HOLLY ENERGY PARTNERS LP
Form 10-Q
October 31, 2008

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the quarterly period ended September 30, 2008

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES ACT OF 1934**

For the transition period from __________ to __________.

Commission File Number: 1-32225

HOLLY ENERGY PARTNERS, L.P.

(Exact name of registrant as specified in its charter)

Delaware	20-0833098
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

100 Crescent Court, Suite 1600
Dallas, Texas 75201-6915
(Address of principal executive offices)
(214) 871-3555
(Registrant s telephone number, including area code)
None
(Former name, former address and former fiscal year, if changed since last report)

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 þ No o

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 o	Accelerated filer þ	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act).

Yes o No þ

The number of the registrant s outstanding common units at October 26, 2008 was 8,390,000.

HOLLY ENERGY PARTNERS, L.P.
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PART I. FINANCIAL INFORMATION

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains certain forward-looking statements within the meaning of the federal securities laws. All statements, other than statements of historical fact included in this Form 10-Q, including, but not limited to, those under Results of Operations and Liquidity and Capital Resources in Item 2 Management s Discussion and Analysis of Financial Condition and Results of Operations in Part I are forward-looking statements. These statements are based on management s beliefs and assumptions using currently available information and expectations as of the date hereof, are not guarantees of future performance, and involve certain risks and uncertainties. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that our expectations will prove correct. Therefore, actual outcomes and results could differ materially from what is expressed, implied or forecast in these statements. Any differences could be caused by a number of factors, including, but not limited to:

- Risks and uncertainties with respect to the actual quantities of petroleum products and crude oil shipped on our pipelines and/or terminalled in our terminals;
- The economic viability of Holly Corporation, Alon USA, Inc. and our other customers;
- The demand for refined petroleum products in markets we serve;
- Our ability to successfully purchase and integrate additional operations in the future;
- Our ability to complete previously announced pending or contemplated acquisitions;
- The availability and cost of additional debt and equity financing;
- The possibility of reductions in production or shutdowns at refineries utilizing our pipeline and terminal facilities;
- The effects of current and future government regulations and policies;
- Our operational efficiency in carrying out routine operations and capital construction projects;
- The possibility of terrorist attacks and the consequences of any such attacks;
- General economic conditions; and
- Other financial, operations and legal risks and uncertainties detailed from time to time in our Securities and Exchange Commission filings.

Cautionary statements identifying important factors that could cause actual results to differ materially from our expectations are set forth in this Form 10-Q, including without limitation, in conjunction with the forward-looking statements included in this Form 10-Q that are referred to above. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements set forth in our Annual Report on Form 10-K for the year ended December 31, 2007 in Risk Factors, and in this Form 10-Q in Management s Discussion and Analysis of Financial Condition and Results of Operations . All forward-looking statements included in this Form 10-Q and all subsequent written or oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. The forward-looking statements speak only as of the date made and, other than as required by law, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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Item 1. Financial Statements

Holly Energy Partners, L.P.
Consolidated Balance Sheets

	September 30, 2008 (Unaudited)	December 31, 2007
	(In thousands, except unit data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,118	$ 10,321
Accounts receivable:		
Trade	7,503	6,611
Affiliates	9,088	5,700
	16,591	12,311
Prepaid and other current assets	858	546
Total current assets	19,567	23,178
Properties and equipment, net	283,628	158,600
Transportation agreements, net	121,975	54,273
Other assets	4,916	2,853
Total assets	$ 430,086	$ 238,904
LIABILITIES AND PARTNERS EQUITY		
Current liabilities:		
Accounts payable	$ 2,959	$ 3,011
Accounts payable affiliates	2,337	6,021
Accrued interest	1,011	2,996
Deferred revenue	14,338	3,700
Accrued property taxes	1,377	1,177
Other current liabilities	1,105	827
Short-term borrowings under credit agreement	24,000	
Total current liabilities	47,127	17,732
Commitments and contingencies		
Long-term debt	354,522	181,435
Other long-term liabilities	478	1,181
Minority interest	10,374	10,740
Partners equity (deficit):		

Common unitholders (8,390,000 and 8,170,000 units issued and outstanding at September 30, 2008 and December 31, 2007, respectively)	171,852	172,807
Subordinated unitholders (7,000,000 units issued and outstanding)	(82,396)	(73,725)
Class B subordinated unitholders (937,500 units issued and outstanding)	21,812	22,973
General partner interest (2% interest)	(94,508)	(94,239)
Accumulated other comprehensive income	825	
Total partners equity	17,585	27,816
Total liabilities and partners equity	$ 430,086	$ 238,904

See accompanying notes.

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Holly Energy Partners, L.P.
Consolidated Statements of Income
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	(In thousands, except per unit data)			
Revenues:				
Affiliates	$ 22,737	$ 14,827	$ 61,210	$ 44,942
Third parties	6,774	9,638	22,352	30,526
	29,511	24,465	83,562	75,468
Affiliates other		2,748		2,748
	29,511	27,213	83,562	78,216
Operating costs and expenses:				
Operations	11,033	7,939	30,745	23,861
Depreciation and amortization	5,884	3,594	16,259	10,873
General and administrative	1,596	1,406	4,241	3,962
	18,513	12,939	51,245	38,696
Operating income	10,998	14,274	32,317	39,520
Other income (expense):				
Interest income	25	101	146	431
Interest expense	(5,161)	(3,383)	(14,201)	(10,112)
Gain on sale of assets			36	298
Other income	1,007		1,007	
Minority interest in Rio Grande Pipeline Company	(164)	(233)	(834)	(814)
	(4,293)	(3,515)	(13,846)	(10,197)
Income before income taxes	6,705	10,759	18,471	29,323
State income tax	(84)	(69)	(237)	(193)
Net income	6,621	10,690	18,234	29,130
Less general partner interest in net income	905	794	2,526	2,100
Limited partners interest in net income	$ 5,716	$ 9,896	$ 15,708	$ 27,030

Net income per limited partner unit - basic and diluted	$ 0.35	$ 0.61	$ 0.96	$ 1.68
Weighted average limited partners units outstanding	16,328	16,108	16,279	16,108

See accompanying notes.

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Holly Energy Partners, L.P.
Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30, 2008	2007
	(In thousands)	
Cash flows from operating activities		
Net income	$ 18,234	$ 29,130
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	16,259	10,873
Minority interest in Rio Grande Pipeline Company	834	814
Amortization of restricted and performance units	1,194	1,087
Gain on sale of assets	(36)	(298)
(Increase) decrease in current assets:		
Accounts receivable	(892)	2,722
Accounts receivable affiliates	(3,388)	(2,670)
Prepaid and other current assets	(312)	439
Increase (decrease) in current liabilities:		
Accounts payable	(52)	(1,590)
Accounts payable affiliates	(3,684)	59
Accrued interest	(1,985)	(1,977)
Deferred revenue	10,638	(870)
Accrued property tax	200	68
Other current liabilities	278	(211)
Other, net	802	551
Net cash provided by operating activities	38,090	38,127
Cash flows from investing activities		
Additions to properties and equipment	(29,024)	(3,119)
Acquisition of crude pipelines and tankage assets	(171,000)	
Proceeds from sale of assets	36	325
Net cash used for investing activities	(199,988)	(2,794)
Cash flows from financing activities		
Net borrowings under credit agreement	195,000	
Proceeds from issuance of common units	104	
Distributions to partners	(38,908)	(35,565)
Distributions to minority interest	(1,200)	(1,290)
Contribution from general partner	186	
Purchase of units for restricted grants	(795)	(1,082)
Deferred financing costs	(692)	(225)
Other		(16)
Net cash provided by (used for) financing activities	153,695	(38,178)

Cash and cash equivalents		
Decrease for period	(8,203)	(2,845)
Beginning of period	10,321	11,555
End of period	$ 2,118	$ 8,710

See accompanying notes.

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Holly Energy Partners, L.P.
Consolidated Statement of Partners Equity (Deficit)
(Unaudited)

	Common Units	Subordinated Units	Class B Subordinated Units	General Partner Interest	Accumulated Other Comprehensive Income	Total
			(In thousands)			
Balance December 31, 2007	$ 172,807	$ (73,725)	$ 22,973	$ (94,239)	$	$ 27,816
Net income	8,038	6,764	906	2,526		18,234
Change in fair value of cash flow hedge					825	825
Comprehensive income	8,038	6,764	906	2,526	825	19,059
Distributions to partners	(18,425)	(15,435)	(2,067)	(2,981)		(38,908)
Issuance of common units	9,104					9,104
Cost of issuing common units	(71)					(71)
Capital contribution				186		186
Purchase of units for restricted grants	(795)					(795)
Amortization of restricted and performance units	1,194					1,194
Balance September 30, 2008	$ 171,852	$ (82,396)	$ 21,812	$ (94,508)	$ 825	$ 17,585

See accompanying notes.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1: Description of Business and Presentation of Financial Statements

Holly Energy Partners, L.P. (HEP) together with its consolidated subsidiaries, is a publicly held master limited partnership, currently 46% owned by Holly Corporation and its subsidiaries (collectively Holly). HEP commenced operations July 13, 2004 upon the completion of its initial public offering. In this document, the words we , our , ours and us refer to HEP unless the context otherwise indicates.

Holly recognizes us as a variable interest entity. Our purchase of Holly s crude pipelines and tankage assets on February 29, 2008 qualified as a reconsideration event whereby Holly reassessed their beneficial interest in us and determined that their beneficial interest in us exceeds 50%. Accordingly, Holly reconsolidated us effective March 1, 2008.

We operate in one business segment the operation of petroleum product and crude oil pipelines, tankage and terminal facilities.

One of Holly s wholly-owned subsidiaries owns a refinery in Artesia, New Mexico, which Holly operates in conjunction with crude, vacuum distillation and other facilities situated in Lovington, New Mexico (collectively, the Navajo Refinery). The Navajo Refinery produces high-value refined products such as gasoline, diesel fuel and jet fuel and serves markets in the southwestern United States and northern Mexico. We own and operate the two parallel intermediate feedstock pipelines (the Intermediate Pipelines), which connect the New Mexico refining facilities. Our refined product pipelines serve as part of the product distribution network that services the Navajo Refinery. Our terminal operations serving the Navajo Refinery include a truck rack at the Navajo Refinery and four integrated refined product terminals located in New Mexico, Texas and Arizona. On February 29, 2008, we acquired pipeline and tankage assets from Holly (the Crude Pipelines and Tankage Assets) that also service the Navajo Refinery. See Note 2 for a further description of these assets.

Another of Holly s wholly-owned subsidiaries owns a refinery located near Salt Lake City, Utah (the Woods Cross Refinery). Our operations serving the Woods Cross Refinery include a truck rack at the refinery, a refined product terminal in Spokane, Washington and a 50% non-operating interest in product terminals in Boise and Burley, Idaho. See Note 2 for a description of the Crude Pipelines and Tankage Assets that also service the Woods Cross Refinery.

We also own and operate refined products pipelines and terminals, located primarily in Texas, that service Alon USA, Inc. s (Alon) refinery in Big Spring, Texas.

Additionally, we own a refined product terminal in Mountain Home, Idaho, and a 70% interest in Rio Grande Pipeline Company (Rio Grande), which provides transportation of liquid petroleum gases to northern Mexico.

The consolidated financial statements included herein have been prepared without audit, pursuant to the rules and regulations of the United States Securities and Exchange Commission (the SEC). The interim financial statements reflect all adjustments, which, in the opinion of management, are necessary for a fair presentation of our results for the interim periods. Such adjustments are considered to be of a normal recurring nature. Although certain notes and other information required by accounting principles generally accepted in the United States of America have been condensed or omitted, we believe that the disclosures in these consolidated financial statements are adequate to make the information presented not misleading. These consolidated financial statements should be read in conjunction with our Form 10-K for the year ended December 31, 2007. Results of operations for interim periods are not necessarily indicative of the results of operations that will be realized for the year ending December 31, 2008.

We have reclassified state income taxes for the three and nine months ended September 30, 2007 to conform to our current presentation. State income taxes were previously classified as operations and general and administrative expenses in our consolidated statement of income.

Recent Accounting Pronouncements

Statement of Financial Accounting Standards (SFAS) No. 157 Fair Value Measurements

In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 157, Fair Value Measurements. This standard simplifies and codifies guidance on fair value measurements under generally accepted accounting principles. This standard defines fair value, establishes a framework for measuring fair value and prescribes expanded disclosures about fair value measurements. It also establishes a fair value hierarchy that categorizes inputs used in fair value measurements into three broad levels. Under this hierarchy, quoted prices in active markets for identical assets or liabilities are considered the most reliable evidence of fair value and are given the highest priority level (level 1). Unobservable inputs are considered the least reliable and are given the lowest priority level (level 3). We adopted this standard effective January 1, 2008.

We have interest rate swaps that we measure at fair value on a recurring basis using level 2 inputs. See Note 5 for additional information on these swaps.

EITF No. 07-04 Application of the Two-Class Method under FASB Statement No. 128, Earnings per Share, to Master Limited Partnerships

In March 2008, the FASB ratified Emerging Issues Task Force (EITF) Issue No. 07-04, Application of the Two-Class Method under FASB Statement No. 128 to Master Limited Partnerships (MLP s). This standard provides guidance in the application of the two-class method in computing earnings per unit to reflect an MLP s contractual obligation to make distributions to the general partner, limited partners, and incentive distribution rights holder. EITF No. 07-04 is effective for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. We will adopt this standard effective January 1, 2009. We do not anticipate that the adoption of this standard will have a material effect on our financial condition, results of operations and cash flows.

FASB Staff Position (FSP) No. EITF 03-6-1 Determining Whether Instruments Granted in Share-Based Transactions Are Participating Securities

In June 2006, the FASB issued FSP No. 03-6-1, Determining Whether Instruments Granted in Share-Based Transactions Are Participating Securities. This standard provides guidance in determining whether unvested instruments granted under share-based payment transactions are participating securities and, therefore, should be included in earnings per share calculations under the two-class method provided under FASB No. 128, Earnings per Share. FSP No. 03-6-1 is effective for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. We will adopt this standard effective January 1, 2009. We do not anticipate that the adoption of this standard will have a material effect on our financial condition, results of operations and cash flows.

