder, 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, the lessor 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 $281,000 in rent expense during fiscal 2009.

Marketing Consultant/Distributorship Agreement – In 2008, we entered into an agreement with Mr. Baer, a significant shareholder, to provide marketing services to us, in consideration for which we would pay commissions at the rate of $.50 per bottle for every bottle sold under this agreement. We paid no commissions under this Agreement. In April of 2009, we amended this agreement to grant to Changing Times Vitamins, Inc. ("CTV"), a company controlled by Mr. Baer, worldwide distribution and marketing rights to our product. This agreement called for minimum monthly sales levels and a term of two years. We recognized $54,000 in minimum distribution fees in 2009. This contract with CTV 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 will, subject to the increase in our authorized shares, be issued 750,000 shares of common stock, valued for financial reporting purposes at $352,500.

Sales - In 2008, we sold product to Changing Times Vitamins, Inc. (CTV). Howard Baer, one of our significant shareholders, is also a significant shareholder of CTV. Sales to CTV were approximately $27,000 and $54,000 (representing 28% and 68% of our revenue) in 2008 and 2009, respectively. At December 31, 2009 and 2008, $0 and $49,000 were outstanding, respectively, and reported in accounts receivable on the respective balance sheet.

Accounts Payable - The Company owes Mr. Baer approximately $50,000 at December 31, 2009, which is reflected in accounts payable. This money represents rent and reimbursements due Mr. Baer for expenses he paid on the Company's behalf during 2009.

Financing - In September, 2008, we entered into a financing transaction in connection with which we incurred a liability of $45,000 to a significant shareholder, Howard Baer, in the form of an advance of $25,000 and discharge of our liability for unpaid rent in the amount of approximately $20,000. In connection with this transaction, we issued 1,500,000 restricted shares of common stock to a third person to induce him to loan funds to the significant shareholder, Howard Baer, to enable such shareholder to make the $25,000 loan to the Company and discharge the approximate $20,000 company liability for unpaid rent. The loan payable to Mr. Baer is unsecured, payable on demand, and bears interest at the rate of 7% per annum. The shares issued to the third person were valued at $90,000, based on the quoted price of the Company's common stock on September 15, 2008. The Company recognized finance costs of $90,000 in connection with this transaction.

In June of 2009 the Company issued 800,000 shares of common stock, and warrants to purchase 800,000 shares of stock at an exercise price of $.10 per share, to Howard Baer, a significant shareholder and former CEO, as compensation for such shareholder having transferred property to third parties as inducement to make an equity investment in the Company. The total invested by these third parties was $35,000. The shares were valued at $96,000, and the warrants were valued at approximately $92,000 using the Black Scholes pricing model, with the following assumption: volatility 227.05%, annual rate of dividends 0%, discount rate 3.1%.

NOTE 14 - INCOME TAXES

At December 31, 2009 the Company had available net-operating loss carry-forwards for Federal tax purposes of approximately $12,300,000, which may be applied against future taxable income, if any, at various dates from 2025 through 2029. Certain significant changes in ownership of the Company may restrict the future utilization of these tax loss carry-forwards.

At December 31, 2009 the Company had a deferred tax asset of approximately $6,000,000 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 $1,100,000 in 2009.

NOTE 15 – CONCENTRATIONS

Customers - The Company has no significant dependence on a limited range of suppliers or purchasers. Revenues are generated primarily by Internet sales, none of which constitute a concentration the loss of which could have a material impact on the operations of the Company. In 2008 the Company made sales of its product to Changing Times Vitamins (CTV), a company whose significant shareholder, Howard Baer, is a significant shareholder of the Company. These sales totaled $49,333 and represent 28% of Company revenue for 2008. This amount ($49,000) was outstanding at December 31, 2008 and was reported in accounts receivable on the balance sheet.

NOTE 16 – COMMITMENTS AND CONTINGENCIES

Lease Commitment -- We are 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 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, the lessor 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 $281,000 in rent expense during fiscal 2009.

The Company is leasing, on a month to month basis, a warehousing and bottling facility. The lease calls for monthly rentals of $2,700, plus annual common area maintenance fees. Rent expense under this lease for the year ended December 31, 2009 was approximately $38,000.

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

Year Ending December 31,	
2010	$ 189,000
2011	194,000
2012	199,000
2013	203,000
2014	208,000
Thereafter	1,125,000
	$ 2,118,000

Business Services Agreement

On October 19, 2009, the Registrant 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 Registrant entered into the Agreement to continue the pursuit of its strategic product and business development objectives. GNRP will be issued 500,000 shares of the Registrant'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 Registrant, and the achievement of specified milestones All equity based compensation under the Agreement is subject to the Registrant increasing to 125,000,000 the number of its authorized common shares.

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

NOTE 17 - FAIR VALUE MEASUREMENT

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.)

Fair Value Option – FASB ASC 825, *Financial Instruments,* provides a fair value option election that allows entities to irrevocably elect fair value as the initial and subsequent measurement attributable for certain financial assets and liabilities. Changes in fair value are recognized in earnings as they occur for those assets and liabilities for which the election is made. The election is made on an instrument by instrument basis at initial recognition of an asset or liability or upon an event that gives rise to a new basis of accounting for that instrument. The Company did not elect the fair value option for any of its financial assets or liabilities, and therefore, there was no impact on the Company's financial position, results of operations or cash flows.

NOTE 18 – SUBSEQUENT EVENTS

During the first quarter of 2010, the Company issued 5,637,416 shares of stock and received $635,723 in proceeds for warrant exercises. The Company issued 302,425 shares of common stock upon exercise of a convertible debenture.

EXHIBIT INDEX

Exhibit Number	Title	
3.1	Articles of Incorporation of Health Enhancement Products, Inc., as amended	
3.2	By-laws of the Company	(1)
4.1	Form of Convertible Note Subscription Agreement dated July/August 2007	(2)
4.2	Form of Convertible Note dated July/August 2007	(3)
4.3	Form of Warrant (Convertible Note Offering)	(4)
4.4	Form of Amended and Restated Convertible Note	
4.5	Form of Common Stock Purchase Warrant (issued as inducement to warrant exercise)	
10.02	Amended and Restated Sublease between Howard R. Baer and the Company, dated April 12, 2006	(5)
10.03	Letter Agreement amending Amended and Restated Sublease between Howard R. Baer and the Company, dated April6, 2006	
10.06	Termination and Mutual Release Agreement between Changing Times Vitamins, Inc. and the Company, dated October 1, 2009, terminating Distribution and Services Agreement between them	
10.07	Contract for Services between Great Northern and Reserve Partners, LLC and the Company, dated October 19, 2009	
14.1	Code of Ethics	
21	Subsidiaries of the Registrant	(6)
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	

(1) Filed as Exhibit 3.2 to our Form 10SB, filed with the Commission on April 20, 2000 and incorporated by this reference.

(2) Filed as Exhibit 4.1 to our Form 10-QSB, filed with the Commission on November 14, 2007 and incorporated by the reference.

(3) Filed as Exhibit 4.2 to our Form 10-QSB, filed with the Commission on November 14, 2007 and incorporated by this reference.

(4) Filed as Exhibit 4.3 to our Form 10-QSB, filed with the Commission on November 14, 2007 and incorporated by this reference.

(5) Filed as Exhibit 10.02 to our Form 10-KSB, filed with the Commission on April 17, 2006, and incorporated by this reference.

(6) Filed as the same Exhibit number to our Form 10-KSB, filed with the Commission on May 17, 2005, and incorporated by this reference.

Exhibit 3.1

Articles of Incorporation

CERTIFICATE OF AMENDMENT TO ARTICLES OF INCORPORATION
FOR NEVADA PROFIT CORPORATIONS

1. Name corporation:
Western Glory Hole, Inc.

2. The articles have been amended as follows (provide article numbers, if applicable):

ARTICLE I – NAME
The name of this corporation shall be:
HEALTH ENHANCEMENT PRODUCTS, INC.

3. The vote be which the stockholders holding shares in the corporation enabling them to exercise at least a majority of the voting power, or such greater proportion of the voting power as may be required in the case of a vote by classes or series, or as may be required by the provisions of the articles of incorporation have voted in favor of the amendment is:

(62.5%)

4. Effective date of filing (optional):

5. Officer Signature (required): */s/ Howard R. Baer*

Filed #: C1851-83
December 9, 2003
In the office of
Dean Heller
Secretary of State

CERTIFICATE OF AMENDMENT OF ARTICLES OF INCORPORATION
OF WESTERN GLORY HOLE, INC.

We, the undersigned, Fred Hefferon, President and John Riche, Secretary of Western Glory Hole, Inc., do hereby certify that the Board of Directors of said corporation at a meeting duly convened, held on the 14th day of April, 1999 adopted a resolution to amend the original articles as follows:

ARTICLE FIRST WHICH PRESENTLY READS AS FOLLOWS:

ARTICLE FIRST
CORPORATE NAME

The name of the corporation is: L. Peck Enterprises, Inc.