Note 2: Acquisition

On February 29, 2008, we acquired the Crude Pipelines and Tankage Assets from Holly for $180.0 million that consist of crude oil trunk lines that deliver crude oil to Holly s Navajo Refinery in southeast New Mexico, gathering and connection pipelines located in west Texas and New Mexico, on-site crude tankage located within the Navajo and Woods Cross refinery complexes, a jet fuel products pipeline and leased terminal between Artesia and Roswell, New Mexico, and crude oil and product pipelines that support Holly s Woods Cross Refinery. The consideration paid consisted of $171.0 million in cash and 217,497 of our common units having a fair value of $9.0 million. We financed the $171.0 million cash portion of the consideration through borrowings under our senior secured revolving credit agreement expiring August 2011.

In connection with this transaction, we entered into a 15-year crude pipelines and tankage agreement with Holly (the Holly CPTA). Under this agreement, Holly agreed to transport and store volumes of crude oil on the crude pipelines and tankage facilities that at the agreed rates will result in minimum annual revenues to us of $26.7 million. The agreed upon tariffs on the crude pipelines will be adjusted each year at a rate equal to the percentage change in the producer price index (PPI) but will not decrease as a result of a decrease in the PPI. Additionally, Holly amended our omnibus agreement

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(the Omnibus Agreement) to provide $7.5 million of indemnification for a period of up to fifteen years for environmental noncompliance and remediation liabilities associated with the Crude Pipelines and Tankage Assets that occurred or existed prior to our acquisition for a period of up to fifteen years.

The consideration paid for the Crude Pipeline and Tankage Assets was allocated to the individual assets acquired based on management s preliminary fair value estimates. In accounting for this acquisition, we recorded pipeline and terminal assets of $108.0 million and an intangible asset of $72.0 million, representing the allocated value of the Holly CPTA. This intangible asset is included in Transportation agreements, net in our consolidated balance sheets.

Note 3: Properties and Equipment

	September 30, 2008	December 31, 2007
	(In thousands)	
Pipelines and terminals	$ 306,700	$ 196,800
Land and right of way	24,319	22,825
Other	6,790	5,706
Construction in progress	33,766	9,103
	371,575	234,434
Less accumulated depreciation	87,947	75,834
	$ 283,628	$ 158,600

During the nine months ended September 30, 2008 we capitalized $0.7 million in interest related to major construction projects. We did not capitalize any interest during the nine months ended September 30, 2007.

Note 4: Transportation Agreements

Our transportation agreements consist of the following:

The transportation agreement with Alon represents a portion of the total purchase price of assets purchased from Alon in 2005 that was allocated based on an estimated fair value derived under the income approach. This asset is being amortized over 30 years ending 2035, the 15-year initial term of the pipelines and terminals agreement with Alon plus the expected 15-year extension period.

The Holly crude pipelines and tankage agreement represents a portion of the total purchase price of the Crude Pipelines and Tankage Assets that was allocated based on management s preliminary estimate of its fair value. This asset is being amortized over 15 years ending 2023, the 15-year term of the Holly CPTA.

The carrying amounts of our transportation agreements are as follows:

	September 30, 2008	December 31, 2007
	(In thousands)	
Alon transportation agreement	$ 59,933	$ 59,933
Holly crude pipelines and tankage agreement	72,000	
	131,933	59,933
Less accumulated amortization	9,958	5,660
	$ 121,975	$ 54,273

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Note 5: Debt

Credit Agreement

In February 2008, we amended our $100 million senior secured revolving credit agreement expiring in August 2011 to increase the size from $100 million to $300 million (the Credit Agreement), which we used to finance the $171.0 million cash portion of the consideration paid for the Crude Pipelines and Tankage Assets acquired from Holly. Union Bank of California, N.A. is one of the lenders and serves as administrative agent under this agreement. As of September 30, 2008 and December 31, 2007, we had $195.0 million and zero, respectively, outstanding under the Credit Agreement.

The Credit Agreement is available to fund capital expenditures, acquisitions, and working capital and for general partnership purposes. Advances under the Credit Agreement that are either designated for working capital or have been used as "Share-Based Payment" and the related interpretations. Under SFAS 123R, compensation cost for all share based payments granted are based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123(R). Compensation cost is recognized on a straight line basis over the requisite service period for the entire award in accordance with the provisions of SFAS No. 123(R). If at any date the portion of the grant-date fair value of the award that is vested is greater than that amount recognized on a straight line basis, the amount of the vested grant date fair value is recognized.

Risk Factors

An investment in our common stock is highly speculative, involves a high degree of risk, and should be made only by investors who can afford a complete loss. You should carefully consider the following risk factors, together with the other information in this prospectus, including our financial statements and the related notes, before you decide to buy our common stock. Our most significant risks and uncertainties are described below; however, they are not the only risks we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also impair our business operations. If any of the following risks actually occur, our business, financial condition, or results of operations could be materially adversely affected, the trading of our common stock could decline, and you may lose all or part of your investment.

Off-Balance Sheet Arrangements

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

RISKS RELATED TO OUR BUSINESS

We have a history of losses, anticipate future losses and our independent auditors have expressed doubt about our ability to continue as a going concern, any of which may hinder our ability to obtain future financing.

In their report for our most recent fiscal year, our independent auditors stated that our financial statements for the year ended December 31, 2007 were prepared assuming that we would continue as a going concern. Our ability to continue as a going concern is an issue raised as a result of a loss for the year ended December 31, 2007 in the amount of approximately $570,097 and a loss for the year ended December 31, 2006 in the amount of approximately $17,405,154. We continue to experience net operating losses. Our ability to continue as a going concern is subject to our ability to generate a profit and/or obtain necessary funding from outside sources, including obtaining additional funding from the sale of our securities, increasing sales or obtaining loans and grants from various financial institutions where possible. The going concern qualification in the auditor's report increases the difficulty in meeting such goals and there can be no assurances that such methods will prove successful. If we do not continue as a going concern, stockholders may lose their entire investment.

We may have difficulty raising additional capital, which could deprive us of necessary resources to grow our business and achieve our business objectives.

We expect to continue to devote capital resources to fund continued development of content delivery and management services and maintain and grow existing marketing capacity. In order to support the initiatives envisioned in our business plan, we intend to raise additional funds through the sale of equity, debt or a combination of the two. Our ability to raise additional financing depends on many factors beyond our control, including the state of capital markets, the market price of our common stock and the development, or prospects for development, of competitive technology by others.

Because our common stock is listed on the over-the-counter bulletin board, many investors may not be willing or allowed to purchase it or may demand steep discounts. Sufficient additional financing may not be available to us or may be available only on terms that would result in further dilution to the current owners of our common stock. If we are unable to raise additional funds when we need them, we may have to severely curtail our operations.

We may not be able to successfully deliver existing or develop new products and services in a cost-effective manner to meet customer demand .

Our service offerings may fail to be competitive with existing and new competitors.

Current and prospective competitors include many large companies that have substantially greater market presence, financial, technical, marketing and other resources than we have. We compete directly or indirectly with the following categories of companies:

Security breaches. We depend on the security of our network and, in part, on the security of the network infrastructures of our third-party service providers and our outsourced customer support service providers. Unauthorized or inappropriate access to, or use of, our network, computer systems and services could potentially jeopardize the security of confidential information, including credit card information, of our subscribers and of third parties. Consumers or businesses may use our services to perpetuate crimes in the future. Subscribers or third parties may assert claims of liability against us as a result of any failure by us to prevent these activities. Although we use security measures, there can be no assurance that the measures we

take will be successfully implemented or will be effective in preventing these activities. Further, the security measures of our third-party providers may be inadequate. These activities may subject us to legal claims, may adversely impact our reputation, and may interfere with our ability to provide our services, all of which could have a material adverse effect on our business, financial position and results of operations.

We regard our trademarks, service marks, copyrights, patents, trade secrets, proprietary technologies and similar intellectual property and those of our technology partners as critical to our success. We rely on trademark, copyright and patent law, trade secret protection, and confidentiality agreements with our employees, customers, partners and others to protect our proprietary rights and our technology partners employ similar practices. The efforts that both we and our technology partners have taken to protect our proprietary rights may not be sufficient or effective. Third parties may infringe or misappropriate either of our copyrights, trademarks, patents and similar proprietary rights. If either we or our technology partners are unable to protect our respective proprietary rights from unauthorized use, our respective brand images may be harmed and our business may suffer.

The protection of trademarks, service marks, copyrights, patents, trade secrets, proprietary technologies and intellectual property may require the expenditure of significant financial and managerial resources. Moreover, we cannot be certain that the steps we or our technology partners take to protect these assets will adequately protect our respective rights or that others will not independently develop or otherwise acquire equivalent or superior technology or other intellectual property rights. Such events could substantially diminish the value of our respective technology and property, which could adversely affect our business.

We may be accused of infringing upon the intellectual property rights of third parties, which is costly to defend and could limit our ability to use certain technologies in the future.

We may be subject to claims and legal proceedings regarding alleged infringement by us of the patents, trademarks, licenses and other intellectual property rights of third parties. Such claims, whether or not meritorious, may result in the expenditure of significant financial and managerial resources, injunctions against us or the imposition of damages that we must pay. We may need to obtain licenses from third parties who allege that we have infringed their rights, but such licenses may not be available on terms acceptable to us or at all. Any of these could result in increases in our operating expenses or could limit or reduce the number of our service offerings.

We may decide to initiate litigation in order to enforce our intellectual property rights, to protect our trade secrets, or to determine the validity and scope of our proprietary rights. Any such litigation could result in substantial expense, may reduce our profits, and may not adequately protect our intellectual property rights. In addition, we may be exposed to future litigation by third parties based on claims that our products or services infringe their intellectual property rights. Any such claim or litigation against us, whether or not successful, could result in substantial costs and harm our reputation. In addition, such claims or litigation could force us to do one or more of the following:

- cease selling or using any of our products that incorporate the challenged intellectual property, which would adversely affect our revenue; obtain a license from and/or make royalty payments to the holder of the intellectual property right alleged to have been infringed, which license may not be available on reasonable terms, if at all;
- divert management's attention from our business;
- redesign or, in the case of trademark claims, rename our products or services to avoid infringing the intellectual property rights of third parties, which may not be possible and in any event could be costly and time-consuming.

- Even if we were to prevail, such claims or litigation could be time-consuming and expensive to prosecute or defend, and could result in the diversion of our management's time and attention. These expenses and diversion of managerial resources could have a material adverse effect on our business, prospects, financial condition, and results of operations.

We may be unable to hire and retain sufficient qualified personnel, and the loss of any of our key executive officers could adversely affect us.

We believe that our success will depend in large part on our ability to attract and retain highly skilled, knowledgeable, sophisticated and qualified managerial, professional and technical personnel. We have experienced significant competition in attracting and retaining personnel who possess the skills that we are seeking. As a result of this competition, we may experience a shortage of qualified personnel. In addition, the loss of any of our key executives could have a material adverse effect on us. Much of our success depends upon the ability of our President and Chief Executive Officer, Paul D. Hamm, to identify, hire and retain senior management, sales, marketing and personnel. The loss of Mr. Hamm or the failure to attract, integrate, motivate and retain additional key employees could adversely impact our business. We do not have key person insurance on the life of Mr. Hamm or any other executive officer or key employee.

Government regulations could force us to change our business practices.

Declining levels of economic activity or fluctuations in the use of our services could negatively impact our subscriber growth rates and incremental revenue levels.

Changes in general economic conditions that affect demand for our voice, video and data services could adversely affect our revenues. While the number of subscribers has been rising, the infrastructure may not expand fast enough to meet the increased levels of demand. If use of the voice, video and data services as a medium for commerce declines or grows at a slower rate than we anticipate, our revenues could be lower than expected and our business could be harmed.

We may face risks as we expand our business into international markets.

We currently may explore opportunities to offer our products in foreign markets. If so, we have limited experience in developing and marketing our services internationally, and we may not be able to successfully execute our business model in markets outside the United States. We may face a number of risks inherent in doing business in international markets, including the following:

- changing regulatory requirements;
- fluctuations in the exchange rate for the United States dollar;
- the availability of export licenses;
- potentially adverse tax consequences;
- political and economic instability;
- changes in diplomatic and trade relationships;

- difficulties in staffing and managing foreign operations, tariffs and other trade barriers;

- complex foreign laws and treaties;
- changing economic conditions;
- difficulty of collecting foreign account receivables;
- exposure to different legal standards, particularly with respect to intellectual property and distribution of products;

In addition, we would be subject to the Foreign Corrupt Practices Act, which prohibits us from making payments to government officials and others in order to influence the granting of contracts we may be seeking. Our non-U.S. competitors are not subject to this law and this may give them a competitive advantage over us.

To the extent that international operations represent a significant portion of our business in the future, our business could suffer if any of these risks occur.

Failure to achieve and maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business and stock price.

RISKS RELATED TO OUR OUTSTANDING SECURITIES

The conversion of our debt by the holders and/or the exercise of warrants or options may result in dilution of the ownership interest of existing shareholders.

The sale of the shares of our common stock acquired in private placements could cause the price of our common stock to decline.

On February 22, 2005, we completed a financing in which we issued a total of $1.425 million principal amount of 8% senior secured convertible notes due February 22, 2007 and warrants. The notes entitle the holders to convert principal and unpaid interest of $197,705 into shares of our common stock at a current rate of $0.38 per share, as of December 31, 2006, for a total of 4,270,279 our common stock. As required under the terms of those transactions, we were required to file a registration statement with the United States Securities and Exchange Commission under which the investors may resell to the public common stock acquired upon the conversion of the Notes. We filed a SB-2 registration statement in April 2005, which was declared effective in May 2005. However, that registration statement can no longer be relied upon for resale. The senior secured convertible noteholders may be able to rely on Rule 144 as an exemption from registration for resale of common stock. The notes matured on February 22, 2007, giving holders the right to demand payment in cash or shares of our common stock, at the holders' discretion. As of the date of this filing, we have not received notice for payment or of default from any of the noteholders. However, we could receive notice of payment from any of the holders at any time. If we are not able to make payment in cash upon demand and if the holder does not accept payment in shares of our common stock, then we will be in default of these notes. Under default, holders would have the right to pursue remedy by legal claim, including under bankruptcy law, since these notes are secured by the general assets of the company under a filed UCC-1, as described further below.