IS HEREBY AMENDED TO READ AS FOLLOWS:

ARTICLE FIRST
CORPORATE NAME

The name of the corporation is: WESTERN GLORY HOLE, INC.

ARTICLE FOURTH WHICH PRESENTLY READS AS FOLLOWS:

ARTICLE FOURTH
STOCK

That the total number of voting common stock authorized that may be used by the Corporation is TWENTY FIVE HUNDRED (2,500) shares of stock without nominal or par value and no other class of stock shall be authorized. Said shares without nominal or par value may be issued by the corporation from time to time for such considerations as may be fixed from time to time by the Board of Directors.

IS HEREBY AMENDED TO READ AS FOLLOWS:

ARTICLE FOURTH
STOCK

The total authorized capital stock of the Corporation is 100,000,000 shares of Common Stock, with a par value of $0.001 (1 mil). All stock when issued shall be deemed fully paid and nonassessable. No cumulative voting, on any matter to which Stockholders shall be entitled to vote, shall be allowed for any purpose.

The authorized stock of this corporation may be issued at such time, upon such terms and conditions and for such consideration as the Board of Directors shall, from time to time, determine. Shareholders shall not have pre-emptive rights to acquire unissued shares of stock of this Corporation.

ARTICLE FIFTH WHICH PRESENTLY READS AS FOLLOWS:

ARTICLE FIFTH
DIRECTORS

The governing board of this corporation shall be known as directors, and the number of directors may from time to time be increased or decrease in such manner as shall be provided by the By-Laws of this Corporation, providing that the number of directors shall not be reduced to less than three (3), except that in cases where all the shares of the corporation are unissued or owned beneficially and of record by either one or two stockholders, the number of directors may be less than three (3) but no less than the number of stockholders.

The name and post office address of the first Board of Directors shall be one (1) in number and listed as follows:

NAME	POST OFFICE ADDRESS
Dorothy J. Laughlin	2527 N Carson, Suite 205, Carson City, NV 89701

IS HEREBY AMENDED TO READ AS FOLLOWS:

ARTICLE FIFTH
DIRECTORS

The Directors are hereby granted the authority to do any act on behalf of the Corporation as may be allow by law. Any action taken in good faith, shall be deemed appropriate and in each instance where the Business Corporation Act provides that the Director may act in certain instances where the Articles of Incorporation so authorize, such action by the Directors, shall be deemed to exist in these Articles and the authority granted by said Act shall be imputed hereto without the same specifically having been enumerated herein.

The Board of Directors may consist from one (1) to nine (9) directors, as determined, from time to time by the then existing Board of Directors.

THE FOLLOWING NEW ARTICLES ARE HEREBY ADOPTED

ARTICLE TWELVE
COMMON DIRECTORS

As provide by Nevada Revised Statutes 78.140, without repeating the section in full here, the same is adopted and no contract or other transaction between this Corporation and any of its officers, agents or directors shall be deemed void or voidable solely for that reason. The balance of the provisions of the code section cited, as it now exists, allowing such transactions, is hereby incorporated in this Article as though more fully set-forth, and such Article shall be read and interpreted to provide the greatest latitude in its application.

ARTICLE THIRTEEN
LIABILITY OF DIRECTORS AND OFFICERS

No Director, Officer or Agent, to include counsel, shall be personally liable to the Corporation or its Stockholder for monetary damage for any breach shall be presumed that in accepting the position as an Officer, Director, Agent or Counsel, said individual relied upon and acted in reliance upon the terms and protections provided for by this Article, shall be liable to the extent provided by applicable law, for acts or omission which involve intentional misconduct, fraud or a knowing violation of law, or for the payment of dividends in violation of NRS 78.300.

ARTICLE FOURTEEN
ELECTION REGARDING NRS 78.378 - 78.3793 AND 78.411 - 78.444

This corporation shall NOT be governed by nor shall the provisions of NRS 78.378 through and including 78.3793 and NRS 78.411 through and including 78.444 in any way whatsoever affect the management, operation or be applied in this Corporation. This Article may only be amended by a majority vote of not less than 90% of the then issued and outstanding share of the Corporation. A quorum of outstanding shares for voting on an Amendment to this article shall not be met unless 95% or more of the issued and outstanding shares are present at a properly called and notices meeting of the Stockholders. The super-majority set-forth in this Article only applies to any attempted amendment to this Article.

The number of shares of the corporation outstanding and entitled to vote on an amendment to the Articles of Incorporation is 517,500; that the said change(s) and amendments have been consented to and approved by a majority vote of the stockholders holding at least a majority of each class of stock outstanding and entitled to vote thereon.

/s/ Fred Hefferon
_____
Fred Hefferon, President

/s/ John Riche
_____
John Riche, Secretary/Treasurer

State of Utah
County of Salt Lake

On April 14, 1999, personally appeared before me, a Notary Public, Fred Hefferon and John Riche who acknowledged that they executed the above instrument.

[NOTARY SEAL] /s/ Lynette Noerring

_____

Notary Public

ARTICLES OF INCORPORATION
OF

L. PECK ENTERPRISES, INC.

FIRST. The name of the corporation is:

L. PECK ENTERPRISES, INC.

SECOND. Its principal office in the State of Nevada a is located at 2527 North Carson Street, Suite 205, Carson City, Nevada 89701, that this corporation may maintain an office, or offices, in such other place within or without the State of Nevada as may be from time to time designated by the Board of Directors, or by the By-Laws of said Corporation, and that this Corporation may conduct all Corporation business of every kind and nature, including the holding of all meetings of Directors and Stockholders, outside the State of Nevada as well as within the State of Nevada.

THIRD. The objects for which this Corporation is formed are: To engage in any lawful activity.

FOURTH. That the total number of voting common stock authorized that may be used by the Corporation is TWENTY FIVE HUNDRED (2,500) shares of stock without nominal or par value and no other class of stock shall be authorized. Said shares without nominal or par value may be issued by the corporation from time to time for such considerations as may be fixed from time to time by the Board of Directors.

FIFTH. The governing board of this corporation shall be known as directors, and the number of directors may from time to time be increased or decrease in such manner as shall be provided by the By-Laws of this Corporation, providing that the number of directors shall not be reduced to less than three (3), except that in cases where all the shares of the corporation are unissued or owned beneficially and of record by either one or two stockholders, the number of directors may be less than three (3) but no less than the number of stockholders. The name and post office address of the first Board of Directors shall be one (1) in number and listed as follows:

NAME	POST OFFICE ADDRESS
Dorothy J. Laughlin	2527 N Carson, Suite 205,

Carson City, NV 89701

SIXTH. The capital stock, after the amount of the subscription price or par value, has been paid in, shall not be subject to assessment to pay the debts of the corporation.

SEVENTH. The name and post office address of the Incorporator signing the Articles of Incorporation is as follows:

NAME	POST OFFICE ADDRESS
Dorothy J. Laughlin	2527 N Carson, Suite 205, Carson City, NV 89701

EIGHTH. The corporation is to have perpetual existence.

NINTH. In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized:

Subject to the By-Laws, if any, adopted by the Stockholders, to make, alter or amend the By-Laws of the Corporation.

To fix the amount to be reserved as working capital over and above its capital stock paid in, to authorize and cause to be executed, mortgages and liens upon the real and personal property of this Corporation.

By resolution passed by a majority of the whole Board, to designate one (1) or more committees, each committee to consist of one or more of the Directors of the Corporation, which, to the extent provided in the resolution, or in the By-Laws of the Corporation, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the Corporation. Such committee, or committees, shall have such name, or names, as may be stated in the By-Laws of the Corporation, or as may be determined from time to time by resolution adopted by the Board of Directors.

When and as authorized by the affirmative vote of the Stockholders holding stock entitling them to exercise at least a majority of the voting power given at a Stockholders meeting called for that purpose, or when authorized by the written consent of the holders of at least a majority of the voting stock issued and outstanding, the Board of Directors shall have power and authority at any meeting to sell, lease or exchange all of the property and assets of the Corporation, including its good will and its corporate franchises, upon such terms and conditions as its board of Directors deems expedient and for the best interests of the Corporation.

TENTH. No shareholder shall be entitled as a matter of right to subscribe for or receive additional shares of any class of stock of the Corporation whether now or hereafter authorized, or any bonds, debentures or securities convertible into stock, but such additional shares of stock or other securities convertible into stock may be issued or disposed of by the Board of Directors to such persons and on such terms as in its discretion it shall deem advisable.

ELEVENTH. This Corporation reserves the right to amend, alter, change or repeal any provision contained in the Articles of Incorporation, in the manner now or hereafter prescribed by statute, or by the Articles of Incorporation, and all rights conferred upon Stockholders herein are granted subject to this reservation.

I, THE UNDERSIGNED, being the Incorporator hereinbefore named for the purpose of forming a Corporation pursuant to the General Corporation Laws of the State of Nevada, do make and file these Articles of Incorporation, hereby declaring and certifying that the facts herein stated are true and accordingly have hereunto set my hand this 25th day of March, 1983.