The large number of shares underlying the derivative securities we issued in past private placements may be available for future sale. Depending upon market liquidity at the time, a sale of a significant amount of

shares at any given time could cause the trading price of our common stock to decline. The sale of a substantial number of shares of our common stock underlying our convertible notes and other derivatives, or anticipation of such sales, could make it more difficult for us to sell equity or equity-related securities in the future at a time and at a price that we might otherwise wish to effect sales.

The issuance of common stock upon the conversion or exercise of outstanding convertible notes and other derivative securities will dilute our stockholders' percentage of ownership and may put downward pressure on our common stock price. Many of our outstanding convertible securities are convertible at any time at the option of the holder into shares of our common stock at various conversion prices.

All of our material assets have been pledged as collateral for the $1,425,000 in principal amount of the senior secured convertible notes, dated February 22, 2005. In addition to the security interest in our assets, the promissory notes carry substantial covenants that impose significant requirements on us, including, among others, requirements that:

· we may be required to pay principal and other charges on the promissory notes when due and we pay interest semi-annually in arrears beginning June 30, 2005;

· while the promissory notes are outstanding, if we issue equity or equity linked securities at a price lower than the conversion price then the conversion price of the promissory notes will be reduced to the same price. If we issue any variable priced equity securities or variable price equity linked securities, then the conversion price of the promissory notes will be reduced to the lowest issue price applied to those securities;

· we keep reserved out of our authorized shares of common stock sufficient shares to satisfy our obligation to issue shares on conversion of the promissory notes and the exercise of the related warrants and other investment rights issued in connection with the sale of the promissory notes;

· we did not achieve revenues of at least $4,000,000 for calendar year 2005, therefore the conversion price of the promissory notes were to be adjusted to 85% of the volume weighted average closing market price of the common stock on the over-the-counter bulletin board for the 20 trading days prior to six-month anniversary of the release of the calendar 2005 financial statements, but in no event higher than the initial conversion price of $.892. The holders agreed on February 22, 2006 to accept a maximum conversion price of $4.00 (adjusted for reverse split) until October 22, 2008. On October 23, 2006, the conversion price adjusted to $0.38. The conversion price is also subject to adjustment upon the occurrence of certain specified events, including stock dividends and stock splits, pro rata distributions of equity securities, evidences of indebtedness, rights or warrants to purchase common stock or cash or any other asset, mergers or consolidations, or certain issuances of common stock at a price below the initial conversion price of $0.38 per share, subject to adjustment as set forth above;

· we shall not, directly or indirectly, (i) redeem, purchase or otherwise acquire any capital stock or set aside any monies for such a redemption, purchase or other acquisition or (ii) issue any floating price security with a floor price below the conversion price.

Our ability to comply with these provisions may be affected by changes in our business condition or results of our operations, or other events beyond our control. The breach of any of these covenants could result in a default under the promissory notes, permitting the holders of the promissory notes to accelerate their maturity and to sell the assets securing them. Such actions by the holders of the promissory notes could cause us to cease operations or seek bankruptcy protection. If we are required for any reason to repay the promissory notes, we would be required to deplete our working capital, if available, or raise additional funds. Our failure to repay the promissory notes, if required, could result in legal action against us, which could require the sale of substantial assets.

The promissory notes were due and payable upon demand on February 22, 2007 and are currently in default. In addition, any event of default as described in the promissory notes could require the early repayment of the notes including a default interest rate of 28% on the outstanding principal balance of the promissory notes if the default is not cured with the specified grace period. We anticipate that the full amount of the promissory notes, together with accrued interest will be converted into shares of our common stock, in accordance with the terms of the promissory note or otherwise negotiated with holders to avoid default of outstanding notes. If we are required to repay the promissory notes, we would be required to use our limited working capital and raise additional funds. If we were unable to repay the promissory notes when required, the promissory noteholders could commence legal action against us and foreclose on all of our assets to recover the amounts due. Any such action may require us to curtail or cease operations.

Following guidance by SFAS No. 133 and EITF 00-19, we determined the conversion feature of our Senior Secured Convertible Notes ("SSCN") and the warrants associated with the SSCN notes should be treated as separate derivative liabilities on our balance sheet under current liabilities. Unrealized changes in the value of these derivatives are recorded in the consolidated statement of operations as a gain or loss on derivative liabilities. Fair values of the derivative liability associated with the conversion features and warrants are determined using a Black-Scholes Model. The financial statements as of and for the period ended December 31, 2006 have been restated to reflect the cumulative effect of these derivative liabilities. See Note 3 of the accompanying consolidated financial statements.

There may be a volatility of our stock price.

The trading price of our common stock on the over-the-counter bulletin board has been and continues to be subject to wide fluctuations. The trading price of our common stock has closed as low as $0.25 per share and as high as $2.20 per share in the twelve months ended December 31, 2006. The market price of the common stock could be subject to significant fluctuations in response to various factors and events, including, among other things, the depth and liquidity of the trading market of the common stock, quarterly variations in actual or anticipated operating results, growth rates, changes in estimates by analysts, market conditions in the industry, announcements by competitors, regulatory actions and general economic conditions. In addition, the stock market from time to time experienced significant price and volume fluctuations, which may be unrelated to the operating performance of particular companies. As a result of the foregoing, our operating results and prospects from time to time may be below the expectations of public market analysts and investors. Any such event would likely result in a material adverse effect on the price of the common stock.

We do not intend to pay cash dividends on our common stock in the foreseeable future.

We currently anticipate that we will retain all future earnings, if any, to finance the growth and development of our business and do not anticipate paying cash dividends on our common stock in the foreseeable future. Any payment of cash dividends will depend upon our financial condition, capital requirements, earnings and other factors deemed relevant by our board of directors.

Our common stock is subject to the "penny stock" rules of the SEC and the trading market in our securities is limited, which makes transactions in our stock cumbersome and may reduce the value of an investment in our stock.

The Securities and Exchange Commission has adopted Rule 15g-9, which establishes the definition of a "penny stock," for the purposes relevant to us, as any equity security that has a market price of less than $5.00 per share or with an exercise price of less than $5.00 per share, subject to certain exceptions. For any transaction involving a penny stock, unless exempt, the rules require a broker or dealer to approve a person's account for transactions in penny stocks and that the broker or dealer receive from the investor a

written agreement to the transaction, setting forth the identity and quantity of the penny stock to be purchased.

In order to approve a person's account for transactions in penny stocks, the broker or dealer must obtain financial information and investment experience objectives of the person and make a reasonable determination that the transactions in penny stocks are suitable for that person and that the person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks.

The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prescribed by the Commission relating to the penny stock market, which, in highlight form sets forth the basis on which the broker or dealer made the suitability determination and that the broker or dealer received a signed, written agreement from the investor prior to the transaction.

Generally, brokers may be less willing to execute transactions in securities subject to the "penny stock" rules. This may make it more difficult for investors to dispose of our common stock and cause a decline in the market value of our stock.

If we fail to remain current on our reporting requirements, we could be removed from the over-the-counter bulletin board, which would limit the ability of broker-dealers to sell our securities and the ability of stockholders to sell their securities in the secondary market.

Companies trading on the over-the-counter bulletin board, such as us, must be reporting issuers under Section 12 of the Securities Exchange Act of 1934, as amended, and must be current in their reports under Section 13 in order to maintain price quotation privileges on the over-the-counter bulletin board.

If we fail to remain current on our reporting requirements, we could be removed from the over-the-counter bulletin board. As a result, the market liquidity for our securities could be severely affected by limiting the ability of broker-dealers to sell our securities and the ability of stockholders to sell their securities in the secondary market

Stock prices of technology companies have declined precipitously at times in the past and the trading price of our common stock is likely to be volatile, which could result in substantial losses to investors.

The trading price of our common stock has fluctuated significantly in the past and could continue to be volatile in response to factors including the following, many of which are beyond our control:

- variations in our operating results;
- announcements of technological innovations or new services by us or our competitors;
- changes in expectations of our future financial performance, including financial estimates by securities analysts and investors;
- our failure to meet analysts' expectations;
- changes in operating and stock price performance of other technology companies similar to us;
- conditions or trends in the technology industry;

· additions or departures of key personnel; and

· future sales of our common stock.

Domestic and international stock markets often experience significant price and volume fluctuations that are unrelated to the operating performance of companies with securities trading in those markets. These fluctuations, as well as political events, terrorist attacks, threatened or actual war, and general economic conditions unrelated to our performance, may adversely affect the price of our common stock. In the past, securities holders of other companies often have initiated securities class action litigation against those companies following periods of volatility in the market price of those companies' securities. If the market price of our stock fluctuates and our stockholders initiate this type of litigation, we could incur substantial costs and experience a diversion of our management's attention and resources, regardless of the outcome. This could materially and adversely affect our business, prospects, financial condition, and results of operations.

Provisions in our corporate charter and under Delaware law are favorable to our directors.

Pursuant to our certificate of incorporation, members of our management and board of directors will have no liability for violations of their fiduciary duty of care as officers and directors, except in limited circumstances. This means that you may be unable to prevail in a legal action against our officers or directors even if you believe they have breached their fiduciary duty of care. In addition, our certificate of incorporation allows us to indemnify our officers and directors from and against any and all expenses or liabilities arising from or in connection with their serving in such capacities with us. This means that if you were able to enforce an action against our directors or officers, in all likelihood we would be required to pay any expenses they incurred in defending the lawsuit and any judgment or settlement they otherwise would be required to pay.

Certain provisions of Delaware General Corporation Law and in our charter, as well as our current stockholder base may prevent or delay a change of control of our company.

Under the Delaware General Corporation Law, which we are subject to, it will be more difficult for a third party to take control of our company and may limit the price some investors are willing to pay for shares of our common stock. Furthermore, our certificate of incorporation authorizes the issuance of preferred stock without a vote or other stockholder approval. Finally, a majority of our outstanding common stock is held by insiders. Without a disparate stockholder base or a fluid aggregation of stockholders, it will be more difficult for a third-party to acquire our company without the consent of the insiders.

ITEM 7. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Integrated Media Holdings, Inc.
Sunnyvale, California

We have audited the accompanying consolidated balance sheet of Integrated Media Holdings, Inc. (the "Company") as of December 31, 2007, and the related consolidated statements of operations, stockholders' deficit and cash flows for the year then ended. These 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 audit.

We conducted our audit in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of internal control over financial reporting. Our audits included the 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. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Integrated Media Holdings, Inc. as of December 31, 2007, and the results of its operations and its cash flows for the year then ended 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 recurring losses and is in a negative working capital position and a stockholders' deficit position. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these 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.

We also have audited the adjustments described in Note 3 that were applied to restate the 2006 financial statements to correct errors. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to the 2006 financial statements of the Company other than with respect to the adjustments, and accordingly, we do not express an opinion or any other form of assurance on the 2006 financial statements taken as a whole.

Malone & Bailey, PC
www.malone-bailey.com
Houston, TX
April 15, 2008

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors
Integrated Media Holdings, Inc.
Sunnyvale, California

We have audited the before the effects of the adjustments for the correction for the errors described in Note 3 the accompanying consolidated balance sheet of Integrated Media Holdings, Inc. and subsidiaries as of December 31, 2006 and the related consolidated statements of operations, changes in stockholders' equity (deficit) and cash flows for the year then ended (the 2006 financial statements before the effects of the adjustments in Note 3 have been withdrawn and are not presented herein.) These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 has determined that it is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits 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. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, except for the errors described in Note 3, the financial statements referred to above present fairly, in all material respects, the financial position of Integrated Media Holdings, Inc and subsidiaries as of December 31, 2006, and the results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

We were not engaged to audit, review, or apply any procedures to the adjustments for the correction of the error described in Note 3 and, accordingly we not express an opinion or any other form of assurance about whether such adjustments are appropriate and have been properly applied. Those adjustments were audited by Malone and Bailey, PC.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the financial statements, the Company has limited revenue, has incurred substantial losses from operations and has working capital and stockholders deficits. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans with regard to these matters are described in Note 3. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Ronald N. Silberstein, CPA, PLLC
Farmington Hills, Michigan
April 11, 2007

INTEGRATED MEDIA HOLDINGS, INC.
(formerly ENDAVO MEDIA AND COMMUNICATIONS, INC.)
CONSOLIDATED BALANCE SHEETS

		December 31, 2007	December 31, 2006 (As Restated)
Assets			
Current assets:			
	Cash	$ -	$ 1,382
	Total current assets	-	1,382
	Other Assets		10,000
	Assets of Discontinued Operations (Note 6)	247,945	1,865,109
	Goodwill		
	Total assets	247,945	$ 1,876,491
Liabilities and Stockholders' Deficit			
Current liabilities:			
	Accounts payable	$ 5,044	$ 136,061
	Accrued interest	850,462	560,179
	Derivative liability	226,545	950,865
	Notes payable including related parties, net of discount of $0 and $103,459, respectively	2,152,724	3,222,515
	Total current liabilities	3,234,775	4,869,620
	Liabilities of Discontinued Operations (Note 6)	1,463,741	2,975,058
	Total liabilities	4,450,796	7,844,678
Stockholders' deficit			
	Preferred stock, $.001 par value; 4,600,000 shares authorized, 3,810,262 and 2,921,749 shares issued and outstanding, respectively	3,810	2,884
	Common stock, $.001 par value, voting, 100,000,000 shares authorized, 16,419,262 and 16,368,710 shares issued and outstanding, respectively	16,419	16,369
	Additional paid-in capital	32,779,304	31,832,986
	Accumulated deficit	(37,250,329)	(37,820,426)
	Total stockholders' deficit	(4,450,796)	(5,968,187)

Total liabilities and stockholders' deficit	$ 247,945	$ 1,876,491

See accompanying notes to consolidated financial statements

INTEGRATED MEDIA HOLDINGS, INC.
(formerly ENDAVO MEDIA AND COMMUNICATIONS, INC.)
CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended December 31	
	2007	2006 (As Restated)
Total revenues	$ -	$ -
Cost of sales	-	-
Selling, general, and administrative expense	(2,295,025)	(1,845,965)
Loss from continuing operations before other income (expense)	(2,295,025)	(1,845,965)
Other income (expense):		
Gain on derivative liability	724,320	532,603
Gain on sale of subsidiary	3,510,458	-
Interest expense	(574,696)	(917,404)
Income (loss) from continuing operations	1,365,057	(2,230,766)
Loss from discontinued operations	(794,960)	(14,101,396)
Net income (loss)	570,097	(16,332,162)
Deemed dividend on preferred stock		(1,072,992)
Net income (loss) attributable to common shareholders from continuing operations	$ 570,097	$ (17,405,154)
Weighted average shares outstanding, basic and diluted	15,850,802	9,041,961
Continuing Operations	$ 0.09	$ (0.25)
Discontinued Operations	(0.05)	(1.56)
	$ 0.04	$ (1.81)

See accompanying notes to consolidated financial statements

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INTEGRATED MEDIA HOLDINGS, INC.
(formerly ENDAVO MEDIA AND COMMUNICATIONS, INC.)
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
Years Ended December 31, 2007 and 2006 (As Restated)

	Preferred Stock		Common Stock	
	Shares	Amount	Shares	Amount
Balance January 1, 2006	3,821,197	$ 3,821	21,259,300	$ 21,259
Issuance of common stock for:				
Cash (common stock purchase or purchase warrant exercise)	-	-	4,177,000	4,177
Services	-	-	7,684,800	7,685
Conversion of notes payable and interest to common stock	-	-	11,988,290	11,988
Stock issued for compensation	-	-	-	-
Stock issued to acquire operating assets of WV Fiber, LLC	990,116	990	4,055,450	4,055
Stock issued to acquire BidChaser ownership.	276,060	276	2,091,830	2,092
Reverse stock split (40:1)			(35,021,750)	(35,000)
Preferred stock conversion to common stock	(82,190)	(82)	133,790	113
Investor contribution of Series A Preferred Stock for acquisitions	(2,121,066)	(2,121)		
Net loss				
Balance December 31, 2006	2,884,117	$ 2,884	16,368,710	$ 16,369
Issuance of common stock for services			360,994	361
Issuance of common stock for unpaid rent of subsidiary			30,345	30

Settlement of unpaid note interest by issuance of common stock			951,283	951
Conversion of notes to common stock			1,439,438	1,440
Surrender for cancellation of common stock on disposal of WV Fiber			(3,246,000)	(3,246)
Common stock issued for cash			514,482	514
Preferred shares issued for consulting services	112,651	113		
Re-acquisition of Series A Preferred Shares on disposal of WV Fiber	(646,774)	(647)		
Re-issuance of Series A Preferred Stock previously contributed for acquisitions in 2006	1,460,268	1,460		
Net loss				
Balance December 31, 2007	3,810,262	$ 3,810	16,419,262	$ 16,419

INTEGRATED MEDIA HOLDINGS, INC.
(formerly ENDAVO MEDIA AND COMMUNICATIONS, INC.)
CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT (continued)
Years Ended December 31, 2007 and 2006 (As Restated)

	Additional Paid-in Capital	Deferred Compensation	Subscriptions Receivable	Accumulated Deficit
Balance December 31, 2005	$16,339,567	$ -	$ -	$(21,488,264)
Issuance of common stock for:				
Cash (common stock purchase or purchase warrant exercise)	1,206,000	-	-	-
Services	1,325,000	-	-	-

Conversion of notes payable and interest to common stock	967,000	-	-	-
Stock issued for compensation	1,430,904	-	-	-
Stock issued to acquire operating assets of WV Fiber, LLC	8,538,110	-	-	-
Stock issued to acquire BidChaser ownership.	1,989,285			
Reverse stock split (1:40)	35,000			
Preferred stock conversion to common stock				
Deemed dividend on preferred shares	(1,072,992)			
Discount on preferred shares associated with deemed dividend	1,072,992			
Investor contribution of Series A Preferred Stock for acquisitions	2,121			
Net loss				(16,332,162)
Balance December 31, 2006	$31,832,986	$ -	$ -	$(37,820,426)
Issuance of common stock for services	52,139			
Stock issued for compensation	784,615			
Issuance of common stock for unpaid rent of subsidiary	4,370			
Settlement of unpaid note interest by issuance of common stock	51,750			
	48,560			

Conversion of notes to common stock	
Surrender for cancellation of common stock on disposal of WV Fiber	(486,900)
Common stock issued for cash	106,893
Preferred shares issued for consulting services	208,687
Re-acquisition of Series A Preferred Shares on disposal of WV Fiber	(930,708)
Re-issuance of Series A Preferred Stock previously contributed for acquisitions in 2006	1,106,912
Net loss	
Balance December 31, 2007	$ 32,779,304

INTEGRATED MEDIA HOLDINGS, INC.
(formerly ENDAVO MEDIA AND COMMUNICATIONS, INC.)
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2007	2006 (Restated)
Cash flows from operating activities:		
Net income (loss)	570,097	$ (16,332,162)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock and options issued for services	1,045,915	2,763,589
Amortization of discount on notes payable	103,459	712,500
Interest expense converted to equity or debt	471,237	204,904
Gains on derivative liability	(724,320)	(532,603)
Gains on sale of subsidiary	(3,510,458)	-
Decrease (increase) in:		
Other assets	10,000	-
Increase (decrease) in:		
Accounts payable	(131,017)	242,057
Net cash used by operating activities before discontinued operations	(2,165,087)	(12,941,715)
Net cash provided by discontinued operations	2,056,087	10,494,900
Net cash used by operating activities	(108,785)	(2,446,815)
Cash flows used in investing activities		
Purchases of property and equipment		
Purchase of business assets		
Additions to security deposits		
Net cash provided by investing activities	-	-
Net increase (decrease) in cash and cash equivalents	(1,382)	(3,741)
Cash and cash equivalents at beginning of period	1,382	5,123
Cash and cash equivalents at end of period	$ -	$ 1,382

INTEGRATED MEDIA HOLDINGS, INC.

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

1. Description of Business and Summary of Significant Accounting Policies

Description of Business

Integrated Media Holdings, Inc. and subsidiaries (collectively referred to as IMHI) provides digital content distribution and management solutions for content owners seeking to distribute online and over broadband, or Internet Protocol, networks. Prior to September 2005, the Company integrated broadband services, including voice, video, and data services to residential customers through IP based networks. The Company, formed in December 1999, relocated to Atlanta, Georgia in December 2005 from Salt Lake City, Utah. IMHI was formerly known as CeriStar Inc. and Endavo Media Communications, Inc, which is also the current name of one of our subsidiaries. The results of operations of Endavo, Bidchaser and WV Fiber (to April 11, 2007 – date of disposal) have been included in these statements and are presented as discontinued operations in the financial statements.

Effective February 21, 2008, IMHI completed the Plan and Agreement of Merger between IMHI, TeleChem International, Inc., the majority shareholders of TeleChem, Endavo Media and Communications, Inc., a Delaware corporation and TCI Acquisition Corp., a Nevada corporation, and wholly-owned subsidiary of IMHI. Consummation of the merger did not require a vote of our shareholders. IMHI issued 103,143 shares of Series C Convertible Preferred Stock to the Shareholders of TeleChem in exchange for 100% of the equity interests of TeleChem resulting in TeleChem being a wholly owned subsidiary of the Company. The former shareholders of TeleChem now own approximately 73.5% of the outstanding interest and voting rights of the parent company. The Preferred Stock is convertible into 36,100,000 shares of common stock after, but not before, the effective date of the reverse split of the outstanding IMHI common stock.

For SEC reporting purposes, the merger between IMHI and TeleChem will be treated as a reverse merger with TeleChem being the “accounting acquirer” and, accordingly, it will assume the Company’s reporting obligations with the SEC after the effective date of the merger.

Summary of Significant Accounting Policies

Principles of Consolidation

The financial statements reflect the consolidated results of Integrated Media Holdings, Inc. and its wholly owned subsidiaries Endavo Media and Communications, Inc. (fka, Susquina Inc), WV Fiber Inc. (fka Louros Networks, Inc), Bidchaser Inc. (fka BCI Acquisition Corporation) and New Planet Resources, Inc. All material inter-company transactions have been eliminated in the consolidation.

Reverse Stock Split

On March 22, 2006, IMHI completed a reverse stock split whereby the shareholders received 1 share of stock for every 40 that they previously owned.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Significant estimates include the cash flow projections used for the impairment tests, the assumption underlying estimate of the period used to amortize deferred revenue and the assumptions used to value the stock options issued to non-employees. It is reasonable possible that these estimates may change in the near term and that such as change may be material.

Cash and Cash Equivalents

Cash includes all cash and highly liquid investments with original maturities of three months or less. Property and Equipment Property and equipment are recorded at cost less accumulated depreciation. Depreciation and amortization on property and equipment are determined using the straight-line method over the three to five year estimated useful lives of the assets.

Reclassification

Certain prior period items have been reclassified to conform to the current period presentation. Some of these reclassifications are related to discontinued operations [decision to dispose of Endavo, WV Fiber and Bidchaser] and had no impact on net income (loss).

Impairment of Long-Lived Assets

IMHI reviews its long-lived assets for impairment when events or changes in circumstances indicate that the book value of an asset may not be recoverable. IMHI evaluates, at each balance sheet date, whether events and circumstances have occurred which indicate possible impairment. The Company uses an estimate of future undiscounted net cash flows of the related asset or group of assets over the estimated remaining life in measuring whether the assets are recoverable. If it is determined that an impairment loss has occurred based on expected cash flows, such loss is recognized in the statement of operations.

Goodwill

Goodwill is the excess of the acquisition cost of businesses over the fair value of the identifiable net assets acquired. In July 2001, the FASB issued Statement of Financial Accounting Standards No. 142 (“SFAS 142”), “Goodwill and Intangible Assets”, which revises the accounting for purchased goodwill and intangible assets. Under SFAS 142, goodwill and intangible assets with indefinite lives will no longer be amortized and will be tested for impairment annually or whenever events or circumstances indicate that the estimated fair value is less than the related carrying value as determined on a reporting unit basis.

Effective December 31, 2006, IMHI reviewed goodwill for impairment consistent with the guidelines of SFAS 142 using a discounted future cash flow approach to approximate fair value. As a result of testing our goodwill for impairment the Company determined that there was no value to the goodwill and recorded a goodwill impairment of $3,142,219.

Convertible Debt

IMHI reviews its convertible instruments for embedded derivatives. Statement of Financial Accounting Standard (“SFAS”) No. 133, “Accounting for Derivative Instruments and HedgingActivities,” as amended, requires all derivatives to be recorded on the balance sheet at fair value. These derivatives, including embedded derivatives, are separately valued and accounted for on our balance sheet.

Emerging Issues Task Force Issue No. 00-19, "Accounting for Derivative Financial Instruments Indexed to and Potentially Settled in, a Company's Own Stock" ("EITF 00-19"), requires freestanding contracts that are settled in a company's own stock, including warrants to purchase common stock, to be designated as an equity instrument, asset or a liability. Under the provisions of EITF 00-19, a contract designated as an asset or a liability must be carried at fair value on a company's balance sheet, with any changes in fair value recorded in the company's results of operations. A contract designated as an equity instrument must be included within equity, and no fair value adjustments are required.

Income Taxes

Deferred taxes are computed using the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. 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. Deferred tax assets are not recognized unless it is more likely than not that the asset will be realized in future years.

Earnings per Common and Common Equivalent Share

The computation of basic earnings per common share is computed using the weighted average number of common shares outstanding during the year. The computation of diluted earnings per common share is based on the weighted average number of shares outstanding during the year plus common stock equivalents which would arise from the exercise of warrants outstanding using the treasury stock method and the average market price per share during the year. Options, warrants, convertible debt and convertible preferred stock which are common stock equivalents are not included in the diluted earnings per share calculation for 2007 and 2006, respectively, since their effect is anti-dilutive.

Stock-Based Compensation

The Company accounts for stock issued to employees, officers and directors in accordance with Statement of Financial Standards No. 123 (revised 2004), Share-Based Payment ("SFAS No. 123(R)"), which is a revision of SFAS No. 123. SFAS No. 123 (R) supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees, and amends FASB Statement No. 95,Statement of Cash Flows. Generally, the approach to accounting for share-based payments in SFAS No. 123(R) is similar to the approach described in SFAS No. 123. However, SFAS No. 123(R) requires all new share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values.

Recent Accounting Pronouncements

In February 2006, the FASB issued SFAS No. 155, Accounting for Certain Hybrid Financial Instruments-an amendment of FASB Statements No. 133 and 140, to simplify and make more consistent the accounting for certain financial instruments. SFAS No. 155 amends SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, to permit fair value remeasurement for any hybrid financial instrument with an embedded derivative that otherwise would require bifurcation, provided that the whole instrument is accounted for on a fair value basis. SFAS No. 155 amends SFAS No. 140, Accounting for the Impairment or Disposal of Long-Lived Assets, to allow a qualifying special-purpose entity to hold a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. SFAS No. 155 applies to all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006, with earlier application allowed. This standard is not expected to have a significant effect on the Company's future reported financial position or results of operations.

In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48,"Accounting for Uncertainty in Income Taxes" ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in the Company's financial statements in accordance with FASB Statement No. 109"Accounting for Income Taxes." FIN

48 also prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a return, as well as guidance on derecognition, classification, interest and penalties and financial statement reporting disclosures. FIN 48 is effective for the Company on January 1, 2007. Based on the Company's evaluation and analysis, FIN 48 is not expected to have a material impact on the Company's financial statements.

In September 2006, the FASB issued FASB Statement No. 157,"Fair Value Measurements" ("FAS 157"), which addresses how companies should measure fair value when they are required to use a fair value measure for recognition or disclosure purposes under generally accepted accounting principles. The FASB believes that the new standard will make the measurement of fair value more consistent and comparable and improve disclosures about those measures. FAS 157 is effective for fiscal years beginning after November 15, 2007. The Company is currently evaluating the requirements and impact of FAS 157 on the Company's consolidated financial statements, and will adopt the provisions on January 1, 2008. FAS 157 is not expected to have a material impact on the Company's financial statements.

In September 2006, the SEC issued Staff Accounting Bulletin 108 ("SAB 108"), which expresses the Staff's views regarding the process of quantifying financial statement misstatements. The bulletin was effective at fiscal year end 2006. The implementation of this bulletin had no impact on the Company's results of operations, cash flows or financial position.

2. Going Concern

IMHI has a working capital deficit, a stockholders' deficit, and recurring net losses. These factors create substantial doubt about IMHI's ability to continue as a going concern. The financial statements do not include any adjustment that might be necessary if IMHI is unable to continue as a going concern.