/s/ Dorothy J. Laughlin

_____

Dorothy J. Laughlin

STATE OF NEVADA)
COUNTY OF CARSON)

On this 25th day of March, 1983, in Carson City, Nevada, before me, the undersigned, a Notary Public in and for the County of Carson, State of Nevada, personally appeared:

Dorothy J. Laughlin

Known to me to be the person whose name is subscribed to the foregoing document and acknowledged to me that he/she executed the same.

NOTARY SEAL /S/ Angela Zimmerman

Notary Public

Exhibit 4.4

THE NOTE EVIDENCED HEREBY HAS BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. NO SUCH SALE OR DISTRIBUTION MAY BE EFFECTED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO UNDER APPLICABLE FEDERAL AND STATE SECURITIES LAWS OR PURSUANT TO AN EXEMPTION UNDER APPLICABLE FEDERAL AND STATE SECURITIES LAWS.

AMENDED AND RESTATED
CONVERTIBLE NOTE

Health Enhancement Products, Inc.

US $_____ _____, 2009

FOR VALUE RECEIVED, the undersigned, Health Enhancement Products, Inc., as Nevada corporation, with its principal executive offices at 7740 East Evans Road, Suite A100, Scottsdale, Arizona 85260 ("Maker"), hereby promises to pay, subject to Section 4 hereof, to the order of _____, whose address is _____ ("Holder"), the sum of _____ **DOLLARS** (**US $_____)** and any other fees and charges, on _____ (the "Maturity Date"), provided, however, that to the extent that the Holder has not, prior to the Maturity Date, converted the principal amount of and interest due under this Note into shares of Maker's common stock, $.001 par value ("Common Stock"), as permitted by Section 4 hereof, then, at the option of the Maker exercised by written notice to Holder, any remaining amount of principal, interest or fees/charges due hereunder may be paid in U.S. Dollars or converted on a mandatory basis into shares of Common Stock of Maker, in accordance with Section 4 of this Note.

This Note amends and restates that certain Note previously originally issued by Maker in favor of Holder on March 31, 2008 (as previously amended). No additional consideration is being given by Holder to Maker in connection with this amendment and restatement.

1. Interest. The unpaid principal balance from time to time outstanding under this Note shall accrue and bear interest at a rate per annum equal to one percent (1.0%), until fully paid. Interest hereunder shall be payable on the Maturity Date as provided herein. Interest and fees shall be calculated on the basis of a 365/366 day year for the actual number of days elapsed. In no event shall interest payable hereunder exceed the highest rate permitted by applicable law. To the extent any interest received by Holder exceeds the maximum amount permitted, such payment shall be credited to principal, and any excess remaining after full payment of principal shall be refunded to Maker.

2. Prepayment. The principal balance if this Note may not be prepaid, either in whole or in part, prior to Maturity Date.

3. Event of Default. The entire balance of unpaid principal shall, at the option of the Holder, become immediately due and payable if any of the following events shall occur and be continuing:

    i. The Maker shall fail to make any payment herein provided when due; or

    ii. There shall occur a default under any mortgage, indenture, loan agreement or other instrument evidencing indebtedness binding on the Maker or any of its subsidiaries which shall have resulted in the indebtedness evidenced thereby becoming or being declared due and payable prior to the date on which it would otherwise have been due and payable, without such indebtedness having been discharged or such acceleration having been rescinded or annulled; or

    iii. The Maker shall breach any obligation set forth in this Note; or

iv. The Maker or any of its subsidiaries shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Maker or any of its subsidiaries seeking to adjudicate it in a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it), either such proceeding shall remain undismissed or unstayed for a period of 30 days, or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or for any substantial part of its property) shall occur; or the Maker or any of its subsidiaries shall take any corporate action to authorize any of the actions set forth above in this subsection (iv);

then, and in any such event, the Holder may, by notice to the Maker, declare the Note and all interest thereon to be forthwith due and payable, whereupon the Note and all such interest shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Maker: provided, however, that in the event of any actual or deemed entry of a order for relief with respect to the Maker under the U.S. Federal Bankruptcy Code, the Note and all such interest shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Maker.

All payments due hereunder shall be made at the address of the Holder as set forth in the Subscription Agreement, or at such other place as the Holder may designate from time to time in writing.

4. Convertibility of Note. At any time commencing seventy five (75) days after written notice to the Maker (which notice must be delivered on or before the Maturity Date), the unpaid principal amount of this Note and the accrued but unpaid interest shall at the option of the Holder be convertible in whole or in part into shares of Common Stock at a rate equal to $.05 per share. To the extent that the Holder has not, on or before the Maturity Date, delivered the notice of conversion, as permitted by this Section 4, then, at the option of the Maker, exercised by written notice to Holder, any remaining amount of principal, interest or fees/charges due hereunder may be paid in U. S. Dollars or converted on a mandatory basis into shares of Common Stock of Maker, in accordance with this Section 4. The issuance of the Common Stock upon conversion of this Note shall be subject to compliance with applicable securities laws. The Holder shall execute such documents as the Maker shall reasonably require to insure compliance with such laws.

5. Conversion of Note. Subject to Section 4, the conversion rights represented by this Note may be exercised in whole, or in part, by the surrender of this Note and the duly executed Notice of Conversion (the form of which is attached as Exhibit A), at the principal office of the Maker. Upon conversion, the Holder shall be entitled to receive, within a reasonable time, a certificate, issued in the Holder's name or in such name or names as the Holder may direct, which shall evidence the shares of Common Stock issuable upon conversion. The shares of common stock so acquired shall be deemed to be issued as of the close of business on the date on which the Notice of Conversion is received by the Maker. In the event the Note is converted in part, a replacement Note of like tenor evidencing the remaining principal amount owed after the Conversion shall be issued to the Holder.

6 . Adjustments of Conversion Price. In the event of a merger, consolidation, reorganization, recapitalization, or other change in the organizational structure of the Maker, reasonable and appropriate adjustments shall be made by the Board of Directors of the Maker (or if the Maker is not the surviving corporation in any such transaction, the Directors, Board of Directors or its equivalent of the surviving corporation) with respect to the shares of Common Stock the Holder is eligible to receive upon conversion of and pursuant to the terms of the Note. Any such adjustments shall be conclusive and binding on the Holder.

7. No Rights as Stockholders. Except as set forth below, this Note does not entitle the Holder to any voting rights or other rights as a Stockholder of the Maker prior to conversion and surrender of this Note. Notwithstanding the foregoing, the Maker agrees, upon the request of the Holder, to transmit to the Holder such information, documents and reports, if any, as are generally distributed to holders of the Common Stock. Upon valid conversion and surrender of this Note in accordance with the terms hereof, the Holder shall be deemed a Stockholder of Maker. If the Maker shall declare a dividend or other distribution (regardless of form) with respect to its outstanding common stock prior to the principal amount under this Note being converted into shares of common stock of Maker (whether on a voluntary or mandatory basis), then Holder shall, provided that amounts due under this Note are subsequently converted (in whole or in part) into shares of Maker's common stock, be entitled to receive, immediately following the issuance of common stock to Holder pursuant to conversion of this Note, the dividend or other distribution which would have been payable to the Holder had the common shares issued to him/it upon conversion of this Note been outstanding on the record date for the dividend or distribution in question. By way of illustration and not limitation, if Maker declared a cash dividend of $1.00 per share on its common stock outstanding on August1, 2009, and Holder converted this Note into 1,000,000 shares of Maker's common stock on December 31, 2009, then, Holder would be entitled to be paid, immediately following conversion of this Note, dividends in the amount of $1,000,000 with respect to the 1,000,000 shares issued upon conversion (the product of $1.00 (amount of dividend per share) and the number of shares issued upon conversion (i.e., 1,000,000)).

8. Sale or Transfer of the Note and Underlying Shares of Common Stock; Legend. The Note and the underlying shares of Common Stock shall not be sold or transferred unless either (i) they first shall have been registered under the Securities Act of 1933, as amended (the "Act"), and applicable state securities laws, or (ii) such sale or transfer is exempt from the registration requirements of the Act and applicable state securities laws. Each certificate, if any, representing the shares of Common Stock issued upon conversion of this Note shall bear a legend substantially in the following form:

THE SHARES OF COMMON STOCK EVIDENCED HEREBY HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. NO SUCH SALE OR DISTRIBUTION MAY BE EFFECTED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO UNDER APPLICABLE FEDERAL AND STATE SECURITIES LAWS OR PURSUANT TO AN EXEMPTION UNDER APPLICABLE FEDERAL AND STATE SECURITIES LAWS.

Prior to recognizing any transfer, the Company will be entitled to receive a written legal opinion of experienced securities counsel reasonably acceptable to the Company concerning compliance with federal and state securities laws; the expense of such legal opinion shall be paid by the transferor. Such shares of Common Stock may be subject to additional restrictions on transfer imposed under applicable foreign securities laws.

9. Modifications and Waivers. This Note may not be changed, waived, discharged or terminated except by an instrument in writing signed by the party against which enforcement of the same is sought.

10. Reserved.

11. Notices. Any notice, request or other document required or permitted to be given or delivered to the Holder or Maker shall be delivered, or shall be sent by certified or registered mail, postage prepaid, or recognized overnight courier (with signature required) to the Holder at his/its address shown on the books of the Maker or in the case of the Maker, at the address indicated above, or if different, at the principal office of the Maker.

12. Loss, Theft, Destruction or Mutilation of Note or Certificate Representing Shares of Common Stock. The Maker covenants with the Holder that upon its receipt of evidence reasonably satisfactory to the Maker of the loss, theft, destruction or mutilation of this Note or any certificate evidencing any shares of Common Stock and the posting of a bond reasonably acceptable to the Maker, and upon surrender and cancellation of this Note or certificate evidencing shares of Common Stock, if mutilated, the Maker will make and deliver a new Note or certificate, of like tenor, in lieu of the lost, stolen, destroyed or mutilated Note or certificate.

13. Binding Effect on Successors. This Note shall be binding upon any business association succeeding the Maker by merger, consolidation or acquisition of all or substantially all of the Maker's assets.

14. Governing Law. This Note shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the laws of the State of Nevada, without regard to the conflict of law principles thereof.

IN WITNESS WHEREOF, Health Enhancement Products, Inc. has caused this Note to be executed by a representative thereunto duly authorized.

ORIGINAL ISSUANCE DATE: _____, 2008
AMENDED AND RESTATED: _____, 2009

Health Enhancement Products, Inc.

_____
Janet L. Crance
Chief Administrative Officer

EXHIBIT 4.5

NEITHER THIS WARRANT NOR THE SHARES OF STOCK ISSUABLE UPON EXERCISE HEREOF HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR STATE SECURITIES LAWS. NO SALE, TRANSFER OR OTHER DISPOSITION OF THIS WARRANT OR SAID SHARES MAY BE EFFECTED WITHOUT (i) AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO UNDER APPLICABLE FEDERAL AND STATE SECURITIES LAWS, OR (ii) AN EXEMPTION FROM REGISTRATION UNDER SUCH LAWS IS AVAILABLE.

Warrant No. _____ STOCK PURCHASE WARRANT No. of Shares: _____

To Subscribe for and Purchase Common Stock of
HEALTH ENHANCEMENT PRODUCTS, INC.

THIS CERTIFIES that, for value received, _____ (together with any subsequent transferees of all or any portion of this Warrant, the "Holder"), is entitled, upon the terms and subject to the conditions hereinafter set forth, to subscribe for and purchase from HEALTH ENHANCEMENT PRODUCTS, INC., a Nevada Corporation (hereinafter called the "Company"), at the price hereinafter set forth in Section 2, up to _____ fully paid and non-assessable shares (the "Shares") of the Company's Common Stock, $.001 par value per share (the "Common Stock").

1. Definitions. As used herein the following term shall have the following meaning:
"Act" means the Securities Act of 1933, as amended, or a successor statute thereto and the rules and regulations of the Securities and Exchange Commission issued under that Act, as they each may, from time to time, be in effect.

2. Purchase Rights. The purchase rights represented by this Warrant shall be exercisable by the Holder in whole or in part commencing on the date that the number of authorized shares of common stock of the Company is increased to at least one hundred twenty five million (125,000,000) shares. For purposes hereof, the number of authorized shares of common stock of the Company shall be determined by reference to the Company's certificate of incorporation, as amended and filed with the Secretary of State of the State of Nevada. The purchase rights represented by this Warrant shall expire on December 31, 2011. This Warrant may be exercised for Shares at a price of twenty-five cents ($.25) per share, subject to adjustment as provided in Section 6 (the "Warrant Purchase Price").

3. Exercise of Warrant. Subject to Section 2 above, the purchase rights represented by this Warrant may be exercised, in whole or in part and from time to time, by the surrender of this Warrant, the duly executed Notice of Exercise (the form of which is attached as Exhibit A), and a form of subscription letter acceptable to the Company, at the principal office of the company and by the payment to the Company, by check, of an amount equal to the then applicable Warrant Purchase Price per share multiplied by the number of Shares then being purchased. Upon exercise, the Holder shall be entitled to receive, within a reasonable time, a certificate or certificates, issued in the Holders' name or in such name or names as the Holder may direct, for the number of Shares so purchased. The Shares so purchased shall be deemed to be issued as of the close of business on the date on which this Warrant shall have been exercised.

4. Shares to be Issued. Reservation of Shares. The Company covenants that the Shares that may be issued upon the exercise of the purchase rights represented by this Warrant will, upon issuance in accordance herewith, be fully paid and non-assessable, and free from all liens and charges with respect to the issue thereof. During the period within which the purchase rights represented by the Warrant may be exercised, the Company will, at all times, have authorized and reserved, for the purpose of issuance upon exercise of the purchase rights represented by this Warrant, a sufficient number of shares of its Common Stock to provide for the exercise of the right represented by this Warrant.

5. No Fractional Shares. No fractional shares shall be issued upon the exercise of this Warrant. In lieu thereof, a cash payment shall be made equal to such fraction multiplied by the fair market value of such shares of Common Stock, as determined in good faith by the Company's Board of Directors.

6. Adjustments of Warrant Purchase Price and Number of Shares. If there shall be any change in the Common Stock of the Company, through merger, consolidation, reorganization, recapitalization, stock dividend, stock split or other change in the corporate structure of the Company, appropriate adjustments shall be made by the Board of Directors of the Company (or if the Company is not the surviving corporation in any such transaction, the Board of Directors of the surviving corporation) in the aggregate number and kind of shares subject to this Warrant, and the number and kind of shares and the price per share then applicable to the shares covered by the unexercised portion of this Warrant.

7. No Rights as Shareholders. This Warrant does not entitle the Holder to any voting rights or other rights as a shareholder of the Company prior to the exercise of this Warrant and the payment for the Shares so purchased. Notwithstanding the foregoing, the Company agrees to transmit to the Holder such information, documents and reports as are generally distributed to holders of the capital stock of the Company concurrently with the distribution thereof to the shareholders. Upon valid exercise of this Warrant and payment for the Shares so purchased in accordance with the terms of the Warrant, the Holder or the Holder's designee, as the case may be, shall be deemed a shareholder of the Company.

8. Sale or Transfer of the Warrant and the Shares; Legend. The Warrant and the Shares shall not be sold or transferred unless either (i) they first shall have been registered under applicable Federal and State Securities laws, or (ii) such sale or transfer is exempt from the registration requirements of such laws. Each certificate representing any Warrant shall bear the legend set out on page 1 hereof. Each certificate representing any Shares shall bear a legend substantially in the following form, as appropriate:

> THE SHARES EVIDENCED HEREBY HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. NO SUCH SALE OR DISTRIBUTION MAY BE EFFECTED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO UNDER APPLICABLE FEDERAL AND STATE SECURITIES LAWS OR PURSUANT TO AN EXEMPTION UNDER APPLICABLE FEDERAL AND STATE SECURITIES LAWS.

The Warrant and Shares may be subject to additional restrictions on transfer imposed under applicable state and federal securities law.

9. Modifications and Waivers. This Warrant may not be changed, waived, discharged or terminated except by an instrument in writing signed by the party against which enforcement of the same is sought.

10. Notices. Any notice, request or other document required or permitted to be given or delivered to the Holder or the Company shall be delivered, or shall be sent by certified or registered mail, postage prepaid, to the Holder at its address shown on the books of the Company, or in the case of the Company, at the address indicated therefore on the signature page of this Warrant, or, if different, at the principal office of the Company.

11. Loss, Theft, Destruction or Mutilation of Warrant. The Company covenants with the Holder that upon its receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant or any stock certificate and, in the case of any such loss, theft or destruction, of an indemnity or security reasonably satisfactory to it, and upon reimbursement to the Company of all reasonable expenses incidental thereto, and upon surrender and cancellation of this Warrant or stock certificate, if mutilated, the Company will make and deliver a new Warrant or stock certificate, of like tenor, in lieu of the lost, stolen, destroyed or mutilated Warrant or stock certificate.

12. Binding Effect on Successors. This Warrant shall be binding upon any corporation succeeding the Company by merger, consolidation or acquisition of all or substantially all of the Company's assets, and all of the obligations of the Company relating to the Shares issuable upon exercise of this Warrant shall survive the exercise and termination of this Warrant and all of the covenants and agreements of the Company shall inure to the benefit of the successors and assigns of the Holder.

13. Governing Law. This Warrant shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the laws of the State of Nevada, without regard to the conflicts of law provisions thereof.

IN WITNESS WHEREOF, HEALTH ENHANCEMENT PRODUCTS, INC. has caused this Warrant to be executed by its officer thereunto duly authorized.