The ability of IMHI to continue as a going concern is dependent on IMHI generating cash from the sale of its common stock or obtaining debt financing and attaining future profitable operations. Management's plans include selling its equity securities and obtaining debt financing to fund its capital requirement and ongoing operations; however, there can be no assurance IMHI will be successful in these efforts.

3. Restatement of Previously Issued Financial Statements as of and for the Period ended December 31, 2006

IMHI concluded as a result of various SEC comments letters to restate its financial results for the year ended December 31, 2006 to reflect additional non-operating gains/losses related to the classification of and accounting for (1) the conversion feature of the SSCN and SOVcap convertible notes and the warrants associated, (2) write off of certain uncollectible accounts receivable, (3) re-measurement of the goodwill associated with the purchase of WV Fiber, LLC and Bidchaser related to the preferred stock that was given in consideration of the merger; (4) impairment of the goodwill associated with WV Fiber and Bidchaser. The accompanying financial statements for the year ended December 31, 2006 have been restated to effect the changes described above:

	As Initally Reported	Adjustment		As Adjusted
Consolidated Income Statement for the year ended December 31, 2006				
Total revenues	1,504,000	(1,504,000)	(a)	-
Cost of sales	1,464,000	1,464,000	(a)	-
	5,901,000	4,055,035	(b)	(1,845,965

Selling, general, and administrative expense					
Loss from operations		(5,861,000)	4,015,035		(1,845,965
Other income (expense)		1,150,000	(1,150,000)	(a)	-
Gain on derivative liability			532,603	(c)	532,603
Interest expense		(1,002,000)	84,596	(a)	(917,404)
Loss from continuing operations		(5,713,000)	3,482,234		(2,230,766)
Loss from discontinued operations		-	(14,101,396)	(a)	(14,101,396)
Net loss		(5,713,000)	(10,619,162)		(16,332,162)
Deemed dividend on preferred stock		-	(1,072,992)	(d)	(1,072,992)
Net (loss) attributable to common shareholders		(5,713,000)	(11,692,154)		(17,405,154)
Net (loss) per common share - basic and diluted	$	0.63	(2.44)	(e) (1.81)	
Weighted average shares - basic and diluted		9,041,961		9,041,961	

(a) Change due to reclass to discontinued operations. See Note 6.
(b) Change due to reclass to discontinue operations, correction to reduce stock based compensation of $1,229,906 in accordance with vesting terms,write-off of uncollectible receivables of $158,545 and impairment of fixed assets of $53,908
(c) To record gain on derivative liability based upon fair values at December 31, 2006. See Note 5.
(d) To correct accretion of preferred stock as a dividend
(e) To reflect basic and diluted earnings per share based upon corrected net income and weighted average shares

Balance Sheet Impact

In addition to the effects on IMHI's 2006 consolidated statement of operations discussed above, the restatement impacted IMHI's consolidated balance sheet as of December 31, 2006. The following table sets forth the effects of the restatement adjustments on IMHI's balance sheet as of December 31, 2006 as compared to the consolidated balance sheet as of December 31, 2006 initially reported:

	As Initially Reported	Adjustment	As Adjusted
Consolidated Balance Sheet as of December 31, 2006			

Assets				
Current assets:				
Cash	16,000	(14,618)	(a)	1,382
Accounts receivable, net of allowance for doubtful accounts	608,000	(608,000)	(b)	-
Prepaid Expenses	4,000	(4,000)	(a)	-
Total current assets	628,000	(626,618)		1,382
Property and equipment	1,182,000	(1,182,000)	(c)	-
Other assets	66,000	(56,000)	(a)	10,000
Goodwill	3,142,000	9,023,446	(d)	-
		(12,165,446)	(d)	
Assets of discontinued operations	-	1,865,109	(a)	1,865,109
Total assets	5,018,000	(3,141,509)		1,876,491
Liabilities and Stockholders' Deficit				
Current liabilities:				
Accounts payable	1,388,000	(1,251,939)	(e)	136,061
Accrued liabilities	1,050,000	(489,821)	(e)	560,179
Derivative liability	-	950,865	(f)	950,865
Notes payable including related parties	2,922,000	1,315,685	(g)	3,222,515
		(1,021,003)	(e)	
		5,833	(o)	
Total current liabilities	5,360,000	(490,380)		4,869,620
Liabilities of discontinued operations	-	2,975,058	(e)	2,975,058
Total liabilities	5,360,000	2,484,678		7,844,678
Stockholders' deficit				
Preferred stock	3,000	(116)	(h)	2,884
Common stock	16,000	369	(i)	16,369
Additional paid-in capital	26,512,000	(1,425,000)	(j)	31,832,986
		(1,315,685)	(k)	
		1,495,337	(l)	
		7,528,109	(l)	
		266,953	(m)	
		368	(n)	
		(1,229,096)	(p)	
Accumulated deficit	(26,873,000)	(10,947,426)		(37,820,426)
Total stockholders' deficit	(342,000)	(5,626,187)		(5,968,187)
Total liabilities and stockholders' deficit	5,018,000	(3,141,509)		1,876,491

(a) Change due to reclass to assets of discontinued operations. See Note 6.
(b) Change due to reclass to assets of discontinue operations and write-off of uncollectible receivables of $158,545
(c) Change due to reclass to assets of discontinue operations and impairment of fixed assets of $53,908
(d) Change due to increase in goodwill resulting from correction of purchase price noted in (k) and impairment of goodwill of $12,165,446
(e) Change due to reclass to liabilities of discontinued operations. See Note 6.
(f) To record derivative value for convertible notes and related warrants based on fair value at December 31, 2006
(g) See (k)
(h) To correct the par value of the Series A Preferred stock
(i) To correct the par value of the common stock
(j) To reverse the impact of the convertible note balance of $1,425,000 which was discounted to zero by increasing additional paid in capital in 2005
(k) To reverse the impact of the 2005 and 2006 debt discount amortization from additional paid in capital to net of notes payable including related parties(g)
(l) To record the increase in purchase price related to WV Fiber and Bidchaser by $7,528,109 and $1,495,337, respectively due to valuation correction of preferred stock issued at time of purchase
(m) To record fair value of warrants exercised
(n) To adjust additional paid in capital for changes in par values of common stock
(o) Rounding correction
(p) To record stock based compensation decrease for $1,229,906 in accordance with vesting terms.

The balance sheet effect of the above restatements would be to increase stockholders' equity at December 31, 2006 by $~ and to decrease goodwill at December 31, 2006 by $3,142,000.

Income for the nine months ended September 30, 3006 would therefore be: six months ended June 30, 2006 loss of $(4,920,177) plus three months ended September 30, 2006 income of $1,792,022 = $(3,128,055), which is off by $1 from the 9/30/06 10-QSB due to rounding.

4. Purchase Of WV Fiber, LLC

On August 8, 2006, IMHI acquired 100 percent of the outstanding common shares of WV Fiber LLC ('WVF"), in exchange for the issuance of 4,055,488 common shares of IMHI's common stock. The results of WVF's operations have been included in the consolidated statement of operations since that date. WVF is a global fiber-optic and IP (Internet Protocol) network that provides Internet transit and network transport services to ISPs, carriers and enterprise customers. WV Fiber delivers digital content streaming, IP, VPN and Internet solutions. The company is also developing content delivery network capabilities to provide network distribution of video, music, games and downloads. The WV Fiber network connects with over 400 other networks via peering agreements, encompassing the U.S., Canada, Latin America, Europe, the Middle East, Asia and the Far East.

The aggregate purchase price was:

Cash	$1,662,500
	2,554,934

4,055,488 shares of the Company's common stock valued at $0.63	
917,486 shares of the Company's preferred stock convertible into 8,807,857 shares of the Company's common stock valued at $0.63	5,548,980
Fees satisfied by the issuance of 72,626 shares of the Company's preferred stock convertible into 697,210shares of the Company's common stock valued at $0.63	439,242
Assumption of Notes Payable of $850,000	$850,000
	$11,055,655

The acquisition is accounted for as a purchase. Goodwill in the amount of $10,087,954 is recorded at the date of the acquisition. The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition.

Current assets	$ 363,259
Property, plant and equipment	650,000
Deposits	29,910
Total assets acquired	1,043,169
Current liabilities	(75,465)
Long-term liabilities	(850,000)
Total liabilities assumed	(925,465)
Net liabilities assumed	$ 117,704

On April 1, 2007, the board of directors recommended and majority shareholders approved by consent the sale of WV Fiber Inc. to Ultra Global Investments, LLC, a company formed by Peter Marcum and Harish Shah for the purpose of completing this purchase. The effective date of the sale is April 11, 2007. Pursuant to the sale of WV Fiber, Peter Marcum and Harish Shah resigned from our board of directors on April 11, 2007. There was no disagreement between Mr. Marcum or Mr. Shah and the board of directors

The following table summarizes the consideration received from the sale of WV Fiber. Inc.

Cash and short term notes	$ 200,000
Surrender for cancellation 3,246,000 shares of the Company's common stock valued at $0.15	486,900
Surrender for cancellation 646,744 shares of the Company's preferred stock convertible into 6,209,030 shares of the Company's common stock valued at $0.15	931,355
	1,314,653

Assumption by buyers of loans payable of $1,186,500 and accrued interest thereon of $128,153	
Total consideration	$ 2,932,908

As a result of the transaction, a gain on the sale of a subsidiary $3,510,458 was recognized during 2007.

5. Convertible Notes and Derivative Liabilities

On February 22, 2005 the Company sold 8% senior secured convertible notes, at par, in the aggregate principal amount of $1,425,000. The Notes carry an interest rate of 8% and a maturity date of February 22, 2007. Interest is payable in cash or shares of common stock. In the event of default, an additional penalty interest of 18% will be assessed on unpaid principal and interest.

The notes are convertible into our common shares at 85% of volume weighted average price for twenty 20 trading days prior to conversion date. The Company simultaneously issued to the Investors five year warrants to purchase 1,597,534 shares of common. During 2005, 1,585,623 warrant shares were exercised and relieved to equity on the balance sheet at December 31, 2005.

The Company evaluated the convertible debentures and the warrants under SFAS No. 133 "Accounting for Derivatives" and EITF 00-19 "Accounting for Derivative Financial Instruments Indexed to and Potentially Settled in a Company's Own Stock". The Company determined that the convertible debentures contained an embedded derivative for the conversion option and the warrants qualified as free standing derivatives. The conversion option allows for an indeterminate number of shares to potentially be issued upon conversion.

This results in the Company being unable to determine with certainty they will have enough shares available to settle any and all outstanding common stock equivalent instruments. The Company would be required to obtain shareholder approval to increase the number of authorized shares needed to share settle those contracts. Because increasing the number of shares authorized is outside of the Company’s control, this results in these instruments being classified as liabilities under EITF 00-19 and derivatives under SFAS No. 133. As a result, the Company has determined that all existing outstanding convertible notes are also subject to EITF 00-19 and SFAS No. 133. The terms of those notes were disclosed under financial footnotes No. 6- Notes Payable.

The notes are carried at full face value as they are in default. In addition, the fair market value of the derivative liability is recorded as of December 31, 2007 and 2006 to be $228,266 and $950,865, respectively.

Notes payable consisted of the following at December 31:

	2007	2006
Discounted convertible notes payable due to SovCap. SovCap is affiliated with an officer and director of the Company and is a significant stockholder of the Company. These notes have a face interest rate of 18%. The notes are unsecured and are due on demand. The notes are convertible at a rate of 75% of the average closing bid price of the Company's common stock for the five trading days ending on the trading day immediately preceding the conversion date. During 2007 and 2006, respectively, $50,000 and $195,000 of principal was converted into common stock.	$ 405,300	$ 455,300
Notes payable due to SovCap bearing interest at 6% -8%	118,500	118,500

Notes payable due to SovCap, bearing interest at 8% and due on February 22, 2007. The Company is presently in default of the payments on these notes, and as a result, the notes are accruing interest at the default rate of 26%. Balance is net of debt discount of $0 and $103,459 in 2007 and 2006, respectively.	1,425,000	1,321,541
Note payable to Dorn & Associates. Payable in 36 monthly installments of $890 at an interest rate of 5%. The Company is presently in default of the payment terms on this note, and has classified the entire note balance as current.	25,177 *	25,177
Convertible notes due to a former officer and shareholder of the Company, These notes bear interest at 12%, are unsecured, and due on demand. The Company is presently in default of the payment terms on these notes. The notes are convertible into approximately 10,251 shares at approximately $8.00 per share.	74,174	74,174
Notes payable to an individual with interest at 10% collaterialized by receivables and due on demand.	17,826 *	17,826
Note payable to a financial group with interest rate at 12% and due on demand.	25,000	25,000
Note payable to HT Investments LLC issued during asset purchase of WV Fiber LLC. The note bears no interest and is payable on November 8, 2006, secured by the assets purchased and placed in our subsidiary, WV Fiber, Inc. The note is payable in 60% cash and 40% of the note is payable in Series ! Preferred shares of the Company. This note was sold as a part of the sale of WV Fiber, Inc. during 2007.	-	850,000
Notes payable to certain individual accredited investors with interest of 15% or 18% per annum and are payable on demand after 180 days from the issue date . Notes are convertible into units of common stock and warrants at a rate of one unit for every $5.00 converted. Notes in the principal amount of $1,183,500 were sold as a part of the sale of WV Fiber, Inc.	44,500	1,228,000
Notes payable to former officer and other individual accredited investors	60,250	-
Notes payable due to SovCap	161,250 *	-
Note payable to a related party assumed during merger of BidChaser	-	128,000
	$ 2,356,978	$ 4,243,518
	(204,254)	(1,021,003)

* Notes payables included in liabilities of discontinued operations		
Notes payable including related parties	2,152,724	3,222,515

During 2007 and 2006, respectively, $50,000 and $169,500 in notes payable and accrued interest was converted to 2,203,779 and 296,725 shares of common stock adjusted for 40:1 reverse split that occurred in first quarter of 2006.

6. Discontinued operations

On April11, 2007 IMHI disposed of our wholly-owned subsidiary, WV Fiber, LLC. During the fourth quarter of 2007, IMHI approved a plan to dispose of its wholly- owned subsidiaries, Endavo and Bidchaser. The results of operations of Endavo, Bidchaser and WV Fiber (to April 11, 2007, the date of disposal) have been included in these financial statements and are presented as discontinued operations in the financial statements. The combined sales of Endavo, Bidchaser and WV Fiber, LLC, reported in discontinued operations, for the years ended December 31, 2007 and 2006, were $1,073,540 and $1,504,213, respectively. Endavo, Bidchaser and WV Fiber, LLC's combined pretax loss, reported in discontinued operations, for the years ended December 31, 2007 and 2006, were $507,957 and $1,723,205, respectively. Prior year financial statements for 2006 have been restated to present the operations of Endavo, Bidchaser and WV Fiber, LLC as discontinued operations.

In conjunction with the discontinuance of operations, IMHI recognized a loss of $3,142,419 in 2007 to record the impairment of goodwill. The assets and liabilities of the discontinued operations are presented separately under the captions "Assets of discontinued operations" and "Liabilities of discontinued operations," in the accompanying Balance Sheets at December 31, 2007 and 2006, and consist of the following:

	2007	2006
Assets of discontinued operations:		
Cash	$ 99,996	$ 14,813
Accounts receivable	-	608,423
Prepaid expenses	-	3,570
Property and equipments	-	1,182,099
Other noncurrent assets	147,949	56,204
Total assets of discontinued operations	$ -	$ 1,865,109
Liabilities of discontinued operations		
Accounts payable and accrued expenses	$ 1,463,965	$ 1,216,021

7. Income Taxes

At December 31, 2007, IMHI has net operating loss (NOL) carry-forwards available to offset future taxable income of approximately $11,431,338 which will begin to expire in 2019. The utilization of the net operating loss carry-forwards is dependent upon the tax laws in effect at the time the net operating loss carry-forwards can be utilized. It is also likely that utilization of the NOL's are limited based on announced changes in control of IMHI. A valuation allowance has been recorded against the deferred tax asset due to the uncertainty surrounding its realization caused by IMHI's recurring losses.

8. Stockholders' Equity (Deficit)

Conversion of Debt to Common Stock

As discussed in Note 6, pursuant to the original terms of the agreements, certain creditors converted $102,701 (2006 -$169,500) of loans and accrued interest into 2,390,731 (2006 -296,725) shares of common stock (adjusted for reverse split). During 2007 a subsidiary's landlord converted $4,400 of unpaid rent into 30,345 shares of common stock.

Conversion of Preferred Stock to Common Stock

In the third quarter of 2004, certain shareholders converted 2,292,718 shares of common stock into 3,821,197 shares of Series A Convertible Preferred Stock.

The Series A Preferred Stock has no stated dividend rate and has a liquidation preference of $.001 per share. The Series A Preferred Stock also has voting rights that entitle the preferred shareholders to vote with the common shareholders as if the preferred stock had converted to common. The conversion ratio of the preferred into common is not subject to revision upon reverse stock dividends or splits that reduce the total shares outstanding.

The 3,821,197 shares of preferred stock are convertible at a fixed conversion ratio of 9.6 into 36,683,592 shares of common stock any time after September 30, 2005. On March 22, 2006, IMHI entered into a 40 to 1 reverse stock split. As a result the conversion ratio did not the Series A Preferred stock holders received an incremental 35,766,404 shares. IMHI evaluated the effect of the reverse stock split under EITF 00-27, " Application of Issue 98-5 to Certain Convertible Instruments," and determined that a reset had occurred. IMHI recorded a beneficial conversion feature of $1,072,992 as a deemed dividend. We have restated the 2006 financial statements to present this deemed dividend on the statement of operations.

Common Shares Issued for Service

IMHI has issued 4,871,784 common shares and 108,023 Series A Preferred shares, as well as 800,000 warrants (with exercise prices of $0.25) to consultants under consulting agreements that are generally three years or less. The associated expenses are amortized over the term of the contracts, with the unamortized portion (totalling $0 at December 31, 2006 and 2005) reflected as a reduction to stockholders' equity (deficit).

Options and warrants

IMHI has issued 250,000 and 1,597,529 warrants in conjunction with the issuance of its securities and convertible debt during the years ended December 31, 2006 and 2005, respectively. Warrants that were issued generally do not have a life that exceeds five years. We issued 6.907,500 options to employees and consultants in 2006. Information regarding warrants and options to purchase common shares is summarized below:

	Number of Options and Warrants	Weighted Average Exercise Price Per Share	
Outstanding at January 1, 2006	112,972	$0.05	-
Granted	6,020,000	$0.08	-
Canceled/forfeited	-	-	-
Expired	-	-	-
Exercised	-	-	-
			-
Outstanding at December 31, 2006	11,965,000	$0.09	-
Granted	-	-	-

Canceled/forfeited	-	-	-
Expired	-	-	-
Exercised	-	-	-
			-
Outstanding at December 31, 2007	8,952,500	$0.10	-

The following table summarizes information about outstanding warrants and options for common stock at December 31, 2006:

Range of Exercise		Number Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number Exercised	Average Exercise Price
$0.01	- $0.05	421,362	6	0.03	0	0.70
0.09	- 0.10	1,673,512	7	0.08	0	0.10
0.10	- 0.60	6,593,781	8	9.34	0	0.37
0.60	- 0.42	236,345	8	1.19	0	1.19

9. Supplemental Cash Flow Information

During the year ended December 31, 2007, the Company had significant non - cash financing and investing activities as follows:

- Converted $169,500 of notes and accrued interest into 296,725 (adjusted for reverse split)

- Issued common stock and warrants to consultants and amortized the expense over the terms of the contracts, all in 2006, resulting in non-cash compensation expense of $4,173,541 in 2006

10. Commitments and Contingencies

IMHI may become or is subject to investigations, claims or lawsuits ensuing out of the conduct of its business. IMHI is currently unable to estimate the loss (if any) related to these matters.

11. Subsequent Events

On February 21, 2008, IMHI completed a plan and agreement of merger between IMHI and TeleChem International, Inc.. IMHI issued 103,143 shares of Series C Convertible Preferred Stock to the shareholders of Telechem in exchange for 100% of the equity interests of TeleChem. The former shareholders of TeleChem now own approximately 73.5% of the oustanding interest in IMHI. Simultaneously with the merger IMHI transferred its wholly-owned subsidiary, Endavo to Paul Hamm. The consideration received by IMHI for the transfer to Mr. Hamm is the cancellation of 1,750,000 common stock purchase warrants. As a result, the transaction will be accounted for as a reverse merger, where TeleChem is the accounting acquirer resulting in a recapitalization of IMHI's equity.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

The Company's primary accountant, Maddox, Ungar, Silberstein, PLLC, was dismissed by the Company on March 19, 2008. No reports on the financial statements prepared by Maddox, Ungar, Silberstein, PLLC over the past two years contained any adverse opinion or disclaimer of opinion, or was qualified or modified as to uncertainty, audit scope, or accounting principles, except for concerns about the Company's ability to continue as a going concern. The decision to change accountants was, recommended and approved by the Board of Directors, on March 19, 2008. During the two most recent fiscal years, and the subsequent interim period through March 19, 2008 (the date of dismissal), there were no disagreements with Maddox, Ungar, Silberstein, PLLC on any matter of accounting principles or practices, financial statement disclosure, or auditing scope of procedure, which disagreements, if not resolved to the satisfaction of Maddox, Ungar, Silberstein, PLLC would have caused it to make reference to the subject matter of the disagreements in connection with its report.

The Company retained the services of the accounting firm of Malone & Bailey, PC on March 19, 2008 as their principal accountant. During the Company's fiscal years ended December 31, 2005 and 2006 and any later interim period, including the interim up to and including the date the relationship with Maddox, Ungar, Silberstein, PLLC ceased the registrant did not contact the new accountant prior to its engaging the new accountant regarding the application of accounting principles to a specified transaction, or the type of audit opinion that might be rendered on the registrant's financial statements. During the Company's fiscal years ended December 31, 2005 and 2006, and any later interim period, including the interim up to and including the date the relationship with Maddox, Ungar, Silberstein, PLLC ceased the Company did not contact the new accountant prior to its engaging the new accountant regarding any matter that was either the subject of a disagreement or a reportable event.

During the two most recent fiscal years and the subsequent interim period through March 19, 2008 the Company did not contact the new accountant prior to its engaging the new accountant regarding any matter that was a reportable event (as provided in Item 304(a)(iv)(B) of Regulation S-B) during the Company's fiscal years ended December 31, 2005 and 2006, and any later interim period, including the interim up to and including the date the relationship with Maddox, Ungar, Silberstein, PLLC ceased.

ITEM 8A CONTROLS AND PROCEDURES

Evaluation of Internal Controls

Disclosure controls and procedures are designed with an objective of ensuring that information required to be disclosed in our periodic reports filed with the Securities and Exchange Commission, such as this Annual Report on Form 10-KSB, is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission. Disclosure controls also are designed with an objective of ensuring that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, in order to allow timely consideration regarding required disclosures.

The evaluation of our disclosure controls by our chief executive officer, who is also our acting chief financial officer, included a review of the controls' objectives and design, the operation of the controls, and the effect of the controls on the information presented in this Annual Report. Our management, including our chief executive officer, does not expect that disclosure controls can or will prevent or detect all errors and all fraud, if any. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Also, projections of any evaluation of the disclosure controls and procedures to future periods are subject to the risk that the disclosure controls and procedures may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management's Assessment of Internal Control Over Financial Reporting
Based on his review and evaluation as of the end of the period covered by this Form 10-KSB, and subject to the inherent limitations all as described above, our chief executive officer, who is also our acting chief financial officer, has concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) contain material weaknesses and are not effective.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected.

The material weaknesses we have identified are the direct result of a lack of adequate staffing in our accounting department. Currently, our chief executive officer and a controller have sole responsibility for receipts and disbursements. We do not employ any other parties to prepare the periodic financial statements and public filings. Reliance on these limited resources impairs our ability to provide for a proper segregation of duties and the ability to ensure consistently complete and accurate financial reporting, as well as disclosure controls and procedures. As we grow, and as resources permit, we project that we will hire such additional competent financial personnel to assist in the segregation of duties with respect to financial reporting, and Sarbanes-Oxley Section 404 compliance.

We believe that we will be able to improve our financial reporting and disclosure controls and procedures and remedy the material weakness identified above.

PART III

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Our directors will serve for a term of one year unless they resign or are earlier removed. Our executive officer and key employees and consultants are appointed by our board of directors and serve at its discretion.

Current Directors and Executive Officers

Our board of directors currently consisted of four members on December 31, 2007. Peter Marcum and Harish Shah resigned from our board on April 11, 2007, as noted in the Subsequent Events section of this filing. There are no arrangements or understandings between any of the directors or any other persons pursuant to which any of the directors have been selected as directors, other than as described below. There are no "family relationships" among the directors, as that term is defined by the Securities and Exchange Commission. Set forth below is our current board of directors, including each member's age and position with the Company.

Name	Age	Position with the Company
Paul D. Hamm	40	President, Chief Executive Officer, and Chairman of the Board
Peter Marcum*	55	Director and Chief Executive Officer of WV Fiber, Inc.
Jerry Dunlap	54	Director
Harish Shah*	55	Director and President of Bidchaser, Inc.

PAUL D. HAMM . Mr. Hamm has served as our President, Chief Executive Officer and a member of our Board of Directors since June 24, 2004. Mr. Hamm is a 14-year financial services industry veteran, financial entrepreneur, investment banking professional and private equity fund manager. In 2002, Mr. Hamm founded and is currently the Managing Partner of AlphaWest Capital Partners, a specialized capital marketing firm providing extensive market/industry research, financial planning and modeling, transaction advisory, marketing and investment banking services to emerging public and "pre-public" U.S. companies. In 1998, Mr. Hamm co-founded and currently serves as Managing Director of SovCap Investment Management Group, the investment manager to SovCap Equity Partners, Ltd., an offshore private investment partnership, and our principal stockholder. As a principal investor, Mr. Hamm has made numerous private equity investments into publicly traded companies across technology and communications related industries. He has been actively involved with portfolio companies in business planning and execution, often serving as primary financial and strategic advisor to a portfolio company's management. Mr. Hamm holds NASD securities licenses, served as a Transportation/Civil Affairs Commissioned Officer for 8 years with the U.S. Army/USAR, and has a Bachelor of Science degree in Political Science from Stetson University.

JERRY DUNLAP . Mr. Dunlap has served as a member of our Board of Directors since July 1, 2004. Mr. Dunlap is co-founder and currently serves as President and Chief Executive Officer for ISDN-Net, a internet service provider located in Nashville, Tennessee. After ten years in existence, ISDN-Net is Tennessee's oldest and largest independent Internet Service Provider serving 87 of the state's 95 counties. Mr. Dunlap oversees many of the day-to-day operations of ISDN-Net and manages the company's long-term, strategic direction. Viewed as a pioneer in telecom networking and communications, Mr. Dunlap was asked by the Tennessee Public Service Commission in 1992 to direct a pilot project that ultimately resulted in the introduction of digital connectivity services in Tennessee. Shortly after that project, in 1994, Mr. Dunlap co-founded ISDN-Net to serve the data needs of Tennessee businesses. Mr. Dunlap has a Bachelor of Science degree in pharmacy from the University of Tennessee.

PETER MARCUM - Mr. Marcum resigned from his position as Director on our Board on April 11, 2007.

HARISH SHAH - Mr. Shah resigned from his position as Director on our Board and President of Bidchaser on April 11, 2007.

Directors and Executive Officers after merger

On February 21, 2008, the following persons were elected to serve as executive officers and directors for the next year and until their successors are elected and qualified.

NAME	AGE	POSITION
Rene’ A. Schena	44	Chairman , Director, CEO & CFO
Todd J. Martinsky	42	Director, Vice President & COO
Mark Schena, Ph.D.	44	Chief Technology Officer, Secretary & Treasurer
William L. Sklar	60	Director
Paul Haje	52	Director of Advertising and Public Relations

Ms. Schena holds a degree in Language Studies from the University of California Santa Cruz. She has 23 years experience in international business, including translation, contract documentation and commodities trading with a subsidiary of ConAgra from 1985 to 1988, and as a chemical import and distribution specialist, department manager, and later President of NuSource Chemical Corporation.

She founded TeleChem International, Inc. in 1993, continuing the import and export chemical distribution specialty, expanding into government bid business, and moving into the biotech sector in 1996. TeleChem is a market leader in DNA microarray technology, providing tools and expertise for the explosive functional genomics and diagnostic screening markets. In 2002 and again in 2003, TeleChem made Inc. Magazine's list of the top 500 fastest growing privately held companies in the USA. In 2005, the Silicon Valley Business Journal recognized Ms Schena as the President of the 11th largest woman-owned business enterprise in the Silicon Valley. Ms. Schena's long-term contacts in the chemical industry, strong business background and management expertise are key contributions to TeleChem's infrastructure. Ms. Schena is the sister of Mr. Martinsky and the wife of Dr. Schena.