ORIGINAL ISSUANCE AS OF: September __, 2009

HEALTH ENHANCEMENT PRODUCTS, INC.

_____

By: Janet L Crance, Chief Administrative Officer

Health Enhancement Products, Inc.
7740 E. Evans Road
Scottsdale, Arizona 85260

EXHIBIT A

NOTICE OF EXERCISE

To: HEALTH ENHANCEMENT PRODUCTS, INC.,

1. The undersigned hereby elects to purchase _____ shares of Common Stock of HEALTH ENHANCEMENT PRODUCTS, INC. pursuant to the terms of the attached Warrant, and tenders herewith payment of the purchase price of such shares in full.

2. Please issue a certificate or certificates representing said shares in the name of the undersigned or in such other name or names as are specified below.

3. The undersigned represents that the aforesaid shares of Common Stock are being acquired for the account of the undersigned for investment and not with a view to, or for resale in connection with, the distribution thereof and that the undersigned has no present intention of distributing or reselling such shares. The undersigned further represents that such shares shall not be sold or transferred unless either (i) they first shall have been registered under applicable federal and state securities laws or (ii) an exemption from applicable federal and state registration requirements is available.

4. In the event of partial exercise, please re-issue an appropriate Warrant exercisable into the remaining shares.

_____
Name

_____

_____

_____
Address

_____
Signature

_____
Date

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 10.06

TERMINATION AGREEMENT AND MUTUAL RELEASE

THIS TERMINATION AGREEMENT AND MUTUAL RELEASE (this "Agreement") is made and entered into as of October 1, 2009 (the "Effective Date") by and among Health Enhancement Products, Inc., a Nevada corporation ("HEP") and Changing Times Vitamins, Inc., an Arizona corporation ("CTV"). For purposes of this Agreement, HEP and CTV are sometimes individually referred to as a "Party" and sometimes collectively referred to as the "Parties."

Background

A. CTV and HEP previously entered into a Distribution and Services Agreement modified by the Addendum to Distribution and Services Agreement effective as of April 1, 2009 (the "Distribution Agreement"), whereby CTV became the exclusive distributor of dietary supplement sold under the trademark ProAlgaZyme®.

B. The Parties hereto now desire to terminate the Distribution Agreement, including any documents or agreements entered into pursuant thereto or in connection therewith, and to settle any differences they may now have or which may arise in the future, against one another, without limitation and whether such claims are known or unknown, liquidated or contingent, matured or unmatured.

C. Each of the Parties hereto declares that the terms of this Agreement have been read and understood and that this Agreement is entered into voluntarily, freely, and without coercion of any sort, and is accepted for the purpose of making a complete, final, and binding settlement of any and all claims described herein as well as those omitted through oversight or error, with the exception of only those claims specifically enumerated and excluded herein.

In consideration of the acts, payments, covenants and mutual agreements herein described and agreed to be performed the Parties agree as follows:

Agreement

1. Transfer of Shares and Settlement Payment. Notwithstanding the terms of any other agreement between the Parties and in consideration of the releases contained herein, HEP shall (i) immediately pay a lump sum payment of $300,000 to CTV by check, and (ii) issue to CTV, free and clear of all security interests, claims, liens, pledges, options, encumbrances, charges, agreements, voting trusts, proxies or other arrangements, 750,000 shares of HEP common stock as soon as practicable after an increase in authorized shares has been approved, provided that CTV signs an investment letter or subscription agreement in a form acceptable to HEP (collectively, the "Payment"). The purchase, acquisition and effective date of said shares will be the date of this contract. The Payment shall be paid: (i) in settlement of any disputes which the Parties now have or which may arise in the future, solely for this distribution agreement and solely between HEP and CTV (the "Disputes"); (ii) any claims CTV might have related to the Disputes; (iii) for the time, effort, marketing materials, website constructions and product that have been produced by CTV; (iv) all CTV inventories, including but not limited to labels, bottles and promotional materials; (v) a current list of all CTV customers including contact and payment information; and (vi) any and all other obligations of HEP that may have arisen in connection with the Distribution Agreement (the "Settlement Amount").

2. Termination of Distribution Agreement and All Obligations Under Distribution Agreement. The Distribution Agreement is hereby terminated and all of the obligations arising therefrom between HEP and CTV shall be deemed terminated by mutual agreement; provided that the obligations of the Parties set forth in this Agreement shall survive. As part of this Agreement, the trademark license granted by CTV under the Distribution Agreement or any other agreement between the Parties is terminated and CTV expressly acknowledges that all of HEP's obligations under that license have been fulfilled. Further, the trademark license for the ProAlgaZyme® trademark granted by HEP to CTV is hereby terminated and CTV agrees to not sell or provide any goods bearing the ProAlgaZyme® trademark, provide any services that are associated with the ProAlgaZyme® trademark, or distributed any advertising, whether in electronic or print form (including CTV's website and all materials on the website referring to the ProAlgaZyme® trademark), bearing the ProAlgaZyme® trademark within seven days (7) the Effective Date.

3. Mutual Release and Covenant Not to Sue.

(a) CTV, on behalf of itself and its heirs, executors, administrators, and successors and assigns (collectively, the "CTV Releasor Parties"), hereby forever releases, discharges, cancels, waives, and acquits HEP, and the subsidiaries, affiliates, agents, officers, managers, owners, directors, employees, insurers, successors and assigns of HEP (collectively, the "HEP Exculpated Parties"), of and from any and all rights, claims, demands, causes of action, obligations, damages, penalties, fees, costs, expenses, and liabilities of any nature whatsoever, whether in law or equity (collectively, the "Claims"), which the CTV Releasor Parties have, had or may hereafter have against them arising out of, by reason of, or related solely to this Distributor Agreement and no other previous agreements with CTV, nor to the Parties' prior relationship and transactions, existing as of the date of execution of this Agreement, WHETHER KNOWN TO THE CTV RELEASOR PARTIES AT THE TIME OF EXECUTION OF THIS AGREEMENT OR NOT, other than any Claims arising out of, or by reason of any breaches by the HEP Exculpated Parties of their obligations under this Agreement, this Agreement intending to be a full and final settlement between the Parties. The foregoing release may be used to completely bar any action or suit before any court, arbitral, or administrative body with respect to any claim under federal, state, local, or other law relating to any of the Claims released herein.

(b) HEP, on behalf of itself and its heirs, executors, administrators, successors and assigns (collectively, the "HEP Releasor Parties"), hereby forever releases, discharges, cancels, waives, and acquits CTV, and the subsidiaries, affiliates, agents, officers,

(c) owners, directors, employees, insurers, successors and assigns, of CTV (collectively, the "CTV Exculpated Parties"), of and from any and all Claims, which the HEP Releasor Parties have, had or may hereafter have against them arising out of, by reason of, or relating to the Prior Agreements or the Parties' prior relationship or transactions, existing as of the date of execution of this Agreement, WHETHER KNOWN TO THE HEP RELEASOR PARTIES AT THE TIME OF EXECUTION OF THIS AGREEMENT OR NOT, other than any Claims arising out of, or by reason of any breaches by the CTV Exculpated Parties of their obligations under this Agreement, this Agreement intending to be a full and final settlement between the Parties. The foregoing release may be used to completely bar any action or suit before any court, arbitral, or administrative body with respect to any claim under federal, state, local, or other law relating to any of the Claims released herein.

(d) For purposes of the remainder of this Agreement the term "Releasor Parties" shall refer collectively to the CTV Releasor Parties and the HEP Releasor Parties and the term "Exculpated Parties" shall refer collectively to the CTV Exculpated Parties and the HEP Exculpated Parties.

(e) Each Party, on behalf of itself and its respective Releasor Parties, further covenants and agrees not to institute, nor cause to be instituted, any legal proceeding of any nature whatsoever, either on its own behalf or in any representative capacity, for any claim released hereunder premised upon any legal theory or claim whatsoever, including without limitation, contract, tort, interference with contract, breach of contract, defamation, negligence, infliction of emotional distress, fraud, or deceityo.

(f) Each of the Parties acknowledges that the considerations afforded such Party under this Agreement are in full and complete satisfaction of any Claims such Party or the Releasor Parties may have or may have had prior to the date hereof, and provide good and sufficient consideration for every promise, duty, release, obligation, agreement and right contained in this Agreement.

(g) EACH OF THE PARTIES ACKNOWLEDGES AND AGREES THAT THE RELEASE AND DISCHARGE SET FORTH IN THIS AGREEMENT IS A GENERAL RELEASE AND DISCHARGE AS TO IT AND ALL OTHER RELEASED PARTIES. EACH OF THE PARTIES FURTHER EXPRESSLY WAIVES AND ASSUMES THE RISK THAT ANY AND ALL CLAIMS FOR DAMAGES WHICH EXIST AS OF THE DATE OF THIS AGREEMENT BUT OF WHICH IT DOES NOT KNOW OR WHICH IT DOES NOT SUSPECT EXIST, WHETHER THROUGH IGNORANCE, OVERSIGHT, ERROR, NEGLIGENCE, OR OTHERWISE, AND WHICH IF KNOWN, WOULD MATERIALLY AFFECT ITS DECISION TO ENTER INTO THIS AGREEMENT, ARE BEING RELEASED AND WAIVED BY THIS AGREEMENT.