Mr. Martinsky , Co-founder of TeleChem International, Inc., previously served as director of education and consulting at the Codd and Date Consulting Group. Mr. Martinsky has led the ArrayIt Division to play a significant role in the microarray industry. He has authored several book chapters and other scientific literature and has become an internationally recognized lecturer, writer, consultant and teacher. In addition to providing consulting services, Mr. Martinsky has spearheaded ArrayIt's technical support team since 1997. Along with his daily technical and business direction of the ArrayIt Product line, Mr. Martinsky established successful alliances with corporate partners in manufacturing, reagents, equipment and distribution. He is responsible for an educational outreach program that ensures that the broadly patented ArrayIt Micro Spotting Device is applied in the field with optimal scientific and technological accuracy. He is currently serving on the panel that is crafting future regulatory requirements for microarray manufacturing for the United States Pharmacopeia. Mr. Martinsky is the brother of Ms. Schena.

Dr. Schena is a world-renowned biochemist whose research focuses on microarray technology, genomics, proteomics, genotyping, molecular diagnostics, and gene expression. Dr. Schena and his colleagues at Stanford University published the first paper on microarrays in 1995 (Science 270, 467-470), catalyzing the explosive proliferation of microarray technology at academic and commercial institutions internationally. The 95' Science paper is the most highly cited paper in the history of Arabidopsis research and a recent article in The Scientist places Dr. Schena at positions 1 and 2 on the "microarray family tree", confirming his role as the founder of microarray technology and substantiating his status as the Father of Microarray Technology. More than 20,000 laboratories in 35 countries are using microarrays to explore basic questions in biology, chemistry, agriculture and medicine, and the proliferation of the technology has resulted in more than 26,000 publications since the original 95' Science publication. Dr. Schena is the husband of Ms. Schena.

Dr. Schena's success can be traced to an incomparable scientific pedigree. He trained as a postdoctoral fellow with Dr. Ronald W. Davis in the Department of Biochemistry at the Beckman Center at Stanford University, and earned a Ph.D. with Dr. Keith R. Yamamoto in the Department of Biochemistry at UCSF, graduating first in an exceptional class. Dr. Schena performed his undergraduate thesis work with Dr. Daniel E. Koshland, Jr. in the Biochemistry Department at UC Berkeley, earning a baccalaureate degree with greatest achievement and highest honors in 1984. As a professional scientist, he has authored more than thirty scientific papers and books on subjects ranging from bacteria and yeast to plants and humans, and has campaigned tirelessly with scientists, physicians, federal regulatory agencies, granting agencies, and charitable organizations to promote microarray technology for the betterment of humankind. Dr. Schena edited the first two books on microarrays, DNA Microarrays: A Practical Approach by Oxford University Press, and Microarray Biochip Technology by Eaton Publishing Company, wrote the first microarray textbook Microarray Analysis for J. Wiley & Sons, and the first book on the proteomic applications of microarrays entitled Protein Microarrays by Jones & Bartlett. Dr. Schena has recently completed a new methods book DNA Microarrays-Methods Express for Scion Publishing, and continues to lecture widely, having given more than 120 speeches in 15 countries since 1995. Dr. Schena was featured as one of the "Stars of Genomics" on the NOVA television special Cracking the Code of Life, which received more than 100,000,000 viewers worldwide, and is the most highly funded science documentary in United States history.

Dr. Schena is currently a Visiting Scholar and Consultant in the ArrayIt® Life Sciences Division at TeleChem International, Inc. Dr. Schena is also the Chairman of NGS-ArrayIt, Inc and the Founder and President of Mark Schena Inc., an educational consulting company providing consulting services to a host of leading organizations such as Affymetrix, AlphaGene, ArrayIt, Biodot, Cartesian Technologies, Clontech, diaDexus, General Scanning, Genomic Solutions, GSI Lumonics, Incyte Pharmaceuticals, Irell and Manella, Johnson & Johnson, Morrison & Foerster, Motorola, Packard Instruments, Perkins Coie, Roche, Synteni, Technology Mentors, TeleChem International, Wilson Sonsini, Goodrich & Rosati, and others. Dr. Schena resides with Ms. Rene Schena, the Founder and President of TeleChem International, Inc., in Los Altos, California.

Mr. Sklar has served as a consultant with Willmar Management Corp. since 1988. Since September 2004 Mr. Sklar has been the Chairman and a Director of PaperFree Medical Solutions, Inc., a company trading on the OTC BB. Since October 26, 2005 Mr. Sklar has been a director of Radiate Research a public company. From July 1983 to October 1988 Mr. Sklar was the owner of Western Bag & Burlap a textile manufacturer. Mr. Sklar holds a Bachelor of Commerce from the University of Toronto.

Mr. Haje joined TeleChem in 1999 as the Director of Advertising and Public Relations. He has successfully produced 63 major trade shows in the USA and Canada, 17 workshops, 11 VIP events, 76 unique full page print advertising campaigns, 18 direct mail campaigns, e-mail blasts, web site imagery and two full color company catalogs. In 2003, Mr. Haje won the 2003 Signet Advertising Award for Best Full Page Ad in the life sciences sector. Mr. Haje represented the company at the United States Food and Drug Administration’s Microarray Quality Control projects I and II, drawing important attention in the scientific press to the company and its H25K Whole Human Genome Chip. H25K was one of only seven microarray platforms allowed to participate in the project, including Affymetrix, Agilent, Illumina, GE Healthcare and Applied BioSystems. Mr. Haje has promoted the ArrayIt brand name through company exposure on prime time television, in cover stories, feature articles, trade publications, newsletters and web broadcasts. TV includes PBS NOVA, ABC Night Line, CNBC Business Odyssey. He has regularly booked cover stories and feature articles in Science, The Scientist, Nature, Genetic Engineering News, BioTechniques, Genome Technology, American Chemical Society, JAMA, PharmaGenomics, Genomics and Proteomics, BioScience Technology, BioArray News, BioInform, and Genome Web.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our executive officers, directors, and persons who own more than 10% of a registered class of our equity securities to file reports of ownership and changes in ownership with the Securities and Exchange Commission ("SEC"). Executive officers, directors, and greater than 10% stockholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file. Based solely on our review of the copies of such forms received by it during the year ended December 31, 2004, we believe that during such year our executive officers, directors and 10% stockholders complied with all such filing requirements except for the following late or delinquent filings: (i) Form 3 for Mr. Dunlap reporting his appointment as a director; (ii) Form 4 for Mr. Dunlap reporting certain transactions in our common stock by a company of which he is a stockholder, officer and director; (iii) Form 4 for Mr. Hamm reporting certain transactions in our common stock; (iv) Form 3 for Mr. Hewitt reporting his appointment as a director; (v) Form 4 for Mr. Hewitt reporting certain transactions in our common stock; and (vi) Form 3 and two Form 4s for SovCap Equity Partners reporting certain transactions in our common stock.

Code of Ethics

Our board of directors is currently in the process of adopting a code of ethics that complies with the rules promulgated under the Sarbanes-Oxley Act of 2002 and that applies to our principal executive officer and principal financial and accounting officer and to all of our staff.

Audit Committee Financial Expert

The Securities and Exchange Commission has adopted rules implementing Section 407 of the Sarbanes-Oxley Act of 2002 requiring public companies to disclose information about "audit committee financial experts." We do not have a standing Audit Committee. The functions of the Audit Committee have been assumed by our full Board of Directors. Additionally, we do not have a member of our board of directors that qualifies as an "audit committee financial expert." The Securities and Exchange Commission's rules do not require us to have an audit committee financial expert, and our Board of Directors has determined that it possesses sufficient financial expertise to effectively discharge its obligations.

ITEM 10. EXECUTIVE COMPENSATION

Summary compensation table

The following table sets forth the total compensation for the fiscal years ended December 31, 2007, 2006 and 2005 paid to or accrued for our chief executive officer and other executive officers, excluding executive officers paid less than $100,000 annually. Each of the following executive officers is referred to as a "Named Executive Officer."

		Annual Compensation		Long Term Compensation
Name and Principal Position	Year	Salary($)	Bonus($)	Securities Underlying Options/SARs (#)
Paul D. Hamm (1)	2007	$ 3,125	-	3,150,560
Chief Executive Officer	2006	$ 75,000	--	3,150,560
and President	2005	$ 95,000	--	525,000

(1) Consists of 35,060 shares of common stock owned directly by Mr. Hamm and 3,115,500 shares that Mr. Hamm has the right to acquire upon the exercise of currently exercisable stock options. Mr. Hamm may also be deemed to own 44,883 shares of Series A Preferred Stock owned by AlphaWest Capital Partners, of which Mr. Hamm is the sole member. However, the Series A Preferred Stock has not been converted to common stock, but may occur at a conversion ratio of 9.6 shares of common stock for each share of Series A Preferred Stock. Mr. Hamm, as a managing member of SovCap Investment Management Group, also may be deemed to beneficially own 592,294 shares of common stock and 2,280,013 shares of Series A preferred stock and approximately 2,800,000 shares related to convertible notes outstanding (based on conversion price of $0.22) beneficially owned by SovCap Investment Equity Partners, Ltd., due to the investment management relationship between SovCap Investment Management Group LLC and SovCap Equity Partners, Ltd. Mr. is a member of SovCap Investment Management Group. Mr. Hamm disclaims beneficial ownership of the securities held by SovCap Equity Partners, as neither he nor SovCap Investment Management Group has any interest in SovCap Equity Partners Ltd.

Executive Management Stock Option Grants And Exercises

EXECUTIVE MANAGEMENT OPTION GRANTS IN LAST 2 FISCAL YEARS

	Individual Grants			
Name	Number of Securities Underlying Options Granted (#)	Percent of Total Options Granted to Employees in Fiscal Year	Exercise Price ($/Share)	Expiration Date
Paul D. Hamm	37,500	43%	$3.20-4.00(4)	7/26/15
	1,450,000	21%	$ 0.25(4)	3/22/16
	2,000,000	28%	$ 0.42(4)	10/12/16
Peter Marcum	1,000,000	14%	$ 0.37(4)	10/12/16

(1) Options granted pursuant to the 2004 Directors, Officers and Consultants Stock Option, Stock Warrant and Stock Award Plan, or "2004 Plan," which vest in three equal yearly installments commencing on 7/26/05. The options were not issued in tandem with stock appreciation or similar rights and are not transferable other than by will or the laws of descent and distribution. The options expire on July 16, 2015.

(2) Options granted pursuant to the 2004 Plan, which vest in three equal yearly installments commencing on 7/26/05. The options were not issued in tandem with stock appreciation or similar rights and are not transferable other than by will or the laws of descent and distribution. The options expire on December March 22, 2016.

(3) Options granted pursuant to the 2004 Plan, which were completely vested on January October 12, 2006. The options were not issued in tandem with stock appreciation or similar rights and are not transferable other than by will or the laws of descent and distribution. The options expire on October 12, 2016.

(4) The exercise price of these options was equal to the fair market value (closing price) of the underlying common stock on the date of grant. These options are nonqualified options.

(5) Options granted pursuant to the 2004 Plan, which vest in three equal yearly installments commencing on 10/12/06.

The options were not issued in tandem with stock appreciation or similar rights and are not transferable other than by will or the laws of descent and distribution. The options expire on December October 12, 2016.

The following table provides information on the value of each of our Named Executive Officer's unexercised options at December 31, 2007. None of our Named Executive Officers exercised any options during 2007.

Fiscal Year End Option Values

Name	Number of Securities Underlying Unexercised Options at Fiscal Year--End (#)	Value of Unexercised In-the Money Options at Fiscal Year-End($)
Paul D Hamm	3,487,500	- 0 -
Peter Marcum	1,000,000	- 0 -

Compensation of Directors

Our non-employee directors do not receive any additional compensation for serving as a member of our board of directors or for attending any of our board committees, but non-employee directors may be reimbursed for out-of-pocket expenses incurred in connection with attending our board and board committee meetings, although we incurred no such expenses in 2006.

For information concerning agreements involving Named Executive Officers see Item 12 Certain Relationships and

Related Transactions.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth certain information regarding the beneficial ownership of our common stock as of December 31, 2006 with respect to (i) each director of the Company; (ii) each executive officer; (iii) all executive officers and directors of the Company as a group; and (iv) each party known by us to be the beneficial owner of more than 5% of our common stock. Unless otherwise indicated, the mailing address for each party listed below is c/o Integrated Media Holdings, Inc., 10 Glenlake Parkway, Suite 130, Atlanta, GA 30328. This table is based upon information supplied by current and former officers, directors and principal stockholders. Unless otherwise indicated in the footnotes to this table and subject to community property laws where applicable, we believe that each of the stockholders named in this table has sole voting and investment power with respect to the shares indicated as beneficially owned. Applicable percentages are based on approximately 58,000,000 of our common stock outstanding or beneficially owned as of December 31, 2006 adjusted as required by rules promulgated by the Securities and Exchange Commission.

The number and percentage of shares beneficially owned is determined in accordance with Rule 13d-3 of the Securities Exchange Act and the information is not necessarily indicative of beneficial ownership for any other purpose. Under that rule, beneficial ownership includes any shares as to which the individual or entity has voting power or investment power and any shares that the individual has the right to acquire within 60 days through the exercise of any stock option or other right. Unless otherwise indicated in the footnotes or table, each person or entity has sole voting and investment power, or shares such powers with his or her spouse, with respect to the shares shown as beneficially owned.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Fully-Diluted Shares Outstanding	
Executive Officers and Directors			
Paul D. Hamm (1)	3,522,560	5.4	%
Peter Marcum (2)	250,000	*	%
Harish Shah (3)	2,205,268	3.8	%
Jerry Dunlap (4)	20,000	*	
Five Percent Shareholders			
SovCap Equity Partners Ltd. (5)	16,670,876	28.7	%

Wilhagan Ventures LLC (6)	6,998,169	12.1	%
All Directors and Executive Officers as a Group (4 persons) (1)(2)(3)(4)	5,625,828	9.7	%

* Less than one percent.

(1) Consists of 35,060 shares of common stock owned directly by Mr. Hamm and 3,487,500 shares that Mr. Hamm has the right to acquire upon the exercise of currently exercisable stock options. Mr. Hamm may also be deemed to own 44,883 shares of Series A Preferred Stock owned by AlphaWest Capital Partners, of which Mr. Hamm is the sole member. However, the Series A Preferred Stock has not been converted to common stock, but may occur at a conversion ratio of 9.6 shares of common stock for each share of Series A Preferred Stock. Mr. Hamm, as a managing member of SovCap Investment Management Group, also may be deemed to beneficially own 592,294 shares of common stock and 2,280,013 shares of Series A preferred stock and approximately 2,800,000 shares related to convertible notes outstanding (based on conversion price of $0.22) beneficially owned by SovCap Investment Equity Partners, Ltd., due to the investment management relationship between SovCap Investment Management Group LLC and SovCap Equity Partners, Ltd. Mr. is a member of SovCap Investment Management Group. Mr. Hamm disclaims beneficial ownership of the securities held by SovCap Equity Partners, as neither he nor SovCap Investment Management Group has any interest in SovCap Equity Partners Ltd.

(2) Consists of 250,000 shares that Mr. Marcum has the right to acquire upon the exercise of currently exercisable stock options. Mr. Marcum may also be deemed to own the 728,976 shares of Series A Preferred Stock owned by Wilhagan Ventures, of which Mr. Marcum is an owner. However, the Series A Preferred Stock has not been converted into common, but may occur at a conversion ratio of 9.6 shares of common stock for each share of Series A Preferred Stock. Mr. Marcum disclaims beneficial ownership of the securities held by Wilhagan Venture except to the extent of his proportionate interest therein.

(3) Consists of 1,398,170 common shares, 73,656 preferred shares and 200,000 warrants owned by Mr. Shah, his wife or J&H Orlando Inc., which is owned by Mr. Shah. However, the Series A Preferred Stock has not been converted into common, but may occur at a conversion ratio of 9.6 shares of common stock for each share of Series A Preferred Stock.

(4) Consists of 20,000 common shares owned by Mr. Dunlap. ISDN.Net, of which Mr. Dunlap is President and an owner, owns 74,000 shares of Series A Preferred Stock and 57,600 shares of common stock. However, the Series A Preferred Stock has not been converted into common stock, but may occur at a conversion ratio of 9.6 shares of common stock for each share of Series A Preferred Stock. Mr. Dunlap disclaims beneficial ownership of the securities owned by ISDN.Net except to the extent of his proportionate interest therein.

(5)

Consists of 592,294 shares of common stock and 1,466,519 shares of Series A preferred stock, which are convertible at a ratio of 9.6 common for each share of preferred, and approximately 2,000,000 shares related to convertible notes outstanding (based on conversion price of $0.25) beneficially owned by SovCap Investment Equity Partners, Ltd.

(6) Consists of 728,976 shares of Series A Preferred Stock owned by Wilhagan Ventures, which are convertible at a ratio of 9.6 common for each share of preferred.

Equity Compensation Plan Information

We maintain the 2004 Directors, Officers and Consultants Stock Option, Stock Warrant and Stock Award Plan pursuant to which we may grant equity awards to eligible persons. The following table provides information as of December 31, 2006 about equity awards under this plan in 2007.

2004 Directors, Officers and Consultants Option Plan Vesting Schedule

Name	Effective Date	Term (yrs)	Shares	Options	Adjusted Amount	Strike Price	Adjusted Strike Price	Vested as of 12/31/06
Jay Kozhikotte	3/22/06	10		120,000	120,000	0.25	0.25	60,000
Jon Ellis	3/22/06	10		92,500	92,500	0.25	0.25	46,250
Jorge Tomassello	3/22/06	10		440,000	440,000	0.25	0.25	220,000
Mario Pino	3/22/06	10		440,000	440,000	0.25	0.25	220,000
Orlando Mastrapa	3/22/06	10		90,000	90,000	0.25	0.25	45,000
Paul D Hamm	3/22/06	10		1,450,000	1,450,000	0.25	0.25	725,000
John Sarko	3/22/06	10		25,000	25,000	0.25	0.25	12,500
Mashrua Inc.	3/30/06	na	1,800,000					1,800,000
Rossington Partners	3/30/06	na	1,800,000					1,800,000
Ronald Cole	3/30/06	na	1,800,000					1,800,000
Canouse	5/18/06	10		100,000	100,000	1.00	1.00	100,000
Paul D Hamm	10/2/06	15		2,000,000	2,000,000	0.42	0.42	2000000
Peter Marcum	10/12/06	15		1,000,000	1,000,000	0.37	0.37	250000
Karen Bairaktaris	10/12/06	15		300,000	300,000	0.37	0.37	75000
Bradley Bopp	10/12/06	15		150,000	150,000	0.37	0.37	37500
Mark Wilson	10/12/06	15		550,000	550,000	0.37	0.37	137500
Richard Eller	10/12/06	15		150,000	150,000	0.37	0.37	37500

1) We previously maintained the New Planet Resources, Inc. Stock Incentive Plan and the 2002 Directors, Officers and Consultants Stock Option, Stock Warrant and Stock Award Plan. There are no outstanding options under these plans and we intend to retire these plans.

(2) This number does not include 8,512,533 common shares issued pursuant to the 2004 Directors, Officers and Consultants Stock Option, Stock Warrant and Stock Award Plan and for warrants previously exercised that were granted pursuant to the 2004 Plan.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Agreements with Executive Officers

On October 1, 2005, our subsidiary Endavo entered into an executive management agreements with our President and CEO, Paul D Hamm,. Under this employment agreement, Mr. Hamm agreed to act as Endavo's President and Chief Executive Officer. The agreement is for a term of three years. As compensation for services under the management agreement, Mr. Hamm is entitled to receive a base salary of $75,000 per year. If the company generates revenues of $104,166.67 ($1,250,000 annualized) in any given month, Mr. Hamm's salary will be increased to $120,000 per year. In connection with their engagement by the Company, Mr. Hamm is entitled to be issued incentive stock options to purchase 1,000,000 shares of our common stock. The options will vest in increments of approximately one-third on each of the 3 anniversaries of the agreement.

On August 8, 2006, WV Fiber entered into an executive management agreement with Peter Marcum. Under this agreement Mr Marcum agreed to act as WV Fiber's Chief Executive Officer for a period of 3 years. As compensation for services under the management agreement, Mr Marcum is entitled to receive a base salary of $75,000 per year and received 1,000,000 15-year options priced at $0.37, the fair market value of our common stock at the time of issuance, which vest over a period of two years.

On August 8, 2006, WV Fiber entered into an executive management agreement with Mark Wilson. Under this agreement Mr Wilson agreed to act as WV Fiber's Chief Operating Officer for a period of 3 years. As compensation for services under the management agreement, Mr Wilson is entitled to receive a base salary of $85,000 per year, plus sales commissions, and received 400,000 15-year options priced at $0.37, the fair market value of our common stock at the time of issuance, which vest over a period of two years.

On October 23, 2006, Integrated Media Holdings also entered into an executive management agreement with Mr. Hamm. Under this agreement, Mr, Hamm agreed to act as our President and Chief Executive Officer for a period of three years in exchange for 2,000,000 options priced at $0.42, which was fair market value of the company's common stock at the time of issuance. Mr. Hamm has agreed to waive cash compensation under this agreement, but has the right to request cash compensation be established by the board, which will not be unreasonably withheld.

Other Relationships and Related Transactions

Between January 1, 2006 and December 31, 2006, we borrowed a total of $103,500 from our largest security holder, SovCap Equity Partners, Ltd. in the form of non-convertible notes. As of December 31, 2006, SovCap held $161,000 (principal) in non-convertible promissory notes and $405,300 (principal) in convertible promissory notes. Each of the remaining convertible notes is due within 10 days of demand by SovCap. The notes are not subject to interest; however there is a repayment fee equal to the product of (i) 1.5% of the outstanding principal amount under the note and (ii) the number of 30-day periods (rounded up) that the note has been outstanding. The repayment fee is owed regardless of whether the note is prepaid in advance or becomes due upon demand or default. If we are unable to make the payments upon demand or when otherwise due, interest will also accrue on the amount owed at an annual interest rate of 12%. Each note is convertible into shares of our common stock at 75% of the average closing bid price of our common stock over the five trading days preceding the conversion. We also granted SovCap piggyback registration rights with respect to the shares of common stock issuable upon conversion of the notes, which SovCap waived in connection with our recent private placement of convertible promissory notes and warrants. As of March 31, 2006, the aggregate amount of principal and repayment premiums due upon demand under the convertible notes was $624,314, or approximately 8,324,187 shares of our common stock had SovCap elected to convert. The non-convertible notes also remain outstanding as of March 31, 2006.

ITEM 13. EXHIBITS, LIST AND REPORTS ON FORM 8-K

(a) The following exhibits are either attached hereto or incorporated herein by

reference as indicated.

Exhibit Number	Description	Previously Filed as Exhibit	File Number	Previously Date Filed
2.1	Agreement and Plan of Merger	Attached to the Registrant's Current Report on Form 8-K	001-16381	9/17/02
3.1	Certificate of Incorporation	Exhibits 1 and 1.1 to the Registrant's Registration Statement on Form 8-A	001-16381	3/01/01
3.2	Amended and Restated Bylaws	Exhibit 2 to the Registrant's Registration Statement on Form 8-A	001-16381	3/01/01
4.1	Form of 8.0% Senior Secured Convertible Note	Exhibit 4.1 to Registrant's Current Report on Form 8-K	001-16381	2/28/05
4.2	Form of Warrant	Exhibit 4.2 to Registrant's Current Report on Form 8-K	001-16381	2/28/05
4.3	Form of Additional Investment Right "A"	Exhibit 10.2 to Registrant's Current Report on Form 8-K	001-16381	2/28/05
4.4	Form of Additional Investment Right "B"	Exhibit 10.3 to Registrant's Current Report on Form 8-K	001-16381	2/28/05
10.1	2004 Directors, Officers and Consultants Stock Option, Stock Warrant and Stock Award Plan	Exhibit 4.1 to the Registrant's Registration Statement on Form S-8	333-119586	10/07/04
10.2	2002 Directors, Officers and Consultants Stock Option, Stock Warrant and Stock Award Plan	Exhibit 4.1 to the Registrant's Registration Statement on Form S-8	333-99371	9/10/02
10.3	Executive Management Agreement, dated October 23, 2006 by and between the Registrant and Paul D Hamm	Attached hereto		

10.5	Form of Securities Purchase Agreement for 8.0% Senior Secured Convertible Notes	Exhibit 10.1 to Registrant's Current Report on Form 8-K	001-16381	2/28/05
10.6	Form of Security Agreement	Exhibit 10.4 to Registrant's Current Report on Form 8-K	001-16381	2/28/05
21	Company Subsidiaries	Attached hereto		
31	Certification pursuant to SEC Release No. 33-8238, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Attached hereto		
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Attached hereto		
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Attached hereto		

(1) The Company made and delivered to SovCap Equity Partners, Ltd. 13 separate demand promissory notes from August 21, 2003 through September 8, 2004. Each of these demand notes used the form attached. Only the principal amounts varied. These demand notes are discussed in greater detail under Item 12. Certain Relationships and Related Transactions - Other Relationships and Related Transactions .

(b) We did not file any Current Reports on Form 8-K during the period covered by this Annual Report.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Our board of directors, had prevously selected Maddox Unger Silberstein PLLC and its predecessor, Ronald N. Silberstein CPA PLLC, certified public accountants, as independent auditors to examine our annual consolidated financial statements for our fiscal year ending December 31, 2006 and 2007. The Company’s primary accountant, Maddox, Ungar, Silberstein, PLLC, was dismissed by the Company on March 19, 2008. The Company retained the services of the accounting firm of Malone & Bailey, PC on March 19, 2008 as their principal accountant to complete the examination of our consolidated financial statements for the fiscal year ending December 31, 2007.

We have paid or expect to pay the following fees toMaddox, Ungar Silberstein PPLC (including the predecessor firm of Ronald N. Silberstein CPA PLLC) and Malone & Bailey, PC for work performed in 2007and 2006 or attributable to the audits of our 2007 and 2006 consolidated financial statements:

	2006	2007
Audit Fees – Maddox Ungar Silberstein	$ 35,000	$13,456

Audit Fees Malone & Bailey		65,000
Audit-Related Fees	-	-
Tax Fees Maddox Ungar Silberstein	-	4,050
All Other Fees – Maddox Ungar Silberstein	1,855	13,600

In January 2003, the SEC released final rules to implement Title II of the Sarbanes-Oxley Act of 2003. The rules address auditor independence and have modified the proxy fee disclosure requirements. Audit fees include fees for services that normally would be provided by the accountant in connection with statutory and regulatory filings or engagements and that generally only the independent accountant can provide. In addition to fees for an audit or review in accordance with generally accepted auditing standards, this category contains fees for comfort letters, statutory audits, consents, and assistance with and review of documents filed with the SEC. Audit-related fees are assurance-related services that traditionally are performed by the independent accountant, such as employee benefit plan audits, due diligence related to mergers and acquisitions, internal control reviews, attest services that are not required by statute or regulation, and consultation concerning financial accounting and reporting standards.

The board of directors has reviewed the fees paid to Maddox, Ungar Silberstein PPLC (including the predecessor firm of Ronald N. Silberstein CPA PLLC) and Malone & Bailey, PC, and has considered whether the fees paid for non-audit services are compatible with maintaining their independence. The board of directors may additionally ratify certain de minimis services provided by the independent auditor without prior approval, as permitted by the Sarbanes-Oxley Act and rules of the SEC promulgated thereunder. We will disclose all such approvals, as applicable, in upcoming years.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	INTEGRATED MEDIA HOLDINGS, INC.
Dated: April 15, 2008	By: /s/ RENE’ A. SCHENA Rene’ A. Schena, Chairman , Director, CEO & CFO

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

	INTEGRATED MEDIA HOLDINGS, INC.
Dated: April 15, 2008	By: /s/RENE’ A. SCHENA Rene’ A. Schena, Chairman , Director, CEO & CFO (Principal Executive Officer and acting Principal Financial and Accounting Officer)
Dated: April 15, 2008	By: /s/ TODD J. MARTINSKY Todd J. Martinsky, Director, Vice President & COO