4. No Disparagement. Each of the Parties agrees that as part of the consideration for this Agreement, each will not make nor permit its affiliates to make disparaging or derogatory remarks, whether oral or written, about the other Party or its business, products, prospects, subsidiaries, affiliates, directors, officers or agents. Nothing in this Agreement shall prevent either of the Parties from giving truthful testimony or providing any information requested by a governmental authority or by court order.

5. **No Admission of Liability.** Nothing contained in this Agreement shall be construed in any manner as an admission by any Party that it has or may have violated any statute, law or regulation, or breached any contract or agreement.

6. **No Third Party Beneficiaries; Exception**. Nothing in this Agreement, whether expressed or implied, is intended to confer any rights or remedies under, or by reason of, this Agreement on any persons other than the Parties to it and their respective successors and permitted assigns, nor is anything in this Agreement intended to relieve or discharge the obligation or liability of any third person to any Party to this Agreement, nor shall any provision give any third persons any right of subrogation or action over or against any Party to this Agreement; provided, however, that any Exculpated Party that is not a Party to this Agreement shall be deemed a third-party beneficiary under Sections 3, 4, 5 and 6 of this Agreement.

7. **Injunctive Relief**. Each Party acknowledges and agrees that (a) the provisions of this Agreement are reasonable and necessary to protect the legitimate business interests of the other Party to this Agreement, (b) any breach by a Party of any of the covenants contained in this Agreement would result in irreparable injury to the other Party, or the Exculpated Parties not a party to this Agreement, the exact amount of which may be difficult, if not impossible, to ascertain or estimate, and (c) the remedies at law for any such breach would not be reasonable or adequate compensation to the other Party for such breach. Accordingly, notwithstanding any other provision of this Agreement, if any Party directly or indirectly, breaches any of the covenants or obligations under this Agreement, then, in addition to any other remedy which may be available to the other Party, or any Exculpated Party not a party to this Agreement, at law, or in equity, such Party or Exculpated Party shall be entitled to injunctive relief against the breaching Party, without posting bond or other security, and without the necessity of proving actual or threatened damage or harm.

8. **Confidentiality**.

(a) CTV shall not divulge, communicate, use to the detriment of HEP or any of its affiliates ("HEP Parties") or for the benefit of any other person or persons, nor misuse in any way, any Confidential Information (defined below) or Trade Secrets (defined below) pertaining to the HEP Parties or its business. Any Confidential Information or Trade Secrets now known or hereafter acquired by CTV with respect to the HEP Parties or its business shall be deemed a valuable, special and unique asset of the HEP Parties that has been received by CTV in confidence and as a fiduciary, and CTV shall remain a fiduciary to the HEP Parties with respect to all such Confidential Information and/or Trade Secrets.

(b) For purposes of this Agreement, the following terms have the meanings set forth below:

(i) "Confidential Information" means confidential data and confidential information relating to the business of the HEP Parties which is or has been disclosed to CTV or of which CTV becomes aware as a consequence of or through its relationship with any of the HEP Parties and which CTV knows or has reason to know has value to the HEP Parties and is not generally known to the competitors of the HEP Parties.

(ii) "Trade Secrets" means information of the HEP Parties including, but not limited to, technical or non-technical data, formulas, patterns, compilations, programs, financial data, financial plans, product or service plans or lists of actual or potential customers or suppliers which (a) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (b) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

(c) All books, records, reports, writings, notes, notebooks, computer programs, software, source code, sketches, drawings, blueprints, prototypes, formulas, photographs, negatives, models, equipment, chemicals, reproductions, proposals, flow sheets, supply contracts, customer lists and other documents and/or things relating in any manner to the business of the HEP Parties (including, but not limited to, any of the same embodying or relating to any Confidential Information or Trade Secrets), are and shall continue to be the property of the HEP Parties.

(d) HEP shall not divulge, communicate, use to the detriment of CTV or any of its affiliates ("CTV Parties") or for the benefit of any other person or persons, nor misuse in any way, any Confidential Information (defined below) or Trade Secrets (defined below) pertaining to the CTV Parties or its business. Any Confidential Information or Trade Secrets now known or hereafter acquired by HEP with respect to the CTV Parties or its business shall be deemed a valuable, special and unique asset of the CTV Parties that has been received by HEP in confidence and as a fiduciary, and HEP shall remain a fiduciary to the CTV Parties with respect to all such Confidential Information and/or Trade Secrets.

(e) For purposes of this Agreement, the following terms have the meanings set forth below:

(i) "Confidential Information" means confidential data and confidential information relating to the business of the CTV Parties which is or has been disclosed to HEP or of which HEP becomes aware as a consequence of or through its relationship with any of the CTV Parties and which HEP knows or has reason to know has value to the CTV Parties and is not generally known to the competitors of the CTV Parties.

(ii) "Trade Secrets" means information of the CTV Parties including, but not limited to, technical or non-technical data, formulas, patterns, compilations, programs, financial data, financial plans, product or service plans or lists of actual or potential customers or suppliers which (a) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (b) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

(f) All books, records, reports, writings, notes, notebooks, computer programs, software, source code, sketches, drawings, blueprints, prototypes, formulas, photographs, negatives, models, equipment, chemicals, reproductions, proposals, flow sheets, supply contracts, customer lists and other documents and/or things relating in any manner to the business of the CTV Parties (including, but not limited to, any of the same embodying or relating to any Confidential Information or Trade Secrets), are and shall continue to be the property of the CTV Parties.

(g) The Parties agree that they will keep the terms, conditions, and amount of this Agreement confidential and that they will not hereafter disclose any information concerning this Agreement to anyone to whom disclosure is not required by law or a court order, provided that the foregoing excludes the Parties' attorneys, accountants, representatives, employees and other business advisors. The Parties also agree that neither this Agreement nor evidence of this Agreement shall be used or offered as evidence in any proceeding for any purpose whatsoever, except for the purposes of enforcement and compliance as provided above. In the event one of the Parties is requested by subpoena, deposition notice, court order or otherwise to disclose the terms of this Agreement, notice shall be given to the other Party's legal counsel within five business days of receipt of the request for disclosure.

9. **Acknowledgements**. Each of the Parties acknowledges, represents, warrants and confirms the following:

(a) the Party has relied on its own judgment regarding the consideration for and language of this Agreement;

(b) the Party has been given a reasonable period of time to consider this Agreement, has been advised to consult with independent counsel of his own choosing before signing this Agreement, and has consulted with independent counsel or voluntarily elected not to consult with independent counsel with respect hereto;

(c) this Agreement is written in a manner that is understandable to it and it has read and understood all provisions of this Agreement;

(d) the Party signs this Agreement as its free and voluntary act, without any duress, coercion or undue influence exerted by or on behalf of the other Party or any other third-party;

(e) signing this Agreement is not an admission of fault or liability;

(f) the Party is the sole owner of the claims or causes of action being released herein and such Party has not conveyed or assigned any interest in any such claims or causes of action to any person or entity not a party hereto;

(g) the Party has full and complete authorization and power to sign this Agreement in the capacity herein stated;

(h) this Agreement is a valid, binding and enforceable obligation of the Party and does not violate any law, rule, regulation, contract or agreement otherwise enforceable by or against the Party; and

(i) the Party agrees to be responsible for its own attorney's fees and costs in connection with the negotiation, preparation and effectuation of this Agreement.

10. **Indemnification**. Each Party agrees to indemnify and hold harmless the other Party against any and all loss, cost, damage, liability or expense (including, but not limited to, reasonable attorneys' fees and costs) arising out of the breach by the indemnifying party of any representation, warranty, agreement or covenant made by it in this Agreement or any document furnished hereunder.

11. **Nature of the Agreement.** This Agreement and all provisions thereof, including all representations and promises contained herein, are contractual and not a mere recital and shall continue in permanent force and effect. This Agreement constitutes the sole and entire agreement of the Parties with respect to the subject matter hereof, and there are no agreements of any nature whatsoever between the Parties hereto with respect to the subject matter hereof, except as expressly stated herein. This Agreement may not be modified or changed unless done so in writing, signed by the Parties. In the event that any portion of this Agreement is found to be unenforceable for any reason whatsoever, the unenforceable provision shall be considered to be severable, and the remainder of the Agreement shall continue to be in full force and effect.

12. **Notices**. All notices, requests and other communications hereunder must be in writing and will be deemed to have been duly given only by facsimile transmission or by next day delivery by a nationally recognized courier service to the Parties at the following addresses or facsimile numbers:

If to CTV:
Changing Times Vitamins
7740 E. Evans Rd.
Scottsdale, AZ 85260
Attention: Mr. Howard R. Baer
Facsimile: _____

with a copy to (which shall not constitute notice):
_____
_____
_____
Attention: _____
Facsimile: _____

If to HEP:
Health Enhancement Products, Inc.
7740 E. Evans Rd.
Scottsdale, AZ 85260
Attention: _____
Facsimile: _____

with a copy to (which shall not constitute notice):
Snell & Wilmer L.L.P.
One Arizona Center
Phoenix, Arizona 85004-2202
Attention: Dan Mahoney
Facsimile: 602-382-6070

13. **Waiver**. The waiver by either Party of any term, condition or provision of this Agreement shall not be construed as a waiver of any other or subsequent term, condition or provision.

14. **Governing Law**. This Agreement shall be construed in accordance with and governed by the internal laws (without reference to choice or conflict of laws) of the State of Arizona.

15. **Attorney's Fees**. In the event either Party to this Agreement brings any action to enforce any provision hereof or to collect damages of any kind for any breach of this Agreement, the prevailing party shall be entitled to all court costs, all expenses arising out of or incurred by reason of the litigation, and any reasonable attorney's fees expended or incurred in any such proceedings, and all such costs and expenses shall be included in the judgment.

16. **Binding Effect**. This Agreement shall be binding upon and inure to the benefit of the Parties and each of their respective heirs, successors, assigns and related entities.

17. **No Assignment of Claims.** Each Party hereby represents and warrants that such Party has not assigned or otherwise transferred or subrogated, or purported to assign, transfer or subrogate, to any person or entity, any Claim, or any portion thereof, or interest therein such Party may have against the other Party and such Party agrees to indemnify, defend and hold the other Party harmless from and against any and all liabilities, losses, demands, claims, damages, costs, expenses or attorneys' fees incurred by such other Party as the result of any person or entity asserting any such right, assignment, transfer or subrogation.

18. **Further Act**. The Parties, without further consideration, shall execute and deliver such other documents and take such other action as may be necessary to achieve the objectives of this Agreement.

19. **No Release of Obligations**. Nothing contained in this Agreement shall operate to release or discharge either of the Parties hereto from any claims, rights or causes of action arising out of, relating to or connected with the breach, violation, or untruth of any representation or warranty of such Party set forth herein.

20. **Counterparts**. This Agreement may be executed in two or more counterparts, and by facsimile, each of which shall be deemed an original but all of which taken together shall constitute but one and the same Agreement.

[Signatures on Following Page]

IN WITNESS WHEREOF, the Parties hereto have duly executed this Agreement effective as of the date first written above.

CHANGING TIMES VITAMINS, INC., an Arizona corporation
S/Howard R. Baer
By: Howard R. Baer
Its: President

HEALTH ENHANCEMENT PRODUCTS, INC., a Nevada corporation
S/Peter Vitulli
By: Peter Vitulli
Its: CEO

[Signature Page to Settlement Agreement and Mutual Release]

Exhibit 10.07

October19, 2009

Health Enhancement Products, Inc.
7740 East Evans Road
Scottsdale, Arizona 85260

Re: Contract for Services

Gentlemen:

The purpose of this letter is to set forth the agreement between Health Enhancement Products, Inc. ("HEPI") and Great Northern Reserve Partners, LLC ("GNRP"). This binding letter agreement is being entered into so that GNRP can continue to provide uninterrupted services to HEPI.

Accordingly, the undersigned GNRP, a Michigan limited liability company, hereby agrees to provide continued services to HEPI, a Nevada corporation, to complete the ongoing discovery/development projects and development of intellectual property and licensing opportunities for the benefit of HEPI. With this in mind, the undersigned parties agree to the following terms and conditions.

1. HEPI agrees to engage GNRP as a business development agent to act as a representative for HEPI in the sale, marketing and licensure of its Pro Alga Zyme ("PAZ") products in all applications and all subsequent products, natural or synthetic, which are developed from PAZ and used in food ingredients, supplements, nutraceuticals, pharmaceuticals, medical, derivative and any other applications world-wide for a period of two (2) years, unless sooner terminated as provided herein.

   GNRP shall provide the following services to HEPI:

   Intellectual Property Development

   - Develop a comprehensive plan to substantiate the identity and efficacy of the PAZ active agents
   - Source and supervise contracted labs to conduct necessary research
   - Once results are finalized, pursue patent applications or other forms of IP protection in concert with HEPI-retained counsel
   - Identify potential applications and product derivatives, categorized by market, timing and capital requirements
   - Source and supervise validation tests where appropriate and necessary for those applications best able to be realized within two (2) years
   - Provide timely and accurate accounting of resources and funds committed to IP development, testing, validation

   Product, Application & License Marketing

   - Develop a coherent marketing strategy and information package based on the research findings regarding the specific properties and characterization of active agent(s), as well as those market opportunities best able to be realized within two (2) years
   - Canvass leads and opportunities within the previously identified application categories and markets
   - Function as primary contact for initial qualification of leads and opportunities prioritized by mutual agreement

- Once qualified intent is established by GNRP, both GNRP and HEPI principals jointly enter into negotiations where such opportunities may exist

- Legal expenses are borne directly by HEPI or others, utilizing HEPI counsel where appropriate, and specialists where necessary

Notwithstanding anything to the contrary contained herein, it is understood and agreed that HEPI retains full and unfettered decision making authority with respect to each and every aspect of its business.

This agreement may be renewed by mutual agreement for an additional two-year period. This Agreement may be terminated upon written notice by HEPI for "cause." For purposes of this agreement, "cause" shall mean:

a. Intentional material misrepresentation by Andrew Dahl or GNRP in connection with the performance of this agreement.
b. Arrest or indictment of Andrew Dahl or GNRP on any felony.
c. Conviction of GNRP or Andrew Dahl on any criminal offense except a misdemeanor.
d. Engagement by GNRP or Andrew Dahl in illegal conduct.

If this Agreement is terminated for "cause," as defined above, neither party shall have any further obligation hereunder, except as provided in paragraph 8 herein. If this Agreement is terminated by GNRP for any reason, HEPI shall have no further obligation hereunder. HEPI may terminate this Agreement if Andrew Dahl dies or, by reason of physical or mental disability, he shall be unable to perform the services required hereunder. If HEPI terminates this agreement due to Andrew Dahl's death or disability, GNRP shall be entitled to receive the compensation earned under the terms of this Agreement as of the termination date for the remaining term of this Agreement. By way of illustration and not limitation, If HEPI and a third party execute a contract and Mr. Dahl becomes disabled the day after the contract is executed, GNRP would be entitled to receive its 2% success fee with respect to any revenues received pursuant to such contract during the remaining term of this Agreement. By way of further illustration, if HEPI signs an agreement with a third party and Andrew Dahl becomes disabled a week later, prior to receipt of any payments, GNRP shall nevertheless be entitled to receive 500,000 warrants pursuant hereto once HEPI receives $500,000 in payments, as provided herein.

This Agreement may be terminated by HEPI if GNRP breaches any of its material obligations hereunder, and, after written notice to GNRP, GNRP fails to fully cure such breach within fifteen (15) days of receipt of written notice from HEPI, unless such breach cannot reasonably be cured within such fifteen (15) day period, in which case, provided GNRP is actively pursuing the cure of such breach and such breach is reasonably susceptible of being cured within thirty days of HEPI's written notice, HEPI shall have the right to terminate this Agreement if such breach is not fully cured within thirty (30) days of written notice from HEPI. If this Agreement is terminated, within one hundred eighty days of the date hereof, by HEPI due to GNRP's breach of any of its material obligations hereunder, GNRP shall be entitled to a cash payment in an amount equal to the product of (i) the quotient of 180 minus the number of days that have lapsed between the date hereof and the date of termination divided by 180 and (ii) $90,000. By way of illustration and not limitation, if the date hereof were October 15, 2009 and this Agreement were terminated by HEPI due to GNRP's breach, as of December 15, 2009, GNRP would be entitled to a payment of $60,000 (180-60/180= .6666666 X $90,000 = $60,000). In addition, if this Agreement is terminated by HEPI due to GNRP's breach during the initial two year term hereof, GNRP shall be entitled to receive any "success fees" as provided in Paragraph 6 hereof, but only with respect to sales and revenues received by HEPI during the initial two year term of this Agreement. By way of illustration and not limitation, if the date hereof were October 15, 2009 and this Agreement were terminated by HEPI due to GNRP's breach on October 15, 2010, GNRP would be entitled to the 2% success fee on sales and revenues received by HEPI on or before October 15, 2011 (the two year anniversary hereof).

2. Compensation shall be paid by HEPI to GNRP at GNRP's regular hourly billing rates (currently at a maximum of $250 per hour), which may be adjusted by mutual agreement of the parties. GNRP shall also be entitled to reimbursement of all reasonable out of pocket costs, incurred with HEPI's prior approval. Prior approval shall be required for all out of pocket expenses in excess of $100.00. Subject to the terms hereof, HEPI shall pay a monthly retainer in advance to GNRP, beginning on November 1, 2009, in the amount of $15,000.00 per month, with actual billed hours sent on a monthly basis by GNRP to HEPI and adjustments made to reflect the actual time billed against the retainer. Notwithstanding the foregoing, the actual time billed shall not exceed $40,000.00 per month for the primary consultant's time at GNRP. To the extent that the monthly bill exceeds $15,000, HEPI shall have the option to pay such monthly excess in HEPI stock, through the issuance of registered shares of common stock , which shall be valued at the average of the last sale price for the five trading days preceding the payment due date. To the extent that the first and second month's payment exceeds $15,000, it may be deferred until December 15, 2009 to afford HEPI the time to file a registration statement to permit issuance of the free trading shares. It is understood that any sale by GNRP of shares of common stock, as well as any issuance by HEPI to GNRP under this Agreement shall be subject to applicable securities laws.

3. This Agreement supersedes the February 2, 2009 letter agreement ("February Agreement") between HEPI and GNRP. GNRP has advised HEPI that there is a balance due to GNRP of approximately $142,000.00 for services rendered and expenses incurred during the course of this prior engagement.

4. Within ten (10) business days after execution of this Agreement, HEPI shall issue in certificated form to GNRP or its designate, 500,000 shares of HEPI stock, in full satisfaction of any and all amounts owing under the February Agreement, and in recognition of GNRP's contribution to the achievement of recent testing milestones with WSU. If HEPI is unable to issue such shares because it has insufficient authorized but unissued shares, then HEPI shall immediately issue such shares following an increase in the number of its authorized shares of common stock to at least 125,000,000.

   Further, upon the attainment of two subsequent benchmark events as specified herein, HEPI agrees to issue two additional warrants to GNRP for 500,000 shares each, exercisable at $.25 per share. The first warrant of 500,000 shares shall be issued upon identification of bioactive agents and submission of a patent application by HEPI with respect thereto, with which GNRP shall assist HEPI. The issuance of these 500,000 shares shall be subject to HEPI's increasing the number of its authorized shares of common stock to at least 125,000,000.

   The second warrant for 500,000 shares shall be issued to GNRP or its designate with an exercise price of $.25 per share upon HEPI's 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, subject to HEPI's increasing the number of its authorized shares of common stock to at least 125,000,000. If this Agreement is terminated by HEPI other than for "cause" after the date such agreement is entered into by HEPI and prior to receipt of the minimum $500,000 in payments, GNRP shall nevertheless be entitled to receive the warrant for 500,000 shares promptly following HEPI's receipt of the minimum $500,000 in payments.

5. HEPI agrees to pay GNRP a 2% success fee on all sales and revenues arising from a contract made during the term of this Agreement from any source or market in any application of PAZ or its derivatives, whether introduced directly or indirectly through HEPI or through relationships and contacts made by GNRP either jointly or individually, and which shall be payable in cash for a five year period from the date of execution of this Letter Agreement, except as otherwise provided herein. It is understood that the success fee shall not apply to any sale of HEPI or its assets. Notwithstanding any other provision hereof, HEPI shall have the right to source deals from third parties, it being understood that GNRP shall nevertheless be entitled to the 2% success fee with respect to any sales derived from such third party sourced transactions.

6. HEPI further agrees to provide GNRP or its designate the option to exercise its warrants at a net exercise price of zero (0) utilizing the difference between the fair market value of the shares less the warrant exercise price to pay for the exercise price (also known as a cashless exercise). It is understood and agreed that all share and warrant issuances hereunder shall be subject to HEPI increasing the number of its authorized shares of common stock to at least 125,000,000.

7. HEPI further agrees to consider allowing GNRP or its designate to piggyback any or all of GNRP's shares which are not tradable under SEC Rule 144 on a registration statement HEPI may file under the Securities Act of 1933 for its own account without cost to GNRP or its designate. However HEPI may decline to include such shares in any registration statement it may file, if HEPI, in its sole discretion, determines that the inclusion of such shares in its registration statement would not be consistent with its business objectives in filing the registration statement.

8. Confidentiality and ownership of Property and information.

For purposes of this Agreement, the following terms shall have the following meanings:

a. "Material(s)" shall mean the proprietary compound ProAlgaZyme.

b. "Derivatives" shall mean any compound (or structure thereof) which results from direct or indirect chemical synthesis of the Material(s).

c. "Invention" shall mean any invention, including but not limited to any material or process, conceived or reduced to practice by HEPI or GNRP in connection with their respective use of the Materials or the Derivatives.

Nothing herein shall be deemed to be a grant by HEPI to GNRP of any rights in the Materials or the Derivatives. Upon termination of this Agreement, GNRP shall promptly return any Materials and Derivatives in its possession to HEPI.

GNRP shall use any Materials provided hereunder solely for the purpose of rendering services pursuant to this Agreement. GNRP represents and warrants that neither the Materials nor Derivatives will be used, directly or indirectly in any research programs, except in connection with provision of the services hereunder, without HEPI's prior written approval. Any other use of the Materials or Derivatives by GNRP or any use by any other investigator is strictly prohibited unless permitted by a separate written agreement with HEPI. GNRP agrees not to transfer the Materials or Derivatives to any other person or entity without the prior approval of HEPI and without such other person or entity entering into an Agreement with HEPI.

All right, title and interest to all Materials and Derivatives (and any patent and intellectual property rights to the Materials and Derivatives, including, but not limited to, new uses of (or information relating to) the Materials which arise from GNRP's work hereunder, including use of the Materials or any Derivatives under this Agreement) shall remain and be the exclusive property of HEPI or are hereby assigned to HEPI and shall be subject to the terms and conditions of this Agreement. GNRP shall have no rights whatsoever with respect to any such property. GNRP shall keep HEPI informed of all uses made of the Materials and Derivatives, and shall provide HEPI with a report summarizing the results of experiments and data generated utilizing the Materials in a timely manner following the conclusion of such experiments.

The Materials shall be received and held in confidence by GNRP which acknowledges that they are considered proprietary to HEPI. All unpublished information provided to GNRP or resulting from the studies being conducted by GNRP for HEPI ("Information") will be held strictly confidential and will not be disclosed to any third party, except that GNRP may disclose such information to persons who are consulting with GNRP about the Materials and Derivatives, provided that such persons enter into a confidentiality agreement with HEPI. However, Information shall not include any information which (i) is in the public domain at the time of disclosure or (ii) has been received by a third party who did not acquire it directly or indirectly from HEPI or in violation of a confidentiality obligation owing to HEPI.

Upon discovery of any Invention by GNRP, GNRP shall promptly disclose such Invention and all related materials and information in writing to HEPI. Any Invention discovered by GNRP or HEPI shall be the sole and undivided property of HEPI, and GNRP shall have no rights whatsoever with respect to any Invention or any related information.

Any information with respect to new uses of (or information relating to) the Materials and/or the Derivatives which arises from GNRP's use of the Materials or any Derivatives under this Agreement, shall be the sole and exclusive property of HEPI and GNRP shall have no rights whatsoever with respect to any such Information.

This Paragraph 8 shall survive termination or expiration of this Agreement.

This letter shall constitute a binding agreement to provide services by GNRP and to require payments, compensation and reimbursements by HEPI for past performance and continued services by GNRP to HEPI, as provided herein. This Agreement shall be approved by HEPI's Board of Directors, in accordance with Nevada law, and by GNRP's managers/members, in accordance with GNRP's operating agreement.

If the foregoing is acceptable to HEPI, please so indicate by signing and returning a copy of this letter agreement.

Very truly yours,

Great Northern and Reserve Partners, LLC

S/Andrew Dahl
By: Andrew Dahl, Its Managing Member

Accepted and Agreed:

Health Enhancement Products, Inc.

By: *S/Peter Vitulli*
Peter Vitulli, Its CEO

Dated: October 19, 2009

EX 14.1 CODE OF ETHICS

Code of Ethics and Business Conduct for Officers, Directors and Employees of Health Enhancement Products, Inc.

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 a Committee empowered to enforce this Code of Ethics. The Committee will report to the Board of Directors at least once each year regarding the general effectiveness of the Company’s Code of Ethics 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 Committee. Pursuant to procedures adopted by it, the 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 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.

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, Janet L. Crance 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: April 14, 2010

/s/ Janet L. Crance
Janet L. Crance
Chief Administrative 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, Janet L. Crance 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: April 14, 2010

/s/ Janet L. Crance
Janet L. Crance, Chief Accounting 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, 2009 as filed with the Securities and Exchange Commission (the "Report"), I, Janet L. Crance, 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: April 14, 2010

/s/ Janet L Crance
Janet L Crance
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, 2009 as filed with the Securities and Exchange Commission (the "Report"), I, Janet L. Crance, 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: April 14, 2010

/s/ Janet L. Crance
Janet L. Crance
Chief Accounting 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.